

# Q3 2017

**ALIMENTATION COUCHE-TARD INC.**  
MANAGEMENT DISCUSSION & ANALYSIS  
16 and 40-week periods ended January 29, 2017



## Management Discussion and Analysis

*The purpose of this Management Discussion and Analysis (“MD&A”) is, as required by regulators, to explain management’s point of view on the financial condition and results of the operations of Alimentation Couche-Tard Inc. (“Couche-Tard”) as well as its performance during the third quarter of the fiscal year ending April 30, 2017. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations, and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader’s understanding of Couche-Tard’s consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By “we”, “our”, “us” and “the Corporation”, we refer collectively to Couche-Tard and its subsidiaries.*

*Except where otherwise indicated, all financial information reflected herein is expressed in United States dollars (“US dollars”) and determined on the basis of International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). We also use measures in this MD&A that do not comply with IFRS. Where such measures are presented, they are defined and the reader is informed. This MD&A should be read in conjunction with the annual consolidated financial statements and related notes included in our 2016 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at <http://www.sedar.com/> and on our website at <http://corpo.couche-tard.com/>.*

## Forward-Looking Statements

This MD&A includes certain statements that are “forward-looking statements” within the meaning of the securities laws of Canada. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words “believe”, “could”, “should”, “intend”, “expect”, “estimate”, “assume” and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at March 14, 2017, which are not guarantees of the future performance of Couche-Tard or its industry, and involve known and unknown risks and uncertainties that may cause Couche-Tard’s or the industry’s outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetization, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise.

The foregoing risks and uncertainties include the risks set forth under “Business Risks” in our 2016 Annual Report as well as other risks detailed from time to time in reports filed by Couche-Tard with securities regulators in Canada.

## Our Business

We are the leader in the Canadian convenience store industry. In the United States, we are the largest independent convenience store operator in terms of the number of company-operated stores. In Europe, we are a leader in convenience store and road transportation fuel retail in the Scandinavian countries (Norway, Sweden and Denmark), in the Baltic States (Estonia, Latvia and Lithuania) and in Ireland and with also an important presence in Poland.

As of January 29, 2017, our network comprised 8,081 convenience stores throughout North America, including 6,710 stores with road transportation fuel dispensing. Our North American network consists of 15 business units, including 11 in the United States covering 41 states and 4 in Canada covering all 10 provinces. Approximately 80,000 people are employed throughout our network and at our service offices in North America.

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of January 29, 2017, our network comprised 2,766 service stations, the majority of which offer road transportation fuel and convenience products while the others are unmanned automated fuel stations which only offer road transportation fuel. We also offer other products including stationary energy, marine fuel, aviation fuel, lubricants and chemicals. Including employees at branded franchise stores, approximately 25,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, close to 1,700 stores are operated under the Circle K banner in 13 other countries and territories worldwide (China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Macau, Malaysia, Mexico, the Philippines, the United Arab Emirates and Vietnam), which brings our total network to more than 12,500 stores.

Our mission is to offer our customers fast and friendly service by developing a warm and customized relationship with them, while finding ways to pleasantly surprise them on a daily basis. To this end, we strive to meet the demands and needs of people on the go. We offer food, hot and cold beverages, car wash services, road transportation fuel and other high quality products and services designed to meet or exceed customers' demands in a clean, welcoming and efficient environment. Our positioning in the industry stems primarily from the success of our business model, which is based on a decentralized management structure, an ongoing comparison of best practices and operational expertise enhanced by our experience in the various regions of our network. Our positioning is also a result of our focus on in-store merchandise and on our continued investment in our people and our stores.

## Value Creation

In the United States, the convenience store sector is fragmented and in a consolidation phase. We are participating in this process through our acquisitions, the market shares we gain when competitors close sites, and by improving our offering. In Europe and Canada, the convenience store sector is often dominated by a few major players, including integrated oil companies. Some of these integrated oil companies are in the process of selling, or are expected to sell, their retail assets. We intend to study investment opportunities that might come to us through this process.

No matter the context, to create value for our Corporation and its shareholders, acquisitions have to be concluded at reasonable conditions. Therefore, we do not necessarily favour store count growth to the detriment of profitability. In addition to acquisitions, the contribution from organic growth has played an important role in the recent growth of our net earnings. Highlights have included the on-going improvements we have made to our offer, including fresh products, to our supply terms and to our efficiency. All these elements, in addition to our strong balance sheet, have contributed to the growth in our net earnings and to value creation for our shareholders and other stakeholders. We intend to continue in this direction.

## Exchange Rate Data

We use the US dollar as our reporting currency which provides more relevant information given the predominance of our operations in the United States.

The following table sets forth information about exchange rates based upon closing rates expressed as US dollars per comparative currency unit:

	16-week periods ended		40-week periods ended	
	January 29, 2017	January 31, 2016	January 29, 2017	January 31, 2016
<b>Average for periods<sup>(1)</sup></b>				
Canadian Dollar	<b>0.7504</b>	0.7347	<b>0.7624</b>	0.7638
Norwegian Krone	<b>0.1186</b>	0.1157	<b>0.1198</b>	0.1209
Swedish Krone	<b>0.1104</b>	0.1171	<b>0.1152</b>	0.1182
Danish Krone	<b>0.1440</b>	0.1460	<b>0.1479</b>	0.1480
Zloty	<b>0.2445</b>	0.2527	<b>0.2517</b>	0.2614
Euro	<b>1.0714</b>	1.0893	<b>1.1000</b>	1.1050
Ruble	<b>0.0161</b>	0.0144	<b>0.0157</b>	0.0158

Period end	As at January 29, 2017	As at April 24, 2016
Canadian Dollar	<b>0.7623</b>	0.7892
Norwegian krone	<b>0.1198</b>	0.1217
Swedish krone	<b>0.1130</b>	0.1231
Danish krone	<b>0.1436</b>	0.1510
Zloty	<b>0.2461</b>	0.2572
Euro	<b>1.0681</b>	1.1239
Ruble	<b>0.0166</b>	0.0150

(1) Calculated by taking the average of the exchange rates of each day in the applicable period.

As we use the US dollar as our reporting currency, in our consolidated financial statements and in this document, unless indicated otherwise, results from our Canadian, European and corporate operations are translated into US dollars using the average rate for the period. Unless otherwise indicated, variances and explanations regarding changes in the foreign exchange rate and the

volatility of the Canadian dollar and European currencies which we discuss in the present document are therefore related to the translation into US dollars of our Canadian, European and corporate operations' results.

## Overview of the Third Quarter of Fiscal 2017

We closed the third quarter of fiscal 2017 with net earnings of \$287.0 million, compared with \$274.0 million for the third quarter of the previous fiscal year. Diluted net earnings per share stood at \$0.50, compared with \$0.48 for the previous year.

Results for the third quarter of fiscal 2017 were affected by a \$8.4 million pre-tax accelerated depreciation and amortization expense in connection with the Corporation's global brand initiative, by pre-tax acquisition costs of \$6.0 million, by a pre-tax restructuring expense of \$6.0 million, by a pre-tax net foreign exchange loss of \$3.0 million, as well as by a \$2.7 million pre-tax curtailment gain on defined benefits pension plan obligation. The results for the comparable quarter of fiscal 2016 included a \$27.2 million pre-tax curtailment gain on defined benefits pension plan obligation, a \$22.9 million income tax expense stemming from an internal reorganization, a \$10.4 million pre-tax write-off charge in connection with a fuel rebranding project, a \$10.1 million pre-tax accelerated depreciation and amortization expense in connection with the Corporation's global brand initiative, a \$9.2 million pre-tax charge on the early termination of certain fuel supply contracts, a pre-tax net foreign exchange loss of \$4.1 million, as well as pre-tax acquisition costs of \$2.1 million.

Excluding these items from both comparable periods, net earnings for the third quarter of fiscal 2017 would have been approximately \$303.0 million (\$0.53 per share on a diluted basis), compared with \$301.0 million (\$0.53 per share on a diluted basis) for the third quarter of fiscal 2016 - an increase of \$2.0 million or 0.7%. This increase is attributable to the contribution from acquisitions, to our continued organic growth and to the impact of a lower income tax rate, partly offset by lower fuel margins in the U.S. and in Europe.

## The Pantry Inc. – Synergies and cost reduction initiatives

During the quarter, we reached our 24-months annual cost reduction target of \$85.0 million before income taxes. These cost reductions mainly reduced operating, selling, administrative and general expenses and, to a lesser extent, the cost of sales.

For merchandises and services supply cost reductions, we had quickly surpassed our projected run rate of approximately \$27.0 million. We have also surpassed our target for fuel synergies associated with the fuel rebranding of approximately 1,000 stores in the Southeastern U.S.

We will continue our efforts towards improving our efficiency and we are confident that additional synergies will be realized.

## Topaz

During the third quarter of fiscal 2017, we adjusted and finalized the purchase price allocation of Topaz to reflect our fair value assessment of the assets acquired, the liabilities assumed and the goodwill for the transaction. The adjustments we made to the purchase price allocation had the following impact on our previously reported net earnings:

	12-week period ended April 24, 2016			52-week period ended April 24, 2016		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Revenues</b>	7,397.1	-	7,397.1	34,144.6	-	34,144.6
Cost of Sales	6,005.8	-	6,005.8	28,063.1	-	28,063.1
<b>Gross profit</b>	1,391.3	-	1,391.3	6,081.5	-	6,081.5
Operating, selling, administrative and general expenses	934.5	1.4	935.9	3,835.1	1.4	3,836.5
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	162.0	0.7	162.7	632.4	0.7	633.1
<b>Operating income</b>	294.2	(2.1)	292.1	1,669.8	(2.1)	1,667.7
<b>Net financial expenses</b>	31.7	0.5	32.2	107.5	0.5	108.0
Earnings before income taxes	269.0	(2.5)	266.5	1,592.3	(2.5)	1,589.8
Income taxes	62.8	(0.3)	62.5	398.6	(0.3)	398.3
<b>Net earnings</b>	206.2	(2.3)	203.9	1,193.7	(2.3)	1,191.4

	12-week period ended July 17, 2016			12-week period ended October 9, 2016			24-week period ended October 9, 2016		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
<b>Revenues</b>	8,420.6	-	8,420.6	8,445.5	-	8,445.5	16,866.1	-	16,866.1
Cost of Sales	6,901.2	-	6,901.2	6,898.0	-	6,898.0	13,799.2	-	13,799.2
<b>Gross profit</b>	1,519.4	-	1,519.4	1,547.5	-	1,547.5	3,066.9	-	3,066.9
Operating, selling, administrative and general expenses	915.8	-	915.8	930.3	(0.2)	930.1	1,846.1	(0.2)	1,845.9
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	145.0	1.4	146.4	154.2	2.5	156.7	299.2	3.9	303.1
<b>Operating income</b>	460.2	(1.4)	458.8	462.6	(2.3)	460.3	922.8	(3.7)	919.1
<b>Net financial expenses</b>	24.4	0.4	24.8	21.3	0.6	21.9	45.7	1.0	46.7
Earnings before income taxes	445.3	(1.8)	443.5	446.6	(3.0)	443.6	891.9	(4.7)	887.2
Income taxes	120.9	(0.2)	120.7	122.6	(0.4)	122.2	243.5	(0.6)	242.9
<b>Net earnings</b>	324.4	(1.6)	322.8	324.0	(2.6)	321.4	648.4	(4.2)	644.2

## Network growth

### *Multi-site acquisitions*

On September 7, 2016, we received the approval from the Canadian Competition Bureau to acquire 278 sites from Imperial Oil (“IOL”) for a total cash consideration of \$1,285.7 million. 228 are located in Ontario, mostly in the Greater Toronto Area, and 50 are located in the Greater Montreal area. The agreement also includes 13 land banks and 1 dealer site as well as a long-term supply contract for Esso-branded fuel. The integration of the sites began on September 12, 2016 and was completed on October 27, 2016. Of the 278 sites, we lease the land and building for 1 site, we lease the land and own the building for 40 sites and we own both these assets for the remaining 237 sites. At closing, all sites were operating under a commission agency model under which a third party (the “agent”) operates the site. Under the commission agency model:

- The agent owns all merchandise inventory, retains associated sales and gross profits and pays a commission to Couche-Tard, which is recorded as part of the merchandise and service revenues;
- Couche-Tard owns all road transportation fuel inventory, retains associated sales and gross profits and pays a commission to the agent;
- The agent operates the car washes, retains associated sales and gross profits and pays a commission to Couche-Tard, which is recorded as part of the merchandise and service revenues;
- Couche-Tard receives rent and other fee income from third parties operating on the property (including quick-service restaurants, ATMs, etc.), which is recorded as part of other revenues;
- Couche-Tard is responsible for property taxes, utilities, fuel maintenance, land lease expenses, credit card fees and loyalty programs costs associated with road transportation fuel sales;
- The agent is responsible for all other expenses, including store labour.

On November 15, 2016, we completed the acquisition of 23 company-operated sites located in Estonia from Sevenoil Est OÜ and its affiliates. 11 are full-service fuel stations and 12 are unmanned automated fuel stations. We lease the land and buildings for 3 sites and own those assets for the remaining sites. We financed this transaction using our available cash and existing credit facilities.

### *Single-site acquisitions*

During the third quarter of fiscal 2017, we acquired 9 company-operated stores through distinct transactions, which brings the total to 11 company-operated stores since the beginning of the fiscal year.

Available cash was used for these transactions.

### Store construction

We completed the construction, relocation or reconstruction of 23 stores during the third quarter of fiscal 2017, which brings the total to 48 stores since the beginning of fiscal 2017.

As of January 29, 2017, 61 stores were under construction and should open in the upcoming quarters.

### Outstanding transactions

On August 21, 2016, we announced a definitive merger agreement with CST Brands, Inc. ("CST") under which we would acquire CST in an all-cash transaction for \$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 employs 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. The transaction has been approved by CST's stockholders on November 16, 2016, and is still subject to regulatory approvals in the United States and Canada. We expect to close the transaction early in fiscal year 2018 and we plan to finance it using our available cash, existing credit facilities and a new term loan.

We have also entered into an agreement with Parkland Fuel Corporation ("Parkland") pursuant to which we would sell certain Canadian assets of CST to Parkland subsequent to the merger with CST for approximately \$750.0 million. This transaction is subject to customary regulatory approval and closing conditions.

On August 29, 2016, we signed an agreement to purchase 53 company-operated sites from American General Investments, LLC and North American Financial Group, LLC, located in Louisiana, United States. These convenience stores operate under the *Cracker Barrel* brand and include 12 quick service restaurants. As per the agreement, we would own the land and building for 47 sites and would assume or enter into leases for the remaining 6 locations. The transaction is anticipated to close early in fiscal year 2018 and is subject to the standard regulatory approval and closing conditions. We expect to finance this transaction using our available cash and existing credit facilities.

### Summary of changes in our store network during the third quarter and the first three quarters of fiscal 2017

The following table presents certain information regarding changes in our store network over the 16-week period ended January 29, 2017<sup>(1)</sup>:

Type of site	16-week period ended January 29, 2017				
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	Total
Number of sites, beginning of period	8,007	684	1,006	1,063	10,760
Acquisitions	32	104	1	-	137
Openings / constructions / additions	23	4	10	16	53
Closures / disposals / withdrawals	(42)	(13)	(29)	(19)	(103)
Store conversion	11	(14)	3	-	-
Number of sites, end of period	8,031	765	991	1,060	10,847
Number of automated fuel stations included in the period-end figures <sup>(6)</sup>	964	-	17	-	981

The following table presents certain information regarding changes in our store network over the 40-week period ended January 29, 2017<sup>(1)</sup>:

Type of site	40-week period ended January 29, 2017				
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	Total
Number of sites, beginning of period	7,929	530	1,016	1,072	10,547
Acquisitions	35	403	1	-	439
Openings / constructions / additions	48	4	30	59	141
Closures / disposals / withdrawals	(122)	(19)	(68)	(71)	(280)
Store conversion	141	(153)	12	-	-
Number of sites, end of period	8,031	765	991	1,060	10,847

(1) These figures include 50% of the stores operated through RDK, a joint venture.

(2) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by Couche-Tard or one of its commission agents.

(3) Sites for which the real estate is controlled by Couche-Tard (through ownership or lease agreements) and for which the stores (and/or the service stations) are operated by an independent operator in exchange for rent and to which Couche-Tard sometimes provides road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.

(4) Sites controlled and operated by independent operators to which Couche-Tard supplies road transportation fuel through supply contracts. Some of these sites are subject to a franchise agreement, licensing or other similar agreement under one of our main or secondary banners.

(5) Stores operated by an independent operator through a franchising, licensing or another similar agreement under one of our main or secondary banners.

(6) These sites sell road transportation fuel only.

In addition, close to 1,700 stores are operated by independent operators under the Circle K banner in 13 other countries or regions worldwide (China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Macau, Malaysia, Mexico, the Philippines, the United Arab Emirates and Vietnam). These bring our total network to more than 12,500 sites.

#### *Other change to our network*

On October 31, 2016, we sold all of our shares in Dansk Fuel to DCC Holding A/S, a subsidiary of DCC plc, for a cash consideration of \$71.5 million. Prior to this sale transaction, a capital reduction of \$65.6 million was made. These transactions did not have any impact on our store network or on our results. As we did not control the Dansk Fuel operations, until the sale transaction, Couche-Tard and Dansk Fuel continued to operate separately. A trustee was appointed to manage and operate Dansk Fuel during this interim period and our investment in Dansk Fuel was accounted for as an investment in an associated company using the equity method.

## **Events outside of the normal course of business**

Our activities in the Southeastern U.S. were negatively impacted by floods and power outages resulting from hurricane Matthew in October, which affected, at various levels, more than 500 of our stores, mainly through the loss of sales and incremental expenses, including inventory losses and clean-up costs. We estimate that these events had a combined negative impact of approximately \$3.0 million before income taxes on our results of the third quarter of fiscal 2017, without even considering the impact on the stores which remained opened but also suffered from lower customer traffic during and after the storm. Since the beginning of fiscal year 2017, events outside of the normal course of business had a negative impact of approximately \$7.0 million before income taxes on our results.

## **Restructuring costs**

As part of our cost reduction initiatives and the search for synergies aimed at improving our efficiency, we made the decision to proceed with the restructuring of certain activities of our European operations. As such, an additional restructuring provision of \$6.0 million was recorded during the third quarter of fiscal 2017.

## **Defined benefits plans curtailment**

During the third quarter of fiscal 2017, we announced to our employees our decision to terminate some of our defined benefits disability plans in Norway, which resulted in a pre-tax curtailment gain of \$2.7 million, with a corresponding decrease of the defined benefits pension plan obligation on the balance sheet.

## **Global Circle K brand**

On September 22, 2015, we announced the creation of a new, global convenience brand, Circle K. The new brand will replace our existing Circle K, Statoil, Mac's and Kangaroo Express brands on stores and service stations across Canada (except in Québec), the United States and Europe.

In connection with this project, we incurred additional capital expenditures and other expenses in order to replace and upgrade various existing assets. This project should continue over the course of the next few years. As a result of our plan for the replacement and upgrade of existing assets, we have accelerated the depreciation and amortization of these assets, including but not limited to, store signage and the Statoil trade name. Consequently, an incremental depreciation and amortization expense of \$8.4 million and of \$21.8 million was recorded to earnings of the third quarter and the first three quarters of fiscal 2017, respectively. We expect an incremental depreciation and amortization expense over and above normal levels of approximately \$23.0 million to \$26.0 million for fiscal 2017 and of approximately \$14.0 million to \$16.0 million for fiscal 2018.

As of the end of January 2017, more than 1,000 stores in North America and 910 stores in Europe had been rebranded with our new global convenience brand Circle K.

## **Dividends**

During its March 14, 2017 meeting, the Corporation's Board of Directors declared a quarterly dividend of CA 9.0¢ per share for the third quarter of fiscal 2017 to shareholders on record as at March 23, 2017, and approved its payment for April 6, 2017. This is an eligible dividend within the meaning of the Income Tax Act of Canada.

## **Outstanding shares and stock options**

As at March 10, 2017, Couche-Tard had 147,766,540 Class A multiple-voting shares and 420,159,620 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 1,725,290 outstanding stock options for the purchase of Class B subordinate voting shares.

## Summary analysis of consolidated results for the third quarter and first three quarters of fiscal 2017

The following table highlights certain information regarding our operations for the 16 and 40-week periods ended January 29, 2017 and January 31, 2016.

	16-week periods ended			40-week periods ended		
	January 29, 2017	January 31, 2016	Variation %	January 29, 2017	January 31, 2016	Variation %
<i>(in millions of US dollars, unless otherwise stated)</i>						
<b>Statement of Operations Data:</b>						
Merchandise and service revenues <sup>(1)</sup> :						
United States	2,188.8	2,156.9	1.5	5,793.0	5,666.0	2.2
Europe	364.9	254.1	43.6	912.5	667.6	36.7
Canada	519.9	489.5	6.2	1,427.1	1,401.5	1.8
Total merchandise and service revenues	3,073.6	2,900.5	6.0	8,132.6	7,735.1	5.1
Road transportation fuel revenues:						
United States	4,820.7	4,306.7	11.9	12,293.7	12,730.0	(3.4)
Europe	2,027.5	1,414.8	43.3	4,856.6	4,126.4	17.7
Canada	1,124.7	554.1	103.0	2,149.9	1,634.1	31.6
Total road transportation fuel revenues	7,972.9	6,275.6	27.0	19,300.2	18,490.5	4.4
Other revenues <sup>(2)</sup> :						
United States	3.8	4.3	(11.6)	9.8	11.8	(16.9)
Europe	360.7	150.6	139.5	833.3	509.7	63.5
Canada	4.8	0.1	4,800.0	6.0	0.4	1,425.0
Total other revenues	369.3	155.0	138.3	849.1	521.9	62.7
<b>Total revenues</b>	<b>11,415.8</b>	<b>9,331.1</b>	<b>22.3</b>	<b>28,281.9</b>	<b>26,747.5</b>	<b>5.7</b>
Merchandise and service gross profit <sup>(1)</sup> :						
United States	720.7	717.2	0.5	1,919.7	1,878.6	2.2
Europe	155.0	111.5	39.0	382.4	282.2	35.5
Canada	175.9	158.6	10.9	478.9	459.8	4.2
Total merchandise and service gross profit	1,051.6	987.3	6.5	2,781.0	2,620.6	6.1
Road transportation fuel gross profit:						
United States	404.6	434.1	(6.8)	1,116.0	1,184.3	(5.8)
Europe	255.8	221.2	15.6	707.8	606.5	16.7
Canada	100.9	42.2	139.1	181.5	118.4	53.3
Total road transportation fuel gross profit	761.3	697.5	9.1	2,005.3	1,909.2	5.0
Other revenues gross profit <sup>(2)</sup> :						
United States	3.8	4.3	(11.6)	9.8	11.8	(16.9)
Europe	57.1	50.9	12.2	143.3	148.2	(3.3)
Canada	4.7	0.1	4,600.0	6.0	0.4	1,400.0
Total other revenues gross profit	65.6	55.3	18.6	159.1	160.4	(0.8)
<b>Total gross profit</b>	<b>1,878.5</b>	<b>1,740.1</b>	<b>8.0</b>	<b>4,945.4</b>	<b>4,690.2</b>	<b>5.4</b>
Operating, selling, administrative and general expenses	1,251.3	1,134.1	10.3	3,097.2	2,900.6	6.8
Restructuring costs	6.0	-	100.0	6.0	-	100.0
Curtailment gains on defined benefits pension plan obligation	(2.7)	(27.2)	(90.1)	(2.7)	(27.2)	(90.1)
Gain on the disposal of the lubricant business	-	-	-	-	(47.4)	(100.0)
(Gain) loss on disposal of property and equipment and other assets	(4.8)	14.5	(133.1)	(6.0)	18.2	(133.0)
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	210.1	192.8	9.0	513.2	470.4	9.1
<b>Operating income</b>	<b>418.6</b>	<b>425.9</b>	<b>(1.7)</b>	<b>1,337.7</b>	<b>1,375.6</b>	<b>(2.8)</b>
<b>Net earnings</b>	<b>287.0</b>	<b>274.0</b>	<b>4.7</b>	<b>931.3</b>	<b>987.5</b>	<b>(5.7)</b>
<b>Other Operating Data:</b>						
Merchandise and service gross margin <sup>(1)</sup> :						
Consolidated	34.2%	34.0%	0.2	34.2%	33.9%	0.3
United States	32.9%	33.3%	(0.4)	33.1%	33.2%	(0.1)
Europe	42.5%	43.9%	(1.4)	41.9%	42.3%	(0.4)
Canada	33.8%	32.4%	1.4	33.6%	32.8%	0.8
Growth of (decrease in) same-store merchandise revenues <sup>(3)(4)</sup> :						
United States	1.9%	5.0%	2.2%	5.1%	5.1%	
Europe <sup>(5)</sup>	2.5%	4.3%	3.7%	3.0%	3.0%	
Canada	(0.9%)	3.5%	0.3%	3.1%	3.1%	
Road transportation fuel gross margin:						
United States (cents per gallon) <sup>(4)</sup>	18.33	19.90	(7.9)	19.57	21.18	(7.6)
Europe (cents per litre) <sup>(6)</sup>	7.51	8.69	(13.6)	8.35	9.26	(9.8)
Canada (CA cents per litre) <sup>(4)</sup>	8.20	6.29	30.4	7.50	6.50	15.4
Volume of road transportation fuel sold <sup>(6)</sup> :						
United States (millions of gallons)	2,242.4	2,177.6	3.0	5,763.6	5,557.8	3.7
Europe (millions of litres)	3,405.3	2,544.1	33.9	8,479.2	6,551.8	29.4
Canada (millions of litres)	1,648.5	918.8	79.4	3,211.6	2,399.8	33.8
Growth of (decrease in) same-store road transportation fuel volume <sup>(4)</sup> :						
United States	2.8%	6.2%	2.9%	7.5%	7.5%	
Europe <sup>(5)</sup>	1.8%	2.9%	1.1%	3.1%	3.1%	
Canada	(0.8%)	(0.5%)	(0.4%)	1.4%	1.4%	
<b>Per Share Data:</b>						
Basic net earnings per share (dollars per share)	0.51	0.48	6.3	1.64	1.74	(5.7)
Diluted net earnings per share (dollars per share)	0.50	0.48	4.2	1.64	1.73	(5.2)
Adjusted diluted net earnings per share (dollars per share)	0.53	0.53	-	1.68	1.70	(1.2)

	January 29, 2017	April 24, 2016	Variation \$
<b>Balance Sheet Data:</b>			
Total assets	13,785.0	12,264.8	1,520.2
Interest-bearing debt	3,680.1	2,838.1	842.0
Shareholders' equity	5,810.3	5,041.1	769.2
<b>Indebtedness Ratios:</b>			
Net interest-bearing debt/total capitalization <sup>(7)</sup>	0.35 : 1	0.28 : 1	
Net interest-bearing debt/Adjusted EBITDA <sup>(8)</sup> <sup>(12)</sup>	1.25 : 1	0.95 : 1	
Adjusted net interest-bearing debt/Adjusted EBITDAR <sup>(9)</sup> <sup>(12)</sup>	2.15 : 1	1.94 : 1	
<b>Returns:</b>			
Return on equity <sup>(10)</sup> <sup>(12)</sup>	22.6%	27.0%	
Return on capital employed <sup>(11)</sup> <sup>(12)</sup>	15.6%	19.2%	

- (1) Includes revenues derived from franchise fees, royalties, suppliers rebates on some purchases made by franchisees and licensees as well as wholesale merchandise.
- (2) Includes revenues from the rental of assets, from the sale of aviation and marine fuel, heating oil, kerosene, lubricants and chemicals.
- (3) Does not include services and other revenues (as described in footnotes 1 and 2 above). Growth in Canada and in Europe is calculated based on local currencies.
- (4) For company-operated stores only.
- (5) Includes results from Topaz stores since the acquisition, except for its recently acquired Esso network, for which the historical information is unavailable.
- (6) Total road transportation fuel.
- (7) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and long-term debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (8) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (9) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for specific items. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (10) This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (11) This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (12) This ratio is presented on a pro forma basis. As of January 29, 2017, it includes Couche-Tard's and IOL's results for the 52-week period ended January 29, 2017. As of April 24, 2016, it includes Couche-Tard's results for the fiscal year ended April 24, 2016, as well as Topaz's results for the 52-week period ended April 24, 2016. Topaz's earnings and balance sheet figures have been adjusted to make their presentation in line with Couche-Tard's policies. Given the timing of the acquisition of IOL, we have not yet completed the fair value assessment of the assets acquired, the liabilities assumed and the goodwill for this transaction.

## Revenues

Our revenues were \$11.4 billion for the third quarter of fiscal 2017, up by \$2.1 billion or 22.3%, compared with the corresponding quarter of fiscal 2016, mainly attributable to the contribution from acquisitions, to a higher average road transportation fuel selling price as well as to the continued growth in same-store merchandise revenues and road transportation fuel volumes in the United States and Europe.

For the first three quarters of fiscal 2017, our revenues increased by \$1.5 billion, or 5.7%, compared with the first three quarters of fiscal 2016, mainly attributable to the contribution from acquisitions and to the continued growth in same-store merchandise revenues and road transportation fuel volumes, partly offset by a lower average road transportation fuel selling price, the negative net impact from the translation of revenues of our Canadian and European operations into US dollars, in addition to the impact from the disposal of our lubricant business during the second quarter of fiscal 2016.

More specifically, the growth in merchandise and service revenues for the third quarter of fiscal 2017 was \$173.1 million. Excluding the net negative impact from the translation of our European and Canadian operations into US dollars, merchandise and service revenues increased by \$174.0 million or 6.0%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$121.0 million, as well as to our organic growth. Same-store merchandise revenues increased by 1.9% in the United States and by 2.5% in Europe. In Canada, same-store merchandise revenues decreased by 0.9% still impacted by the challenging economic conditions in the western part of the country.

For the first three quarters of fiscal 2017, the growth in merchandise and service revenues was \$397.5 million. Excluding the net negative impact from the translation of our European and Canadian operations into US dollars, merchandise and service revenues increased by \$415.0 million or 5.4%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$265.0 million, and to our organic growth. Same-store merchandise revenues grew by 2.2% in the United States, by 3.7% in Europe and by 0.3% in Canada.

Road transportation fuel revenues increased by \$1,697.3 million in the third quarter of fiscal 2017. Excluding the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues increased by \$1,725.6 million or 27.5%. This increase was attributable to the contribution from acquisitions, which amounted to approximately \$894.0 million, to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately \$655.0 million on our revenues, as well as to our organic growth. Same-store road transportation fuel volumes increased by 2.8% in the United States and by 1.8% in Europe due to – among other things – the positive response from customers to our fuel rebranding initiatives and micro-market strategies, as well as to the growing contribution from premium

fuel. In the Southeastern U.S. region, fuel volumes were negatively impacted by disruptions caused by our fuel rebranding activities and by hurricane Matthew. In Canada, same-store road transportation fuel volumes decreased by 0.8%, mainly as a result of the challenging economy in Western Canada.

The following table shows the average selling price of road transportation fuel in our various markets, starting with the fourth quarter of the fiscal year ended April 26, 2015:

Quarter	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	Weighted average
<b>52-week period ended January 29, 2017</b>					
United States (US dollars per gallon)	1.86	2.20	2.10	2.18	<b>2.09</b>
Europe (US cents per litre)	51.59	58.65	58.01	61.87	<b>57.83</b>
Canada (CA cents per litre)	82.28	92.66	90.36	94.67	<b>91.30</b>
<b>52-week period ended January 31, 2016</b>					
United States (US dollars per gallon)	2.34	2.64	2.36	1.99	<b>2.31</b>
Europe (US cents per litre)	66.51	72.16	66.12	57.04	<b>64.89</b>
Canada (CA cents per litre)	93.63	103.17	97.79	88.41	<b>95.35</b>

For the first three quarters of fiscal 2017, road transportation fuel revenues increased by \$809.7 million. Excluding the negative net impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues increased by \$898.0 million or 4.9%. This increase was attributable to the contribution from acquisitions, which amounted to approximately \$1.5 billion, to the contribution from our recently opened stores, as well as to our organic growth. Same-store road transportation fuel volumes increased by 2.9% in the United States and by 1.1% in Europe while they decreased by 0.4% in Canada. These factors which contributed to the increase in revenues were partially offset by the lower average selling price of road transportation fuel, which resulted in a decrease in revenues of approximately \$1.0 billion.

Other revenues increased by \$214.3 million in the third quarter of fiscal 2017 and by \$327.2 million in the first three quarters of fiscal 2017, mainly explained by the contribution from acquisitions, which amounted to approximately \$213.0 million in the third quarter of fiscal 2017 and to \$450.0 million in the first three quarters of fiscal 2017. The increase of the first three quarters of fiscal 2017 was partly offset by the disposal of our lubricant business during the second quarter of fiscal 2016, which had an impact of approximately \$72.0 million.

## Gross profit

In the third quarter of fiscal 2017, the consolidated merchandise and service gross profit was \$1,051.6 million, an increase of \$64.3 million compared with the corresponding quarter of fiscal 2016. Excluding the net negative impact from the translation of our European and Canadian operations into US dollars, consolidated merchandise and service gross profit increased by \$65.0 million or 6.6%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$62.0 million, and to organic growth. The gross margin decreased by 0.4% in the United States, to 32.9% because of a change in our product mix towards lower margin categories and margin decreased by 1.4% in Europe, to 42.5%, because of the impact of a different product mix in Ireland. In Canada, the gross margin increased by 1.4%, to 33.8% because of a different product mix in our recently acquired Esso stores network. We keep working on improving our supply terms and our merchandising strategies in order to bring them in line with the market competitiveness and the economic conditions within each market.

During the first three quarters of fiscal 2017, the consolidated merchandise and service gross profit was \$2.8 billion, an increase of \$160.4 million compared with the corresponding period of fiscal 2016. Excluding the net negative impact from the translation of our European and Canadian operations into US dollars, consolidated merchandise and service gross profit increased by \$167.0 million or 6.4%. The gross margin was 33.1% in the United States, a decrease of 0.1%, it was 41.9% in Europe, a decrease of 0.4%, while in Canada it was 33.6%, an increase of 0.8%.

In the third quarter of fiscal 2017, the road transportation fuel gross margin was 18.33¢ per gallon in the United States, a decrease of 1.57¢ per gallon, while it was 7.51¢ per litre in Europe, a decrease of 1.18¢ per litre. In the United States and in Europe, the decrease in the margin is attributable to the volatility created by increasing crude oil prices. In addition, the decrease in the margin in Europe is also attributable to the impact of lower margins in Ireland compared with our margins in continental Europe. In Canada, the road transportation fuel gross margin was CA 8.20¢ per litre, an increase of CA 1.91¢, attributable to a higher margin in our newly acquired Esso stores network and to a more favourable competitive environment.

The road transportation fuel gross margin of our company-operated stores in the United States and the impact of expenses related to electronic payment modes for the last eight quarters, starting with the fourth quarter of the fiscal year ended April 26, 2015, were as follows:

(US cents per gallon)

Quarter	4 <sup>th</sup>	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	Weighted average
52-week period ended January 29, 2017					
Before deduction of expenses related to electronic payment modes	16.78	20.86	19.87	18.33	<b>18.94</b>
Expenses related to electronic payment modes	3.74	4.08	3.99	3.99	<b>3.96</b>
After deduction of expenses related to electronic payment modes	13.04	16.78	15.88	14.34	<b>14.98</b>
52-week period ended January 31, 2016					
Before deduction of expenses related to electronic payment modes	15.46	18.34	25.66	19.90	<b>20.04</b>
Expenses related to electronic payment modes	4.12	4.37	4.19	3.84	<b>4.11</b>
After deduction of expenses related to electronic payment modes	11.34	13.97	21.47	16.06	<b>15.93</b>

As demonstrated by the table above, road transportation fuel margins in the United States can be volatile from one quarter to another but tend to normalize in the long-term. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

For the first three quarters of fiscal 2017, the road transportation fuel gross margin was 19.57¢ per gallon in the United States, CA 7.50¢ per litre in Canada and 8.35¢ per litre in Europe.

Other revenues gross profit increased by \$10.3 million in the third quarter of fiscal 2017. This increase is mainly explained by the contribution from acquisitions, which amounted to approximately \$14.0 million in the third quarter of fiscal 2017.

Other revenues gross profit decreased by \$1.3 million in the first three quarters of fiscal 2017. This decrease is mainly explained by the disposal of our lubricant business in the second quarter of fiscal 2016, which had an impact of approximately \$21.0 million and to lower margins, partly offset by the contribution from acquisitions, which amounted to approximately \$28.0 million.

## Operating, selling, administrative and general expenses

For the third quarter and first three quarters of fiscal 2017, operating, selling, administrative and general expenses increased by 10.3% and 6.8%, respectively, compared with the corresponding periods of fiscal 2016, but increased by only 1.9% for both periods, if we exclude certain items as demonstrated by the following table:

	16-week period ended January 29, 2017	40-week period ended January 29, 2017
<b>Total variance as reported</b>	<b>10.3%</b>	<b>6.8%</b>
Adjust for:		
Increase from incremental expenses related to acquisitions	(8.5%)	(6.2%)
Charge on early termination of fuel supply agreements recognized to earnings in fiscal 2016	0.8%	0.3%
Increase from higher electronic payment fees, excluding acquisitions	(0.6%)	(0.1%)
Acquisition costs recognized to earnings of fiscal 2017	(0.5%)	(0.5%)
Acquisition costs recognized to earnings of fiscal 2016	0.2%	0.1%
Decrease from the net impact of foreign exchange translation	0.2%	0.3%
Decrease from divestment of the lubricant business	-	0.9%
Integration expenses in connection with our global brand initiatives recognized in fiscal 2016	-	0.3%
<b>Remaining variance</b>	<b>1.9%</b>	<b>1.9%</b>

The remaining variance in expenses is mainly due to normal inflation, to higher advertising and marketing activities in connection with our global brand project, to higher expenses needed to support our organic growth, to the higher average number of stores and to proportionally higher operational expenses in our recently built stores, as these stores generally have a larger footprint than the average of our existing network. We continue to favour a rigorous control of costs throughout our organization, while ensuring we maintain the quality of service we offer to our customers.

## Earnings before interest, taxes, depreciation, amortization and impairment (EBITDA) and adjusted EBITDA

During the third quarter of fiscal 2017, EBITDA increased from \$627.5 million to \$637.1 million, a growth of 1.5% compared with the same quarter last year.

Excluding the specific items shown in the table below from EBITDA of the third quarter of fiscal 2017 and of the comparable period of fiscal 2016, the adjusted EBITDA for the third quarter of fiscal 2017 increased by \$24.4 million or 3.9% compared with the corresponding period of the previous fiscal year, mainly through the contribution from acquisitions and organic growth, partly offset by the lower road transportation fuel gross margins in the United States and in Europe. Acquisitions contributed approximately \$82.0 million to the adjusted EBITDA, while the variation in exchange rates had a negative net impact of approximately \$2.0 million.

During the first three quarters of fiscal 2017, EBITDA increased from \$1,869.5 million to \$1,874.1 million, a growth of 0.2% compared with the same period last year.

Excluding the specific items shown in the table below from EBITDA of the first three quarters of fiscal 2017 and of the same period of fiscal 2016, the adjusted EBITDA for the first three quarters of fiscal 2017 increased by \$65.4 million or 3.6% compared with the corresponding period of the previous fiscal year for reasons similar to those of the third quarter. Acquisitions contributed approximately \$102.0 million to the adjusted EBITDA, while the variation in exchange rates had a negative net impact of approximately \$9.0 million.

It should be noted that EBITDA and adjusted EBITDA are not performance measures defined by IFRS, but we, as well as investors and analysts, consider that those performance measures facilitate the evaluation of our ongoing operations and our ability to generate cash flows to fund our cash requirements, including our capital expenditures program. Note that our definition of these measures may differ from the one used by other public corporations:

(in millions of US dollars)	16-week periods ended		40-week periods ended	
	January 29, 2017	January 31, 2016	January 29, 2017	January 31, 2016
Net earnings, as reported	287.0	274.0	931.3	987.5
Add:				
Income taxes	96.7	127.2	339.6	335.8
Net financial expenses	43.3	33.5	90.0	75.8
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	210.1	192.8	513.2	470.4
<b>EBITDA</b>	<b>637.1</b>	<b>627.5</b>	<b>1,874.1</b>	<b>1,869.5</b>
Adjust for:				
Acquisition costs	6.0	2.1	14.6	3.5
Restructuring charges	6.0	-	6.0	-
Curtailment gains on pension plan obligation	(2.7)	(27.2)	(2.7)	(27.2)
Write-off expense on fuel rebranding	-	10.4	-	10.4
Charge on early termination of fuel supply agreements	-	9.2	-	9.2
Net gain from the disposal of the lubricant business	-	-	-	(47.4)
Integration expenses in connection with our global brand initiatives	-	-	-	8.6
<b>Adjusted EBITDA</b>	<b>646.4</b>	<b>622.0</b>	<b>1,892.0</b>	<b>1,826.6</b>

## Depreciation, amortization and impairment of property and equipment, intangible assets and other assets

For the third quarter and first three quarters of fiscal 2017, depreciation, amortization and impairment expense increased by \$17.3 million and \$42.8 million, respectively, mainly as a result of investments made through acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network. The depreciation, amortization and impairment expense for the third quarter of fiscal 2017 and for the first three quarters of fiscal 2017 include a charge for the accelerated depreciation and amortization of certain assets in connection with our global rebranding project, amounting to \$8.4 million and \$21.8 million, respectively. These items, which contributed to the increase in depreciation, amortization and impairment expense, were partially offset by the net impact of the translation of our European and Canadian operations into US dollars.

## Net financial expenses

The third quarter of fiscal 2017 shows net financial expenses of \$43.3 million, an increase of \$9.8 million compared with the third quarter of fiscal 2016. Excluding the net foreign exchange losses of \$3.0 million and of \$4.1 million recorded, respectively, in the third quarters of fiscal 2017 and fiscal 2016, net financial expenses increased by \$10.9 million. This increase is mainly attributable to our higher average long-term debt in connection with our recent acquisitions. The net foreign exchange loss of \$3.0 million for the third quarter of fiscal 2017 is mainly due to the impact of foreign exchange variations on certain cash balances.

The first three quarters of fiscal 2017 show net financial expenses of \$90.0 million, an increase of \$14.2 million compared with the first three quarters of fiscal 2016. Excluding the net foreign exchange gains of \$5.5 million and of \$0.8 million recorded in the first three quarters of fiscal 2017 and 2016, respectively, net financial expenses increased by \$18.9 million for the same reason as for the third quarter. The net foreign exchange gain of \$5.5 million is mainly due to the impact of foreign exchange variations on certain cash balances.

## Income taxes

The income tax rate for the third quarter of fiscal 2017 was 25.2% compared with a normalized income tax rate of 26.0% for the third quarter of fiscal 2016. The decrease in the income tax rate stems from proportionally lower earnings in the United States where our statutory income tax rate is the highest. For the first three quarters of fiscal 2017, the income tax rate was 26.7%.

## Net earnings and adjusted net earnings

We closed the third quarter of fiscal 2017 with net earnings of \$287.0 million, compared with \$274.0 million for the third quarter of the previous fiscal year, an increase of \$13.0 million or 4.7%. Diluted net earnings per share stood at \$0.50, compared with \$0.48 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a negative net impact of approximately \$1.0 million on net earnings of the third quarter of fiscal 2017.

Excluding the items shown in the table below from net earnings of the third quarter of fiscal 2017 and fiscal 2016, net earnings for the third quarter of fiscal 2017 would have been approximately \$303.0 million, compared with \$301.0 million for the comparable quarter of the previous year, an increase of \$2.0 million or 0.7% while adjusted diluted net earnings per share would have been approximately \$0.53 for both the third quarters of fiscal 2017 and fiscal 2016.

For the first three quarters of fiscal 2017, net earnings were \$931.3 million, compared with \$987.5 million for the comparable period of fiscal year 2016, a decrease of \$56.2 million or 5.7%. Diluted net earnings per share stood at \$1.64, compared with \$1.73 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a negative net impact of approximately \$9.0 million on net earnings of the first three quarters of fiscal 2017.

Excluding the items shown in the table below from net earnings of the first three quarters of fiscal 2017 and fiscal 2016, net earnings for the first three quarters of fiscal 2017 would have been approximately \$958.0 million, compared with \$968.0 million for the comparable period of the previous year, a decrease of \$10.0 million or 1.0%. Adjusted diluted net earnings per share would have been approximately \$1.68 for the first three quarters of fiscal 2017, compared with \$1.70 for the corresponding period of fiscal 2016, a decrease of 1.2%.

The table below reconciles reported net earnings to adjusted net earnings:

(in millions of US dollars)	16-week periods ended		40-week periods ended	
	January 29, 2017	January 31, 2016	January 29, 2017	January 31, 2016
Net earnings, as reported	287.0	274.0	931.3	987.5
Adjust for:				
Accelerated depreciation and amortization expense	8.4	10.1	21.8	10.1
Acquisition costs	6.0	2.1	14.6	3.5
Restructuring charges	6.0	-	6.0	-
Net foreign exchange loss (gain)	3.0	4.1	(5.5)	(0.8)
Curtailment gains on pension plans obligation	(2.7)	(27.2)	(2.7)	(27.2)
Tax expense stemming from an internal reorganization	-	22.9	-	22.9
Write-off expense on fuel rebranding	-	10.4	-	10.4
Charge on early termination of fuel supply agreements	-	9.2	-	9.2
Net gain from the disposal of the lubricant business	-	-	-	(47.4)
Integration expenses in connection with our global brand initiatives	-	-	-	8.6
Tax impact of the items above and rounding	(4.7)	(4.6)	(7.5)	(8.8)
Adjusted net earnings	303.0	301.0	958.0	968.0

It should be noted that adjusted net earnings is not a performance measure defined by IFRS, but we, as well as investors and analysts, consider this measure useful for evaluating the underlying performance of our operations on a comparable basis. Note that our definition of this measure may differ from the one used by other public corporations.

## Financial Position as at January 29, 2017

As shown by our indebtedness ratios included in the "Summary analysis of consolidated results for the third quarter and first three quarters of fiscal 2017" section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$13.8 billion as at January 29, 2017, an increase of \$1.5 billion over the balance as at April 24, 2016. This increase stems primarily from the acquisition of the IOL and Dansk Fuel assets and by the positive net impact of the exchange rates variation at the balance sheet date.

During the 52-week period ended on January 29, 2017, we recorded a return on capital employed of 15.6%.

Significant balance sheet variations are explained as follows:

### Property and equipment

Property and equipment increased by \$791.4 million, from \$6.4 billion as at April 24, 2016, to \$7.2 billion as at January 29, 2017, mainly as a result of the acquisition of the IOL and Dansk Fuel sites, the investments we made in our stores and the \$135.0 million

impact from the exchange rates variation at the balance sheet date, partly offset by the depreciation, amortization and impairment expense.

## Goodwill

Goodwill increased by \$652.3 million, from \$1.8 billion as at April 24, 2016, to \$2.4 billion as at January 29, 2017, mainly as a result of the acquisition of the IOL and Dansk Fuel sites and of the \$35.0 million positive net impact from the exchange rates variation at the balance sheet date, partly offset by the impact of the finalization of Topaz purchase price allocation. Since we have not yet completed our fair value assessment of the assets acquired, the liabilities assumed and the goodwill for these transactions, we expect that the fair values of assets acquired and liabilities assumed as well as the goodwill will be adjusted during fiscal 2017.

## Long-term debt and current portion of long-term debt

Long-term debt increased by \$842.0 million, from \$2.8 billion as at April 24, 2016, to \$3.7 billion as at January 29, 2017, mainly as a result of the acquisition of 278 stores from IOL, partly offset by the impact of the weaker Canadian dollar and Euro against the US dollar, which was approximately \$136.0 million. Long-term debt increased from the issuance of Euro denominated senior unsecured notes for an amount of \$851.8 million.

## Shareholders' equity

Shareholders' equity amounted to \$5.8 billion as at January 29, 2017, up \$769.2 million compared with April 24, 2016, mainly reflecting net earnings for the first three quarters of fiscal 2017, partly offset by dividends declared and other comprehensive loss for the first three quarters of fiscal 2017. For the 52-week period ended January 29, 2017, we recorded a return on equity of 22.6%.

## Liquidity and Capital Resources

Our sources of liquidity remain unchanged compared with the fiscal year ended April 24, 2016. For further information, please refer to our 2016 Annual Report. With respect to capital expenditures, acquisitions and dividend paid during the first three quarters of fiscal 2017, they were financed using available cash as well as our existing revolving credit facilities. We expect that cash generated from operations together with borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future, except for any need stemming from a material business acquisition.

Our revolving credit facilities are detailed as follows:

### *Revolving unsecured operating credit, maturing in December 2021 ("operating credit D")*

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at January 29, 2017, \$987.5 million of our operating credit D had been used. As at the same date, the effective interest rate was 1.81% and standby letters of credit in the amount of \$9.6 million were outstanding.

On October 26, 2016, we amended the term of our revolving unsecured operating credit D to extend its maturity to December 2021. No other terms were changed significantly.

### *Term revolving unsecured operating credit, maturing in December 2016 ("operating credit E")*

Credit agreement consisting of an initial maximum amount of \$50.0 million with an initial term of 50 months. During the third quarter of fiscal year 2017, we reached the maturity date of operating credit E and decided not to renew.

### *Term revolving unsecured operating credit, maturing in January 2020 ("operating credit F")*

Credit agreement consisting of a revolving unsecured facility of an initial maximum amount of €25.0 million (\$27.9 million) maturing on January 30, 2020. The credit facility is available, in Euros, in the form of a revolving unsecured operating credit. The amounts borrowed bear interest at variable rates based on the funding base rate or the EURIBOR rate plus a variable margin. As at January 29, 2017, operating credit F was unused.

## Available liquidities

As at January 29, 2017, a total of approximately \$1.6 billion was available under our revolving unsecured operating credit facilities and we were in compliance with the restrictive covenants and ratios imposed by the credit agreements at that date. Thus, at the same date, we had access to approximately \$2.2 billion through our available cash and revolving unsecured operating credit facilities.

## Selected Consolidated Cash Flow Information

(In millions of US dollars)	16-week periods ended			40-week periods ended		
	January 29, 2017	January 31, 2016	Variation	January 29, 2017	January 31, 2016	Variation
<b>Operating activities</b>						
Net cash provided by operating activities	<b>292.0</b>	216.8	75.2	<b>1,214.3</b>	1,228.0	(13.7)
<b>Investing activities</b>						
Business acquisitions	<b>(499.3)</b>	(73.5)	(425.8)	<b>(1,328.7)</b>	(183.6)	(1,145.1)
Purchase of property and equipment, intangible assets and other assets, net of proceeds from the disposal of property and equipment and other assets	<b>(276.4)</b>	(317.1)	40.7	<b>(548.9)</b>	(548.2)	(0.7)
Proceeds from sale of an associated company held-for-sale	<b>71.5</b>	-	71.5	<b>71.5</b>	-	71.5
Capital reduction received from associated company held-for-sale	<b>65.6</b>	-	65.6	<b>65.6</b>	-	65.6
Investment in an associated company held-for-sale	<b>(6.7)</b>	-	(6.7)	<b>(308.1)</b>	-	(308.1)
Proceeds from disposal of the lubricant business	-	-	-	-	81.0	(81.0)
Other	<b>19.2</b>	0.1	19.1	<b>13.9</b>	0.7	13.2
Net cash used in investing activities	<b>(626.1)</b>	(390.5)	(235.6)	<b>(2,034.7)</b>	(650.1)	(1,384.6)
<b>Financing activities</b>						
Net increase (decrease) in term revolving unsecured operating credit D	<b>167.6</b>	698.5	(530.9)	<b>116.6</b>	(654.2)	770.8
Cash dividends paid	<b>(38.9)</b>	(27.8)	(11.1)	<b>(107.2)</b>	(74.9)	(32.3)
Net decrease in other debts	<b>(8.5)</b>	(8.6)	0.1	<b>(23.4)</b>	(15.8)	(7.6)
Settlement of cross-currency interest rate swaps	<b>4.9</b>	-	4.9	<b>(4.9)</b>	-	(4.9)
Issuance of shares upon exercise of stock options	<b>0.1</b>	-	0.1	<b>0.3</b>	0.2	0.1
Issuance of Euro denominated senior unsecured notes, net of financing costs	-	-	-	<b>851.8</b>	-	851.8
Issuance of Canadian dollar denominated senior unsecured notes, net of financing costs	-	-	-	-	562.0	(562.0)
Repurchase of non-controlling interest	-	-	-	-	(11.8)	11.8
Net cash provided by (used in) financing activities	<b>125.2</b>	662.1	(536.9)	<b>833.2</b>	(194.5)	1,027.7
<b>Credit ratings</b>						
Standard and Poor's – Corporate credit rating				<b>BBB</b>	BBB	
Moody's - Senior unsecured notes credit rating				<b>Baa2</b>	Baa2	

## Operating activities

During the third quarter of fiscal 2017, net cash from our operations reached \$292.0 million, up \$75.2 million compared with the comparable quarter of fiscal year 2016, mainly due to higher net earnings, partly offset by changes in working capital. During the first three quarters of fiscal 2017, net cash from our operations reached \$1,214.3 million, down \$13.7 million compared with the corresponding period of fiscal year 2016, mainly due to slightly lower net earnings and changes in working capital.

## Investing activities

During the third quarter of fiscal 2017, investing activities were primarily for the acquisition of IOL assets for an amount of \$480.4 million and for net investments in property and equipment, intangible assets and other assets, which amounted to \$276.4 million. During the same quarter, we also received a total of \$137.1 million from a capital reduction as well as from sales proceeds, both related to the sale of all of Dansk Fuel shares.

Since the beginning of the fiscal year, investing activities were also primarily for the acquisition of IOL assets for an amount of \$1,285.7 million, for net investments in property and equipment, intangible assets and other assets, which amounted to \$548.9 million, as well as for the Dansk Fuel transaction, for a net amount of \$171.0 million.

Net investments in property and equipment, intangible assets and other assets were primarily for the replacement of equipment in some of our stores in order to enhance our offering of products and services, for our rebranding project, for the addition of new stores and for the ongoing improvement of our network, as well as for information technology.

## Financing activities

During the third quarter of fiscal 2017, the borrowings on our operating credit D increased by \$167.6 million mainly for the acquisition of the remaining IOL sites, partly offset by repayments made. We also paid \$38.9 million in dividends.

During the first three quarters of fiscal 2017, we issued Euro denominated senior unsecured notes for a net amount of \$851.8 million and the total net amount drawn from our operating credit D was \$116.6 million. We also paid \$107.2 million in dividends.

## Contractual Obligations and Commercial Commitments

There were no major changes with respect to our contractual obligations and commercial commitments during the 40-week period ended January 29, 2017, except for the changes described below. For more information, please refer to our 2016 Annual Report.

In connection with the acquisition of certain assets from IOL, we entered into a long-term fuel supply contract. Under this contract, we are required to purchase a minimum quantity of Esso-branded fuel every year, until 2036. Failure to satisfy the minimum purchase requirements could result in a payment to IOL of a predetermined amount. We expect to fulfill those requirements.

## Internal Controls Over Financial Reporting

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We also maintain a system of disclosure controls and procedures designed to ensure, in all material respects, the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents. Disclosure controls and procedures are designed to ensure that information required to be disclosed by us in reports filed with securities regulatory agencies is recorded and/or disclosed on a timely basis, as required by law, and is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. As at January 29, 2017, our management, following its assessment, certifies the design and operating effectiveness of disclosure controls and procedures.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 24, 2016, our management and our external auditors reported that these internal controls were effective.

## Selected Quarterly Financial Information

Our 52-week reporting cycle is divided into quarters of 12 weeks each except for the third quarter, which comprises 16 weeks. When a fiscal year, such as fiscal 2017, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from our interim consolidated financial statements for each of the eight most recently completed quarters.

(in millions of US dollars except per share amounts)	40-week period ended January 29, 2017			52-week period ended April 24, 2016				Extract from 52-week period ended April 26, 2015
	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>
	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks
<b>Revenues</b>	<b>11,415.8</b>	<b>8,445.5</b>	<b>8,420.6</b>	<b>7,397.1</b>	<b>9,331.1</b>	<b>8,436.8</b>	<b>8,979.6</b>	<b>7,285.5</b>
Operating income before depreciation, amortization and impairment of property and equipment, intangible assets and other assets	628.7	616.8	605.2	456.2	618.7	685.8	541.5	314.8
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	210.1	154.2	145.0	162.0	192.8	137.6	140.0	132.1
Operating income	418.6	462.6	460.2	294.2	425.9	548.2	401.5	182.7
Share of earnings of joint ventures and associated companies accounted for using the equity method	8.4	5.3	9.5	6.5	8.8	8.2	6.5	4.4
Net financial expenses	43.3	21.3	24.4	31.7	33.5	25.2	17.1	15.6
<b>Net earnings</b>	<b>287.0</b>	<b>324.0</b>	<b>324.4</b>	<b>206.2</b>	<b>274.0</b>	<b>415.7</b>	<b>297.8</b>	<b>126.0</b>
<b>Net earnings per share</b>								
Basic	0.51	\$0.57	\$0.57	\$0.36	\$0.48	\$0.73	\$0.52	\$0.22
Diluted	0.50	\$0.57	\$0.57	\$0.36	\$0.48	\$0.73	\$0.52	\$0.22

The volatility of road transportation fuel gross margins, mostly in the United States, seasonality and changes in the exchange rates have an impact on the variability of our quarterly net earnings. That being said, the majority of our operating income is derived from merchandise and service sales.

## Outlook

For the remainder of fiscal year 2017, our focus will be on keeping up the roll-out momentum of our new global convenience brand, Circle K, throughout North America, Europe and our licensed stores worldwide. We are setting out to make it easy for existing and new customers in more countries than ever before, building preference for Circle K as a destination for convenience and fuel, with a fresh look and feel and even better products for people on the go, always combined with fast and friendly service.

Integration will also be a key focus in the coming quarters as we continue our work with The Pantry, IOL, Topaz and Dansk Fuel sites. We look forward to implementing some of our Circle K concepts into these sites, as well as realizing the potential synergies for each acquisition. At the same time, we will keep a relentless focus on sales, supply terms and operating expenses, while keeping an eye on growth opportunities that may be available in our various markets.

Finally, our teams will also work diligently to prepare and complete the acquisition of CST as we get ready to welcome them into the Couche-Tard family.

March 14, 2017