Q2 2017

ALIMENTATION COUCHE-TARD INC.

MANAGEMENT DISCUSSION & ANALYSIS

12 and 24-week periods ended October 9, 2016

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 second 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 November 22, 2016, 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 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 with an important presence in Poland.

As of October 9, 2016, our network comprised 8,001 convenience stores throughout North America, including 6,616 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 four in Canada covering all ten 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 October 9, 2016, our network comprised 2,759 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, more than 1,500 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 close to 12,300 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 favor 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:

	12-week periods ended		**24-week periods ended**	
	October 9, 2016	October 11, 2015	**October 9, 2016**	October 11, 2015
Average for period[(1)]				
Canadian Dollar	**0.7656**	0.7601	**0.7705**	0.7839
Norwegian Krone	**0.1208**	0.1212	**0.1207**	0.1245
Swedish Krone	**0.1173**	0.1182	**0.1187**	0.1190
Danish Krone	**0.1502**	0.1495	**0.1506**	0.1495
Zloty	**0.2589**	0.2657	**0.2570**	0.2676
Euro	**1.1179**	1.1159	**1.1206**	1.1155
Ruble	**0.0155**	0.0155	**0.0154**	0.0169

	As at October 9, 2016	As at April 24, 2016
Period end		
Canadian Dollar	**0.7535**	0.7892
Norwegian krone	**0.1238**	0.1217
Swedish krone	**0.1156**	0.1231
Danish krone	**0.1497**	0.1510
Zloty	**0.2602**	0.2572
Euro	**1.1140**	1.1239
Ruble	**0.0160**	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 second quarter of Fiscal 2017

We closed the second quarter of fiscal 2017 with net earnings of $324.0 million, compared with $415.7 million for the second quarter of the previous fiscal year. Diluted net earnings per share stood at $0.57, compared with $0.73 for the previous year.

Results for the second quarter of fiscal 2017 were affected by pre-tax acquisition costs of $7.6 million, by a $6.5 million pre-tax accelerated depreciation and amortization expense in connection with the Corporation's global brand initiative, as well as by a pre-tax net foreign exchange gain of $5.3 million. Results for the second quarter of fiscal 2016 included a pre-tax net gain of $47.4 million from the disposal of the lubricants business, $8.6 million in pre-tax integration costs and expenses in connection with the Corporation's global brand initiative, a pre-tax net foreign exchange loss of $1.9 million, as well as acquisition costs of $0.8 million before taxes.

Excluding these items from both comparable periods, net earnings for the second quarter of fiscal 2017 would have been approximately $331.0 million ($0.58 per share on a diluted basis), compared with $375.0 million ($0.66 per share on a diluted basis) for the second quarter of fiscal 2016 - a decrease of $44.0 million or 11.7%. This decrease is attributable to lower fuel margins in the U.S, compared with unusually high fuel margins in the corresponding period of the previous fiscal year and to the impact of a higher consolidated income tax rate. These items, which contributed to the decrease in net earnings, were partially offset by the impact of our solid continued organic growth and by the contribution from acquisitions.

The Pantry Inc. – Synergies and cost reductions initiatives

We expect to achieve a minimum of $85.0 million[1] in cost reductions before income taxes over the 24-month period following the acquisition. Since the acquisition, our current cost reduction run rate reached $78.0 million[1] 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 have quickly reached our projected run rate of approximately $27.0 million. As for fuel synergies associated with the fuel rebranding of approximately 1,000 stores in the U.S. southeast, we have also reached our target.

Topaz

During the second quarter of fiscal 2017, we adjusted the purchase price allocation of Topaz to reflect our fair value assessment of some of the assets acquired and the goodwill for the transaction. The adjustments we made to the preliminary purchase price allocation did not have a significant impact on our previously reported net earnings. Because the acquisition closed shortly before the end of fiscal 2016 and given the size of the transaction, we have not yet finalized our fair value assessment of the assets acquired, the liabilities assumed and the goodwill for the transaction. Consequently, the purchase price allocation is preliminary and may be adjusted. These potential future adjustments to the purchase price allocation may result in significant adjustments to certain line items of our consolidated statements of earnings, including but not limited to: operating, selling, administrative and general expenses, depreciation, amortization and impairment of property and equipment, intangibles assets and other assets, net financial expenses and income taxes.

Our consolidated balance sheet as of April 24, 2016 has been adjusted assuming that the adjustments to the preliminary purchase price allocation of Topaz recorded during the second quarter of fiscal 2017 had been completed at the acquisition date. Following these adjustments, as of April 24, 2016, the property and equipment and current liabilities previously reported increased by $1.8 million and by $1.6 million, respectively, while the goodwill decreased by $0.7 million. In addition, the consideration for Topaz decreased by $0.5 million following the finalization of the closing adjustments process.

[1] As our synergies and cost reductions objective is considered a forward-looking statement, we are required, pursuant to securities laws, to clarify that our synergies and cost reductions estimate is based on a number of important factors and assumptions. Among other things, our synergies and cost reductions objective is based on our comparative analysis of organizational structures and current levels of spending across our network as well as on our ability to bridge the gap, where relevant. Our synergies and cost reductions objective is also based on our assessment of current contracts in North America and how we expect to be able to renegotiate these contracts to take advantage of our increased purchasing power. In addition, our synergies and cost reductions objective assumes that we will be able to establish and maintain an effective process for sharing best practices across our network. Finally, our objective is also based on our ability to integrate The Pantry's systems with ours. An important change in these facts and assumptions could significantly impact our synergies and cost reduction estimate as well as the timing of the implementation of our different initiatives.

Network growth

Multi-sites acquisitions

On September 7, 2016, we received the approval from the Canadian Competition Bureau to acquire 278 sites from Imperial Oil ("IOL"), of which 228 are located in Ontario, mostly in the Greater Toronto Area and 50 are located in the Greater Montreal area. The integration of the sites began on September 12, 2016 and was completed on October 27, 2016. As of October 9, 2016, 173 sites had been integrated to our network. The agreement also includes 13 land banks and one dealer site as well as a long-term supply contract for Esso-branded fuel. Of the 278 sites, we lease the land and building for one site, we lease the land and own the building for 38 sites and we own both these assets for the remaining 239 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;
- 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;
- Couche-Tard receives rent and other fee income from third parties operating on the property (including quick-service restaurants, ATMs, etc.);
- 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.

During the second quarter of fiscal year 2017, in relation with the acquisition on May 1, 2016, of all the shares of Dansk Fuel A/S ("Dansk Fuel") from A/S Dansk Shell, we transferred 77 sites from Dansk Fuel to our Danish subsidiary and converted those 77 sites to the company-operated model. As of October 9, 2016, we had completed the transfer and conversion of all 127 sites. We own the land and buildings for 82 sites and lease those assets for the remaining 45 sites. Of the 127 sites, 72 are full-service stations, 49 are unmanned automated fuel stations and six are truck stops, all of which were originally dealer-operated.

During the same period, to comply with requirements of the European commission, we also divested 24 of our legacy sites to Dansk Fuel.

Subsequent to the end of the quarter, on October 31, 2016, we sold all of our shares in Dansk Fuel to DCC Holding A/S, a subsidiary of DCC plc. 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 as we did not have control over Dansk Fuel's operation, its shares were accounted for as an investment in an associated company using the equity method.

Single-site acquisitions

During the second quarter of fiscal 2017, we acquired one company-operated store.

Since the beginning of fiscal 2017, we have acquired two company-operated store through distinct transactions.

Available cash was used for these transactions.

Store construction

We completed the construction, relocation or reconstruction of 11 stores during the second quarter of fiscal 2017 which brings the total to 25 stores since the beginning of fiscal 2017.

As of October 9, 2016, 51 stores were under construction and should open in the upcoming quarters.

Transaction subsequent to quarter-end

On November 15, 2016, we completed the acquisition, from Sevenoil Est OÜ and its affiliates, of 23 company-operated sites located in Estonia of which 11 are full service fuel stations with convenience stores and 12 are unmanned automated fuel stations. Under the agreement, we own the land and building for all sites. We financed this transaction using our available cash and existing credit facilities.

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 US $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 U.S. Southwest, with an important presence in Texas, the U.S. Southeast, 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 it to close before the end of fiscal year 2017 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 after 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 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. Under 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 before the end of fiscal year 2017 and is subject to the standard regulatory approvals 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 second quarter and the first half-year of fiscal 2017

The following table presents certain information regarding changes in our store network over the 12-week period ended October 9, 2016 [1]:

	12-week period ended October 9, 2016				
Type of site	**Company-operated [2]**	**CODO [3]**	**DODO [4]**	**Franchised and other affiliated [5]**	**Total**
Number of sites, beginning of period	7,965	520	1,020	1,066	10,571
Acquisitions	2	249	-	-	251
Openings / constructions / additions	11	-	6	20	37
Closures / disposals / withdrawals	(51)	(3)	(22)	(23)	(99)
Store conversion	80	(82)	2	-	-
Number of sites, end of period	8,007	684	1,006	1,063	10,760
Number of automated fuel stations included in the period end figures [6]	946	-	18	-	964

The following table presents certain information regarding changes in our store network over the 24-week period ended October 9, 2016 [1]:

	24-week period ended October 9, 2016				
Type of site	**Company-operated [2]**	**CODO [3]**	**DODO [4]**	**Franchised and other affiliated [5]**	**Total**
Number of sites, beginning of period	7,929	530	1,016	1,072	10,547
Acquisitions	3	299	-	-	302
Openings / constructions / additions	25	0	20	43	88
Closures / disposals / withdrawals	(80)	(6)	(39)	(52)	(177)
Store conversion	130	(139)	9	-	-
Number of sites, end of period	8,007	684	1,006	1,063	10,760

(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 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.
(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, more than 1,500 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 close to 12,300 sites.

Events outside of the normal course of business

During the quarter, our activities in the U.S. were negatively affected by events outside normal course of business, including floods in Louisiana in August, the Colonial pipeline leak in September, as well as hurricane Matthew in October. These events affected, at various levels, more than 500 of our stores mainly through loss merchandise and road transportation fuel sales and incremental expenses, including inventory losses and clean-up costs. We were however able to limit the impact on our earnings through preventive actions. As such, we estimate that these events had a combined negative impact of approximately $4.0 million before income taxes on our results of the second quarter of fiscal 2017.

Global Circle K brand

On September 22, 2015, we announced the creation of a new, global convenience brand, Circle K. The new Circle K 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 rebranding project, we have started to incur additional capital expenditures and other expenses in order to replace and upgrade various existing assets. This project should span over the course of the next few years. As a result of our plan for the replacement and upgrade of these assets, we have accelerated the depreciation and amortization of certain existing assets, including but not limited to, store signage and the Statoil trade name. Consequently, incremental depreciation and amortization expenses of $6.5 million and of $13.4 million were recorded to earnings of the second quarter and of the first half-year of fiscal 2017, respectively. We expect 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 October 2016, 777 stores in North America and 653 stores in Europe had been rebranded with our new global convenience brand Circle K.

Dividends

During its November 22, 2016 meeting, the Corporation's Board of Directors (the "Board") approved an increase of the quarterly dividend of CA 1.25¢ per share to CA 9.0¢ per share, an increase of more than 16.0%.

During the same meeting, the Board declared a quarterly dividend of CA 9.0¢ per share for the second quarter of fiscal 2017 to shareholders on record as at December 1, 2016 and approved its payment for December 15, 2016. This is an eligible dividend within the meaning of the Income Tax Act of Canada.

Outstanding shares and stock options

As at November 18, 2016, Couche-Tard had 147,766,540 Class A multiple voting shares and 420,114,590 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 2,299,490 outstanding stock options for the purchase of Class B subordinate voting shares.

Summary analysis of consolidated results for the second quarter and first half-year of fiscal 2017

The following table highlights certain information regarding our operations for the 12 and 24-week periods ended October 9, 2016, and October 11, 2015.

(in millions of US dollars, unless otherwise stated)	12-week periods ended			24-week periods ended		
	October 9, 2016	October 11, 2015	Variation %	**October 9, 2016**	October 11, 2015	Variation %
Statement of Operations Data:						
Merchandise and service revenues (1):						
United States	**1,791.3**	1,748.7	2.4	**3,604.2**	3,509.1	2.7
Europe	**284.0**	207.5	36.9	**547.6**	413.5	32.4
Canada	**450.9**	441.0	2.2	**907.2**	912.0	(0.5)
Total merchandise and service revenues	**2,526.2**	2,397.2	5.4	**5,059.0**	4,834.6	4.6
Road transportation fuel revenues:						
United States	**3,665.0**	3,985.6	(8.0)	**7,472.9**	8,423.3	(11.3)
Europe	**1,477.8**	1,336.7	10.6	**2,829.2**	2,711.6	4.3
Canada	**523.3**	518.3	1.0	**1,025.2**	1,080.0	(5.1)
Total road transportation fuel revenues	**5,666.1**	5,840.6	(3.0)	**11,327.3**	12,214.9	(7.3)
Other revenues (2):						
United States	**3.0**	3.8	(21.1)	**6.0**	7.5	(20.0)
Europe	**249.1**	195.0	27.7	**472.6**	359.1	31.6
Canada	**1.1**	0.2	450.0	**1.2**	0.3	300.0
Total other revenues	**253.2**	199.0	27.2	**479.8**	366.9	30.8
Total revenues	**8,445.5**	8,436.8	0.1	**16,866.1**	17,416.4	(3.2)
Merchandise and service gross profit (1):						
United States	**597.0**	578.0	3.3	**1,199.0**	1,161.4	3.2
Europe	**117.5**	84.5	39.1	**227.5**	170.7	33.3
Canada	**151.6**	144.9	4.6	**303.0**	301.2	0.6
Total merchandise and service gross profit	**866.1**	807.4	7.3	**1,729.5**	1,633.3	5.9
Road transportation fuel gross profit:						
United States	**348.9**	432.8	(19.4)	**711.4**	750.2	(5.2)
Europe	**241.8**	199.5	21.2	**452.0**	385.3	17.3
Canada	**41.4**	39.0	6.2	**80.7**	76.2	5.9
Total road transportation fuel gross profit	**632.1**	671.3	(5.8)	**1,244.1**	1,211.7	2.7
Other revenues gross profit (2):						
United States	**3.0**	3.8	(21.1)	**6.0**	7.5	(20.0)
Europe	**45.2**	48.2	(6.2)	**86.2**	97.3	(11.4)
Canada	**1.1**	0.1	1000.0	**1.1**	0.3	266.7
Total other revenues gross profit	**49.3**	52.1	(5.4)	**93.3**	105.1	(11.2)
Total gross profit	**1,547.5**	1,530.8	1.1	**3,066.9**	2,950.1	4.0
Operating, selling, administrative and general expenses	**930.3**	886.6	4.9	**1,846.1**	1,766.6	4.5
Loss (gain) on disposal of property and equipment and other assets	**0.4**	5.6	(92.9)	**(1.2)**	3.7	(132.4)
Gain on the disposal of the lubricant business	**-**	(47.4)	(100.0)	**-**	(47.4)	(100.0)
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	**154.2**	137.6	12.1	**299.2**	277.6	7.8
Operating income	**462.6**	548.2	(15.6)	**922.8**	949.7	(2.8)
Net earnings	**324.0**	415.7	(22.1)	**648.4**	713.5	(9.1)
Other Operating Data:						
Merchandise and service gross margin (1):						
Consolidated	**34.3%**	33.7%	0.6	**34.2%**	33.8%	0.4
United States	**33.3%**	33.1%	0.2	**33.3%**	33.1%	0.2
Europe	**41.4%**	40.7%	0.7	**41.5%**	41.3%	0.2
Canada	**33.6%**	32.9%	0.7	**33.4%**	33.0%	0.4
Growth of same-store merchandise revenues (3) (4):						
United States	**2.3%**	5.2%		**2.3%**	5.2%	
Europe(5)	**3.4%**	3.1%		**4.4%**	2.2%	
Canada	**1.2%**	3.6%		**1.0%**	3.0%	
Road transportation fuel gross margin:						
United States (cents per gallon) (4)	**19.87**	25.66	(22.6)	**20.36**	22.01	(7.5)
Europe (cents per litre) (6)	**9.10**	9.62	(5.5)	**8.91**	9.61	(7.3)
Canada (CA cents per litre) (4)	**6.75**	6.90	(2.2)	**6.76**	6.64	1.8
Volume of road transportation fuel sold (6):						
United States (millions of gallons)	**1,769.3**	1,698.6	4.2	**3,521.2**	3,380.2	4.2
Europe (millions of litres)(5)	**2,658.4**	2,073.0	28.2	**5,073.9**	4,007.7	26.6
Canada (millions of litres)	**810.1**	752.2	7.7	**1,563.1**	1,481.0	5.5
Growth of same-store road transportation fuel volume (4):						
United States	**3.5%**	7.4%		**3.0%**	8.4%	
Europe	**0.1%**	3.5%		**0.6%**	2.7%	
Canada	**(0.8%)**	3.7%		**(0.1%)**	2.4%	
Per Share Data:						
Basic net earnings per share (dollars per share)	**0.57**	0.73	(21.9)	**1.15**	1.26	(8.7)
Diluted net earnings per share (dollars per share)	**0.57**	0.73	(21.9)	**1.14**	1.25	(8.8)

	October 9, 2016	April 24, 2016	Variation $
Balance Sheet Data:			
Total assets	**13,605.9**	12,305.6	1,300.3
Interest-bearing debt	**3,571.3**	2,857.0	714.3
Shareholders' equity	**5,586.1**	5,043.6	542.5
Indebtedness Ratios:			
Net interest-bearing debt/total capitalization (7)	**0.33 : 1**	0.31 : 1	
Net interest-bearing debt/Adjusted EBITDA (8) (12)	**1.08 : 1**	0.97 : 1	
Adjusted net interest-bearing debt/Adjusted EBITDAR (9) (12)	**1.98 : 1**	1.98 : 1	
Returns:			
Return on equity (10) (12)	**24.8%**	27.0%	
Return on capital employed (11) (12)	**17.8%**	18.5%	

(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 rental of assets, from sale of aviation and marine fuel, heating oil, kerosene, lubricants and chemicals.
(3) Does not include services and other revenues (as described in footnote 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 October 9, 2016, it includes Couche-Tard's, Topaz's and IOL's results for the 52-week period ended October 9, 2016. As of April 24, 2016, it includes Couche-Tard's results for 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 Topaz and of IOL, we have not yet completed the fair value assessment of the assets acquired, the liabilities assumed and the goodwill for these transactions.

Revenues

Our revenues were $8.4 billion for the second quarter of fiscal 2017, up by $8.7 million or 0.1%, compared with the corresponding quarter of fiscal 2016, mainly attributable to the contribution from acquisitions and recently opened stores as well as to the continued growth in same-store merchandise revenues and road transportation fuel volumes in both North America and Europe. These items, which contributed to the growth in revenues, were partly offset by a lower road transportation fuel average selling price and to the disposal of our lubricants business during the second quarter of fiscal 2016.

For the first half-year of fiscal 2017, our revenues decreased by $550.3 million, down 3.2% compared with the first half-year of fiscal 2016 due to a lower road transportation fuel average selling price, the disposal of our lubricants business, in addition to the negative net impact from the translation of revenues of our Canadian and European operations into US dollars, partly offset by a lower road transportation fuel average selling price and to the disposal of our lubricants business during the second quarter of fiscal 2016.

More specifically, the growth in merchandise and service revenues for the second quarter of fiscal 2017 was $129.0 million. Excluding the net positive impact from the translation of our European and Canadian operations into US dollars, merchandise and service revenues increased by $125.0 million or 5.2%. This increase is attributable to the contribution from acquisitions, which amounted to approximately $78.0 million, as well as to organic growth. Same-store merchandise revenues increased by 2.3% in the United States, by 3.4% in Europe and by 1.2% in Canada. Overall, our performance is attributable to our dynamic merchandising strategies, to the encouraging reaction from customers to the launch of our new global brand, to our competitive offer and to our expanded fresh food assortment, which are attracting more customers into our stores. Our merchandise and service revenues in Western Canada continue to be affected by a challenging economy, while our U.S. operations were temporarily affected by the combined negative impact of floods in Louisiana, the Colonial pipeline leak in Alabama, as well as hurricane Mathew in the Southeast. On the other hand, revenues for certain product categories in the U.S. were also negatively affected by a deflation impact on sales prices.

For the first half-year of fiscal 2017, the growth in merchandise and service revenues was $224.4 million. Excluding the net negative impact from the translation of our European and Canadian operations into US dollars, merchandise and service revenues increased by $241.0 million or 5.0%. This increase is attributable to the contribution from acquisitions, which amounted to approximately $143.0 million and to strong organic growth. Same-store merchandise revenues grew by 2.3% in the United States, by 4.4% in Europe and by 1.0% in Canada.

Road transportation fuel revenues decreased by $174.5 million in the second quarter of fiscal 2017. Excluding the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by $177.0 million or 3.0%. This decrease was attributable to the impact of a lower average road transportation fuel selling price, which had a negative impact of approximately $635.0 million on our revenues, partly offset by the contribution from acquisitions, which amounted to approximately $282.0 million and by our organic growth. Same-store road transportation fuel volumes increased by 3.5% in the United States and by 0.1% in Europe due to – among other things – the positive response from customers to our Circle K rebranding initiatives, to our fuel branding and micro-market strategies as well as to the growing contribution from premium fuel. In the U.S., fuel volumes were negatively impacted by disruptions caused by our fuel rebranding activities in the Southeast, in addition to the negative combined impact of the floods in Louisiana, the Colonial pipeline leak in Alabama, as well as hurricane Matthew in the Southeast region. In Canada, same-store road transportation fuel volumes decreased by 0.8%, still impacted by a challenging economy in Western Canada.

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

Quarter	3rd	4th	1st	2nd	**Weighted average**
52-week period ended October 9, 2016					
United States (US dollars per gallon)	1.99	1.86	2.20	2.10	**2.04**
Europe (US cents per litre)	57.04	51.59	58.65	58.01	**56.29**
Canada (CA cents per litre)	88.41	82.28	92.66	90.36	**88.63**
52-week period ended October 11, 2015					
United States (US dollars per gallon)	2.54	2.34	2.64	2.36	**2.47**
Europe (US cents per litre)	73.99	66.51	72.16	66.12	**69.55**
Canada (CA cents per litre)	96.27	93.63	103.17	97.79	**97.73**

We believe that the lower average road transportation fuel selling price has no direct negative impact on our fuel gross margin. In fact, a lower fuel selling price usually works in our favor as customers tend to travel more in this context – buying more fuel – while also leaving them with more cash for their discretionary spending.

For the first half-year of fiscal 2017, road transportation fuel revenues decreased by $887.6 million. Excluding the negative net impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by $835.0 million or 6.8%. This decrease was attributable to the lower average selling price of road transportation fuel, which resulted in a decrease in revenues of approximately $1.7 billion. The decrease was partially offset by the contribution from acquisitions, which amounted to approximately $534.0 million, by the contribution of our recently opened stores as well as by organic growth. Same-store road transportation fuel volumes increased by 3.0% in the United States, by 0.6% in Europe and decreased by 0.1% in Canada.

Other revenues increased by $54.2 million in the second quarter of fiscal 2017 and by $112.9 million in the first half-year of fiscal 2017, mainly explained by the contribution from acquisitions, which amounted to approximately $127.0 million in the second quarter of fiscal 2017 and to $238.0 million in the first half of fiscal 2017, partly offset by the disposal of our lubricants business, which had an impact of approximately $33.0 million in the second quarter of fiscal 2017 and $72.0 million in the first half of fiscal 2017.

Gross profit

In the second quarter of fiscal 2017, the consolidated merchandise and service gross profit was $866.1 million, an increase of $58.7 million compared with the corresponding quarter of fiscal 2016. Excluding the net positive impact from the translation of our European and Canadian operations into US dollars, consolidated merchandise and service gross profit increased by $58.0 million or 7.1%. This increase is attributable to the contribution from acquisitions, which amounted to approximately $27.0 million, and to organic growth. The gross margin increased by 0.2% in the United States to 33.3%, by 0.7% in Canada to 33.6% and by 0.7% in Europe, to 41.4%. Overall, this performance reflects changes in our product mix towards higher margin categories, including fresh food and hot dispensed beverages, the improvements we brought to our supply terms, as well as our merchandising strategy in line with market competitiveness and the economic conditions within each market.

During the first half-year of fiscal 2017, the consolidated merchandise and service gross profit was $1.7 billion, an increase of $96.2 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 $102.0 million or 6.3%. The gross margin was 33.3% in the United States, an increase of 0.2%, it was 41.5% in Europe, an increase of 0.2%, while in Canada it was 33.4%, an increase of 0.4%.

In the second quarter of fiscal 2017, the road transportation fuel gross margin was 19.87¢ per gallon in the United States a significant decrease of 5.79¢ per gallon while it was CA 6.75¢ per litre in Canada and 9.10¢ per litre in Europe. The decrease of 0.52¢ per litre in Europe is mostly attributable to the impact of lower margins in Ireland compared with our margins in continental Europe. Excluding the results for Ireland, road transportation fuel gross margin increased in Europe.

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 third quarter of the fiscal year ended April 26, 2015, were as follows:

(US cents per gallon)

Quarter	3rd	4th	1st	2nd	**Weighted average**
52-week period ended October 9, 2016					
Before deduction of expenses related to electronic payment modes	19.90	16.78	20.86	19.87	**19.40**
Expenses related to electronic payment modes	3.84	3.74	4.08	3.99	**3.91**
After deduction of expenses related to electronic payment modes	16.06	13.04	16.78	15.88	**15.49**
52-week period ended October 11, 2015					
Before deduction of expenses related to electronic payment modes	24.93	15.46	18.34	25.66	**21.23**
Expenses related to electronic payment modes	4.33	4.12	4.37	4.19	**4.26**
After deduction of expenses related to electronic payment modes	20.60	11.34	13.97	21.47	**16.97**

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 half-year of fiscal 2017, the road transportation fuel gross margin was 20.36¢ per gallon in the United States, CA 6.76¢ per litre in Canada and stood at 8.91¢ per litre in Europe. Similar to the second quarter, the decrease in margin in Europe is entirely attributable to lower margins in Ireland compared with our margins in continental.

Other revenues gross profit decreased by $2.8 million in the second quarter of fiscal 2017 and by $11.8 million in the first half-year of fiscal 2017. This decrease is mainly explained by the disposal of our lubricants business, which had an impact of approximately $10.0 million in the second quarter of fiscal 2017 and $21.0 million in the first half of fiscal 2017, partly offset by the contribution from acquisitions, which amounted to approximately $7.0 million in the second quarter of fiscal 2017 and $12.0 million in the first half of fiscal 2017.

Operating, selling, administrative and general expenses

For the second quarter and first half-year of fiscal 2017, operating, selling, administrative and general expenses increased by 4.9% and 4.5%, respectively, compared with the corresponding periods of fiscal 2016, but increased by only 1.7% and 1.9%, respectively, if we exclude certain items as demonstrated by the following table:

	12-week period ended October 9, 2016	**24-week period ended October 9, 2016**
Total variance as reported	**4.9%**	**4.5%**
Subtract:		
Increase from incremental expenses related to acquisitions	5.2%	4.7%
Decrease from divestment of the lubricants business	(2.0%)	(1.5%)
Integration costs and expenses in connection with our global brand initiatives	(1.0%)	(0.5%)
Acquisition costs recognized to earnings of fiscal 2017	0.9%	0.5%
Increase (decrease) from the net impact of foreign exchange translation	0.1%	(0.4%)
Decrease from lower electronic payment fees, excluding acquisitions	-	(0.2%)
Remaining variance	**1.7%**	**1.9%**

The remaining variance in expenses is mainly due to normal inflation, to higher advertising and marketing activities in connection with our rebranding 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 favor 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 second quarter of fiscal 2017, EBITDA decreased from $694.0 million to $622.1 million, a decline of 10.4% compared with the same quarter last year.

Excluding the specific items shown in the table below from EBITDA of the second quarter of fiscal 2017 and of the second quarter of fiscal 2016, the adjusted EBITDA for the second quarter of fiscal 2017 decreased by $26.4 million or 4.0% compared with the corresponding period of the previous fiscal year, mainly because of lower road transportation fuel gross margins in the U.S. Acquisitions contributed approximately $24.0 million to adjusted EBITDA, while the variation in exchange rates had a positive net impact of approximately $1.0 million.

During the first half-year of fiscal 2017, EBITDA decreased from $1,242.0 million to $1,236.8 million, a decline of 0.4% compared with the same period last year.

Excluding the specific items shown in the table below from EBITDA of the first half-year of fiscal 2017 and of the same period of fiscal 2016, the adjusted EBITDA for the first half-year of fiscal 2017 increased by $40.8 million or 3.4% compared with the corresponding period of the previous fiscal year, also negatively impacted by lower road transportation fuel gross margins in the U.S. Acquisitions contributed approximately $43.0 million to adjusted EBITDA, while the variation in exchange rates had a negative net impact of approximately $7.0 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:

	12-week periods ended		24-week periods ended	
(in millions of US dollars)	**October 9, 2016**	October 11, 2015	**October 9, 2016**	October 11, 2015
Net earnings, as reported	**324.0**	415.7	**648.4**	713.5
Add:				
Income taxes	**122.6**	115.5	**243.5**	208.6
Net financial expenses	**21.3**	25.2	**45.7**	42.3
Depreciation, amortization and impairment of property and equipment, intangible assets and other assets	**154.2**	137.6	**299.2**	277.6
EBITDA	**622.1**	694.0	**1,236.8**	1,242.0
Remove:				
Acquisition costs	**(7.6)**	(0.8)	**(8.5)**	(1.4)
Net gain from the disposal of the lubricants business	**-**	47.4	**-**	47.4
Integration costs and expenses in connection with our global brand initiatives	**-**	(8.6)	**-**	(8.6)
Adjusted EBITDA	**629.7**	656.0	**1,245.3**	1,204.6

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

For the second quarter and first half-year of fiscal 2017, depreciation, amortization and impairment expenses increased by $16.6 million and $21.6 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 was also increased by the accelerated depreciation and amortization of certain assets in connection with our global rebranding project, which had an impact of $6.5 million for the second quarter of fiscal 2017 and $13.4 million for the first half-year of fiscal 2017. These items, which contributed to the increase in depreciation, amortization and impairment expenses, were partially offset by the net impact of the translation of our European and Canadian operations into US dollars.

Net financial expenses

The second quarter of fiscal 2017 shows net financial expenses of $21.3 million, a decrease of $3.9 million compared with the second quarter of fiscal 2016. Excluding the net foreign exchange gain of $5.3 million and the net foreign exchange loss of $1.9 million recorded, respectively, in the second quarters of fiscal 2017 and fiscal 2016, net financial expenses increased by $3.3 million. This increase is mainly attributable to our higher average long-term debt. The net foreign exchange gain of $5.3 million for the second quarter of fiscal 2017 is mainly due to the impact of foreign exchange variations on certain cash balances.

The first half-year of fiscal 2017 shows net financial expenses of $45.7 million, an increase of $3.4 million compared with the first half-year of fiscal 2016. Excluding the net foreign exchange gains of $8.5 million and of $4.9 million recorded in the first half-years of fiscal 2017 and 2016, respectively, net financial expenses increased by $7.0 million for reasons similar to those of the second quarter. The net foreign exchange gain of $8.5 million is mainly due to the impact of foreign exchange variations on certain cash balances.

Income taxes

The income tax rate for the second quarter of fiscal 2017 was 27.5% compared with an income tax rate of 21.7% for the second quarter of fiscal 2016. The income tax rate for the second quarter of 2016 was lowered by the non-taxable net gain from the disposal of our lubricant business. Excluding the impact of this transaction, we estimate that the income tax rate for the second quarter of fiscal 2016 would have been approximately 24.2%. The increase in our income tax rate stems from our growing presence in the United States, where our income tax rate is the highest. For the first half-year of fiscal 2017, the income tax rate was 27.3%.

Net earnings and adjusted net earnings

We closed the second quarter of fiscal 2017 with net earnings of $324.0 million, compared with $415.7 million for the second quarter of the previous fiscal year, a decrease of $91.7 million or 22.1%. Diluted net earnings per share stood at $0.57, compared with $0.73 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a positive net impact of approximately $1.0 million on net earnings of the second quarter of fiscal 2017.

Excluding the items shown in the table below from net earnings of the second quarter of fiscal 2017 and fiscal 2016, net earnings for the second quarter of fiscal 2017 would have been approximately $331.0 million, compared with $375.0 million for the comparable quarter of the previous year, a decrease of $44.0 million or 11.7%. Adjusted diluted net earnings per share would have been approximately $0.58 for the second quarter of fiscal 2017, compared with $0.66 for the corresponding period of fiscal 2016, a decrease of 12.1%.

For the first half-year of fiscal 2017, net earnings were $648.4 million, compared with $713.5 million for the comparable period of fiscal year 2016, a decrease of $65.1 million or 9.1%. Diluted net earnings per share stood at $1.14, compared with $1.25 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 $7.0 million on net earnings of the half-year of fiscal 2017.

Excluding the items shown in the table below from net earnings of the first half-year of fiscal 2017 and fiscal 2016, net earnings for the first half-year of fiscal 2017 would have been approximately $659.0 million, compared with $667.0 million for the comparable period of the previous year, a decrease of $8.0 million or 1.2%. Adjusted diluted net earnings per share would have been approximately $1.16 for the first half-year of fiscal 2017, compared with $1.17 for the corresponding period of fiscal 2016, a decrease of 0.9%.

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

	12-week periods ended		24-week periods ended	
(in millions of US dollars)	**October 9, 2016**	October 11, 2015	**October 9, 2016**	October 11, 2015
Net earnings, as reported	**324.0**	415.7	**648.4**	713.5
Remove:				
Impact of accelerated depreciation and amortization	**(6.5)**	-	**(13.4)**	-
Acquisition costs	**(7.6)**	(0.8)	**(8.5)**	(1.4)
Net foreign exchange gain (loss)	**5.3**	(1.9)	**8.5**	4.9
Net gain from the disposal of the lubricants business	**-**	47.4	**-**	47.4
Integration costs and expenses in connection with our global brand initiatives	**-**	(8.6)	**-**	(8.6)
Tax impact of the items above and rounding	**1.8**	4.6	**2.8**	4.2
Adjusted net earnings	**331.0**	375.0	**659.0**	667.0

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 October 9, 2016

As shown by our indebtedness ratios included in the “Summary analysis of consolidated results for the second quarter and first half-year of fiscal 2017” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to $13.6 billion as at October 9, 2016, an increase of $1.3 billion over the balance as at April 24, 2016. This increase stems primarily from the acquisition of the IOL and Dansk Fuel assets, partly offset by the negative net impact of the exchange rates variation at the balance sheet date.

During the 52-week period ended on October 9, 2016, we recorded a return on capital employed of 17.8%.

Significant balance sheet variations are explained as follows:

Investment in an associated company held-for-sale

Investment in an associated company held-for-sale was $137.3 million as at October 9, 2016. This results from the acquisition of the shares of Dansk Fuel, partly offset by the transfer of 127 sites from Dansk Fuel to our Danish subsidiaries. This investment was sold on October 31, 2016.

Property and equipment

Property and equipment increased by $468.8 million, from $6.4 billion as at April 24, 2016 to $6.9 billion as at October 9, 2016, mainly as a result of the acquisition of the IOL and Dansk Fuel sites and the investments in our stores, partly offset by the depreciation, amortization and impairment expense. Property and equipment was also affected by the negative net impact of the exchange rates variation at the balance sheet date, which was approximately $60.0 million.

Goodwill

Goodwill increased by $450.8 million, from $1.8 billion as at April 24, 2016 to $2.3 billion as at October 9, 2016, mainly as a result of the acquisition of the IOL and Dansk fuel sites. 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. The goodwill was also affected by the negative net impact of the exchange rates variation at the balance sheet date, which was approximately $21.0 million.

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

Long-term debt increased by $714.3 million, from $2.9 billion as at April 24, 2016 to $3.6 billion as at October 9, 2016, mainly as a result of the acquisition of 173 stores from IOL, partly offset by the impact of the weakening Canadian dollar and Euro against the US dollar, which was approximately $103.0 million. Long-term debt increased from the issuance of Euro denominated senior unsecured notes for an amount of $851.8 million, partly offset by the net debt repayments of $65.9 million we made during the first-half of fiscal 2017.

Shareholders' equity

Shareholders' equity amounted to $5.6 billion as at October 9, 2016, up $542.5 million compared with April 24, 2016, mainly reflecting net earnings for the first half-year of fiscal 2017, partly offset by dividends declared and other comprehensive loss for the first half-year of fiscal 2017. For the 52-week period ended October 9, 2016, we recorded a return on equity of 24.8%.

Liquidity and Capital Resources

Our sources of liquidity remain unchanged compared with fiscal year ended April 24, 2016. For further information, please refer to our 2016 Annual Report. With respect to our capital expenditures and acquisitions of the first half-year 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 follow:

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 October 9, 2016, $825.3 million of our operating credit D had been used. As at the same date, the effective interest rate was 1.71% 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. The credit facility is available, in US dollars, in the form of a revolving unsecured operating credit. The amounts borrowed, if any, bear interest at variable rates based on the US base rate or the LIBOR rate plus a variable margin. As at October 9, 2016, operating credit E was unused.

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 October 9, 2016, operating credit F was unused.

Available liquidities

As at October 9, 2016, a total of approximately $1.8 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 $2.6 billion through our available cash and revolving unsecured operating credit facilities.

Selected Consolidated Cash Flow Information

	12-week periods ended			24-week periods ended		
(In millions of US dollars)	**October 9, 2016**	October 11, 2015	Variation	**October 9, 2016**	October 11, 2015	Variation
Operating activities						
Net cash provided by operating activities	**509.1**	611.1	(102.0)	**922.3**	1,011.2	(88.9)
Investing activities						
Business acquisitions	**(828.0)**	(23.1)	(804.9)	**(829.4)**	(110.1)	(719.3)
Purchase of property and equipment, intangible assets and other assets, net of proceeds from the disposal of property and equipment and other assets	**(164.0)**	(165.3)	1.3	**(272.5)**	(231.1)	(41.4)
Investment in associated company held-for-sale	**(7.4)**	-	(7.4)	**(301.4)**	-	(301.4)
Proceeds from disposal of the lubricants business	**-**	81.0	(81.0)	**-**	81.0	(81.0)
Other	**(1.9)**	1.2	(3.1)	**(5.3)**	0.6	(5.9)
Net cash used in investing activities	**(1,001.3)**	(106.2)	(895.1)	**(1,408.6)**	(259.6)	(1,149.0)
Financing activities						
Net increase (decrease) in US dollar denominated term revolving unsecured operating credit	**770.4**	(765.6)	1,536.0	**(51.0)**	(1,352.7)	1,301.7
Cash dividends paid	**(68.3)**	(47.1)	(21.2)	**(68.3)**	(47.1)	(21.2)
Net decrease in other debt	**(6.9)**	(3.1)	(3.8)	**(14.9)**	(7.2)	(7.7)
Issuance of Euro denominated senior unsecured notes, net of financing costs	**(2.0)**	-	(2.0)	**851.8**	-	851.8
Issuance of shares upon exercise of stock options	**0.2**	0.2	-	**0.2**	0.2	-
Settlement of cross-currency interest rate swaps	**-**	-	-	**(9,8)**	-	(9,8)
Repurchase of non-controlling interest	**-**	(11.8)	11.8	**-**	(11.8)	11.8
Issuance of Canadian dollar denominated senior unsecured notes, net of financing costs	**-**	-	-	**-**	562.0	(562.0)
Net cash from (used in) financing activities	**693.4**	(827.4)	1,520.8	**708.0**	(856.6)	1,564.6
Credit ratings						
Standard and Poor's – Corporate credit rating				**BBB**	BBB	
Moody's - Senior unsecured notes credit rating				**Baa2**	Baa2	

Operating activities

During the second quarter of fiscal 2017, net cash from our operations reached $509.1 million, down $102.0 million compared with the second quarter of fiscal year 2016, while net cash from our operations for the first half-year of fiscal 2017 reached $922.3 million, down $88.9 million compared with the corresponding period of fiscal year 2016. In both cases, the decrease is mainly due to lower net earnings, partly offset by changes in working capital.

Investing activities

During the second quarter of fiscal 2017, investing activities were primarily for the acquisition of IOL assets for an amount of $805.3 million and for net investments in property and equipment, intangible assets and other assets which amounted to $164.0 million.

Since the beginning of the fiscal year, investing activities were also primarily for the acquisition of IOL assets, for net investment in property and equipment, intangible assets and other assets, which amounted to $272.5 million as well as for the purchase of all the shares of Dansk Fuel for an amount of $301,4 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 second quarter of fiscal 2017, we withdrew a net amount of $770.4 million under our operating credit D mainly for the acquisition of the IOL sites. We also paid dividends for an amount of $68.3 million.

During the first half-year of fiscal 2017, we issued Euro denominated senior unsecured notes for a net amount of $851.8 million and total net amount repaid on our operating credit D was $51.0 million.

Contractual Obligations and Commercial Commitments

There were no major changes with respect to our contractual obligations and commercial commitments during the 24-week period ended October 9, 2016, except for the information 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 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 October 9, 2016, 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.

We have excluded Topaz's internal control over financial reporting from our evaluation of the overall effectiveness of our internal controls over financial reporting. This is due to the timing of the transaction, which occurred on February 1st, 2016. The limitation was primarily based on the time required to assess Topaz's controls over financial reporting and to confirm they are consistent with ours, as permitted by the Canadian Securities Administrator's National Instrument 52-109 for 365 days following an acquisition. We expect to finalize our assessment by February 1st, 2017.

Topaz's balance sheet and results are included in our consolidated financial statements since the acquisition date. They constituted approximately 7.1% of total consolidated assets as of October 9, 2016 while they represented approximately 4.6% of consolidated revenues and approximately 1.5% of consolidated net earnings for the first half-year of fiscal 2017.

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 for per share data)	**24-week period ended October 9, 2016**		52-week period ended April 24, 2016				Extract from 52-week period ended April 26, 2015	
Quarter	**2nd**	1st	4th	3rd	2nd	1st	4th	3rd
Weeks	**12 weeks**	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks
Revenues	**8,445.5**	8,420.6	7,397.1	9,331.1	8,436.8	8,979.6	7,285.5	9,107.8
Operating income before depreciation, amortization and impairment of property and equipment, intangibles assets and other assets	**616.8**	605.2	456.2	618.7	685.8	541.5	314.8	536.8
Depreciation, amortization and impairment of property and equipment, intangibles assets and other assets	**154.2**	145.0	162.0	192.8	137.6	140.0	132.1	152.4
Operating income	**462.6**	460.2	294.2	425.9	548.2	401.5	182.7	384.4
Share of earnings of joint ventures and associated companies accounted for using the equity method	**5.3**	9.5	6.5	8.8	8.2	6.5	4.4	7.7
Net financial expenses	**21.3**	24.4	31.7	33.5	25.2	17.1	15.6	41.2
Net earnings	**324.0**	324.4	206.2	274.0	415.7	297.8	126.0	248.1
Net earnings per share								
Basic	**$0.57**	$0.57	$0.36	$0.48	$0.73	$0.52	$0.22	$0.44
Diluted	**$0.57**	$0.57	$0.36	$0.48	$0.73	$0.52	$0.22	$0.44

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 new sites, as well as realizing the potential synergies of 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 Brands as we get ready to welcome them in the Couche-Tard’s family.

November 22, 2016