

Fiscal Year 2019

ALIMENTATION COUCHE-TARD INC.
MANAGEMENT DISCUSSION & ANALYSIS
52-week period ended April 28, 2019



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 fiscal year ended April 28, 2019. 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 audited annual consolidated financial statements and notes thereto included in our 2019 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at <https://www.sedar.com/> and on our website at <https://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 July 9, 2019, 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 2019 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 countries (Estonia, Latvia and Lithuania), as well as in Ireland, and have an important presence in Poland.

As of April 28, 2019, our network comprised 9,866 convenience stores throughout North America, including 8,629 stores with road transportation fuel dispensing. Our North American network consists of 19 business units, including 15 in the United States covering 48 states and 4 in Canada covering all 10 provinces. Approximately 109,000 people are employed throughout our network and at our service offices in North America. In addition, through CrossAmerica Partners LP (“CAPL”), we supply road transportation fuel under various brands to approximately 1,300 locations in the United States.

In Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through ten business units. As of April 28, 2019, our network comprised 2,709 stores, 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 aviation fuel and energy for stationary engines. Including employees at branded franchise stores, approximately 24,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, more than 2,150 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, China, Costa Rica, Egypt, Guam, Honduras, Hong Kong, Indonesia, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings our worldwide total network to more than 16,000 stores.

Our mission is to make our customers' lives a little easier every day. To this end, we strive to meet the demands and needs of people on the go. We offer fast and friendly service, providing food, hot and cold beverages, car wash services, and other high-quality products and services including road transportation fuel, designed to meet or exceed our customers' demands in a clean, welcoming and efficient environment. Our business model is our key to success. We have a decentralized management structure, routinely compare best practices, and use our global experience to enhance our operational expertise. We also continually invest in our people and our stores, while maintaining a strong cost discipline.

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 ongoing 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 tables set forth information about exchange rates based upon closing rates expressed as US dollars per comparative currency unit:

	12-week period ended	12-week period ended	52-week period ended	52-week period ended	53-week period ended
	April 28, 2019	April 29, 2018	April 28, 2019	April 29, 2018	April 30, 2017
Average for period⁽¹⁾					
Canadian dollar	0.7510	0.7840	0.7595	0.7826	0.7598
Norwegian krone	0.1165	0.1280	0.1195	0.1241	0.1194
Swedish krone	0.1077	0.1212	0.1108	0.1205	0.1144
Danish krone	0.1514	0.1654	0.1542	0.1587	0.1468
Zloty	0.2627	0.2940	0.2675	0.2800	0.2512
Euro	1.1298	1.2319	1.1499	1.1810	1.0920
Ruble	0.0153	0.0171	0.0153	0.0172	0.0161

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

Period end	As at April 28, 2019	As at April 29, 2018
Canadian dollar	0.7412	0.7763
Norwegian krone	0.1152	0.1250
Swedish krone	0.1053	0.1148
Danish krone	0.1491	0.1620
Zloty	0.2596	0.2863
Euro	1.1133	1.2070
Ruble	0.0154	0.0160

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.

Fiscal 2019 Overview

Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$1.8 billion for fiscal 2019, compared with \$1.7 billion for fiscal 2018. Diluted net earnings per share stood at \$3.25, compared with \$2.95 for the previous year.

The results for fiscal 2019 were affected by a pre-tax impairment charge on CAPL's goodwill of \$55.0 million, pre-tax restructuring costs of \$10.5 million, a compensatory payment to CAPL for divestiture of assets of \$6.3 million, which had a negative impact of \$5.0 million on pre-tax earnings attributable to shareholders of the Corporation, a net tax benefit stemming from the decrease of the statutory income tax rate in Sweden of \$6.2 million, a pre-tax net foreign exchange gain of \$5.3 million, a pre-tax gain from the disposal of the marine fuel business of \$3.2 million, as well as pre-tax acquisition costs of \$2.2 million.

The results for fiscal 2018 were affected by a net tax benefit of \$288.3 million, of which \$18.2 million relates to non-controlling interests, following the approval of the "U.S. Tax Cuts and Jobs Act", pre-tax restructuring costs of \$56.9 million, of which \$5.2 million relates to non-controlling interests, a \$48.4 million pre-tax net foreign exchange loss, a \$19.0 million pre-tax accelerated depreciation and amortization expense and pre-tax incremental costs of \$3.0 million, both in connection with our global brand initiative, a \$13.4 million tax benefit following an internal reorganization, pre-tax acquisition costs of \$11.8 million, an \$11.5 million pre-tax gain on the disposal of a terminal, an \$8.8 million pre-tax gain on the investment we held in CST, pre-tax incremental expenses caused by hurricanes totaling \$6.6 million, as well as a pre-tax negative goodwill of \$2.8 million.

Excluding these items, the adjusted net earnings would have been approximately \$1.9 billion¹ (\$3.32¹ per share on a diluted basis), compared with \$1.5 billion¹ (compared with \$2.60¹ per share on a diluted basis) for fiscal 2018, an increase of \$402.0 million or 27.3%, driven by higher fuel margins in the U.S., the contribution from our acquisitions, our organic growth, as well as by a lower income tax rate, partly offset by a higher level of expense, as well as by the net negative impact from the translation of our Canadian and European operations into US dollars.

Changes in our Network

Single-site acquisitions

During fiscal 2019, we acquired six company-operated stores through distinct transactions and added two company-operated stores through RDK, a joint-venture, for a total of eight acquired company-operated stores since the beginning of fiscal 2019.

Store construction

During fiscal 2019, we completed the construction of 51 stores and the relocation or reconstruction of 41 stores. As of April 28, 2019, 28 stores were under construction and should open in the upcoming quarters.

¹ Please refer to the section "Net earnings attributable to shareholders of the Corporation ("net earnings") and adjusted net earnings attributable to shareholders of the Corporation ("adjusted net earnings")" of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS.

Summary of changes in our store network during the fourth quarter and fiscal 2019

The following table presents certain information regarding changes in our store network over the 12-week period ended April 28, 2019⁽¹⁾:

Type of site	12-week period ended April 28, 2019				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,881	458	1,058	1,245	12,642
Acquisitions	1	-	-	-	1
Openings / constructions / additions	19	-	11	21	51
Closures / disposals / withdrawals	(52)	-	(16)	(51)	(119)
Store conversion	(55)	56	(1)	-	-
Number of sites, end of period	9,794	514	1,052	1,215	12,575
CAPL network					1,285
Circle K branded sites under licensing agreements					2,181
Total network					16,041
Number of automated fuel stations included in the period-end figures ⁽⁶⁾	976	-	14	-	990

The following table presents certain information regarding changes in our store network over the 52-week period ended April 28, 2019⁽¹⁾:

Type of site	52-week period ended April 28, 2019				Total
	Company-operated ⁽²⁾	CODO ⁽³⁾	DODO ⁽⁴⁾	Franchised and other affiliated ⁽⁵⁾	
Number of sites, beginning of period	9,718	722	1,051	1,249	12,740
Acquisitions	8	-	2	-	10
Openings / constructions / additions	51	1	55	92	199
Closures / disposals / withdrawals	(182)	(6)	(58)	(128)	(374)
Store conversion	199	(203)	2	2	-
Number of sites, end of period	9,794	514	1,052	1,215	12,575
CAPL network					1,285
Circle K branded sites under licensing agreements					2,181
Total network					16,041

- (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.

Disposal of retail sites

On July 3, 2018, we sold to Irving Oil Ltd. 13 retail sites in the Canadian Atlantic provinces for a cash consideration of approximately \$30.0 million. This transaction resulted in a gain of \$4.5 million. These stores, which will continue to be operated by Couche-Tard, were previously acquired through the CST acquisition.

On February 5, 2019, we sold 19 retail sites in Oregon and West Washington for a cash consideration of approximately \$30.0 million. This transaction resulted in a gain of \$17.3 million.

Disposal of Statoil Fuel & Retail Marine AS

On December 1, 2018, we completed the disposal of our marine fuel business to St1 Norge AS through a share purchase agreement pursuant to which St1 Norge AS acquired 100% of all issued and outstanding shares of Statoil Fuel & Retail Marine AS. Total proceeds from the disposal were \$24.3 million. The transaction resulted in a gain of \$3.2 million.

Asset Exchange Agreement with CAPL

On December 17, 2018, we entered into an Asset Exchange Agreement with CAPL under which 192 Circle K U.S. company-operated stores will be exchanged against the real estate property currently held by CAPL for 56 U.S. company-operated stores currently leased and operated by Couche-Tard pursuant to a master lease that CAPL had previously purchased jointly with or from CST Brands Inc. ("CST"), and 17 company-operated stores currently owned and operated by CAPL in the U.S. Upper Midwest. The aggregate value of this agreement is approximately \$185.0 million. The Circle K stores to be sold to CAPL will remain our property until dealers are secured to operate the sites. The existing fuel supply arrangements

for the 56 master lease properties will remain unchanged. As CAPL is fully consolidated in our consolidated financial statements, no gain or loss are expected from these transactions.

On May 22, 2019, subsequent to the end of fiscal 2019, we closed the first transaction of the Asset Exchange Agreement with CAPL. In this first transaction, 60 Circle K U.S. stores have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 8 properties held by CAPL, for a total value of approximately \$58.0 million. The remaining transactions are expected to be completed by the end of the first quarter of calendar year 2020.

Agreement with Canopy Growth Corporation

On February 21, 2019, we announced a multi-year agreement with Canopy Growth Corporation allowing us to licence the “Tweed” trademark to cannabis retail store operations in the Province of Ontario, Canada. Through this new strategic partnership, we aim to lean on Canopy Growth’s cannabis expertise and leverage our experience with other age-restricted products to focus on the safe, responsible and lawful sale of cannabis. On May 17, 2019, a first licensed store was opened under this agreement.

CST Integration

Our annual synergies run rate related to the CST acquisition surpassed our target of \$ 215.0 million over the three years following the transaction, one year earlier than planned. These synergies resulted in reductions in operating, selling, administrative and general expenses, as well as improvements in road transportation fuel and merchandise distribution and supply costs. As always, we will continue our efforts towards improving our efficiency and we are confident that additional synergies will be realized.

Global Circle K Brand

On September 22, 2015, we announced the creation of a new global convenience brand, Circle K. The new brand is replacing our existing Circle K, Statoil, Mac’s, Kangaroo Express, Corner Store, On the Run, and Topaz brands on stores and service stations across Canada (except in Québec), the United States and Europe. The rollout of the Circle K brand in North America is progressing steadily.

As of April 28, 2019, more than 5,600 stores in North America, including approximately 720 stores acquired from CST, and more than 2,000 stores in Europe were proudly displaying our new global brand. Subsequent to the end of fiscal 2019, we successfully finalized our rebranding project in Europe, by completing the rebranding of our network in Ireland.

Restructuring

During fiscal 2019, 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 of our operations. As such, restructuring costs of \$10.5 million were recorded to earnings during fiscal 2019.

CrossAmerica Partners LP

During fiscal 2019, we performed our annual goodwill impairment test. As a result of the reduction in the fair value of the Incentive Distribution Rights and in CAPL’s market capitalization, we recorded a \$55.0 million impairment charge to Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets on the consolidated statement of earnings.

Compensatory Payment to CAPL for Divestiture of Assets

During fiscal 2019, in connection with divestiture of certain assets, we have paid a compensatory amount of \$6.3 million to CAPL. This compensatory payment was recorded in our operating expenses, was eliminated upon consolidation, but had a negative pre-tax impact of \$5.0 million on earnings attributable to shareholders of the Corporation.

New Statutory Income Tax in Sweden

During fiscal 2019, we recorded a net tax benefit of \$6.2 million, derived from the evaluation of our deferred income tax balances following the decrease of the statutory income tax rate in Sweden, which will decrease from 22.0% to 20.6% over the next 2 years.

Long-Term Debt

On November 28, 2018, we entered into a new credit agreement consisting of an unsecured non-revolving credit facility of an aggregate maximum amount of \$213.5 million, maturing June 27, 2020 (the “credit facility”).

The credit facility was available exclusively to repay a portion of amounts outstanding in principal, interest and fees under our acquisition facility. The credit facility was available in US dollars by way of loans bearing interest at the US base rate or the LIBOR rate plus 0.850%.

During fiscal 2019, we repaid the remaining tranche of our acquisition facility, our credit facility, as well as the majority of our revolving unsecured credit facility. Net debt repayment totalled \$1.8 billion during the year. In addition, subsequent to the end of fiscal 2019, on May 28, 2019, we repaid \$150.0 million of our US-dollar-denominated senior unsecured notes.

New Share Repurchase Program

On April 8, 2019, we received the approval from the Toronto Stock Exchange to implement a new share repurchase program to repurchase up to 4.0% of our Class B subordinate voting shares. Subsequent to the end of fiscal 2019, we repurchased 245,274 shares, for a net amount of \$14.4 million. All shares repurchased were cancelled.

Holiday Stationstores, LLC Integration

On December 22, 2017, we acquired all the membership interest of Holiday Stationstores, LLC and certain affiliated companies (“Holiday”). During fiscal 2019, the adjustments we made to the fair value of the assets acquired and liabilities assumed had a net negative impact of \$3.0 million on our previously reported net earnings of fiscal 2018. Comparative financial statements were adjusted accordingly.

Dividends

During its July 9, 2019 meeting, the Board of Directors declared a quarterly dividend of CA 12.5¢ per share for the fourth quarter of fiscal 2019 to shareholders on record as at July 18, 2019, and approved its payment for August 1, 2019. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

For fiscal 2019, the Board declared total dividends of CA 45.0¢ per share, an increase of 21.6% compared with fiscal 2018.

Outstanding Shares and Stock Options

As at July 5, 2019, Couche-Tard had 126,903,950 Class A multiple-voting shares and 437,273,218 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 1,643,741 outstanding stock options for the purchase of Class B subordinate voting shares.

Statement of Earnings Categories

Merchandise and service revenues. In-store merchandise revenues are comprised primarily of the sale of tobacco and alternative tobacco products, grocery items, candy and snacks, beverages, beer, wine and fresh food offerings, including quick service restaurants. These revenues are recognized at the time of the transaction since control of goods and services is considered transferred when customer makes payment and takes possession of the sold item. Merchandise sales also include the wholesale of merchandise and goods to certain independent operators and franchisees made from our distribution centers and commissaries, which are generally recognized on the passing of possession of the goods and when the transfer of the associated risk is made. Service revenues include commissions on the sale of lottery tickets and the issuance of money orders, fees from automatic teller machines, sales of calling cards and gift cards, fees for cashing checks, sales of postage stamps and bus tickets and car wash revenues.

Service revenues also include franchise and license fees as well as commissions from agents, and royalties from franchisees and licensees. Starting fiscal year 2020, we will also sell cannabis products through licensed stores in Ontario, Canada.

Road transportation fuel revenues. We include in our revenues the total dollar amount of road transportation fuel sales, including any embedded taxes when they are included in the purchase price, if we take ownership of the road transportation fuel inventory. In the United States and in Europe, in some instances, we purchase road transportation fuel and sell it to certain independent store operators at cost plus a mark-up. We record the full value of these revenues (cost plus mark-up) as road transportation fuel revenues. Where we act as a selling agent for a petroleum distributor, only the commission we earn is recorded as revenue.

Other revenues. Other revenues include sales of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018). Other revenues also include rental income from operating leases for certain land and buildings we own.

Gross profit. Gross profit consists mainly of revenues less the cost of goods sold. Cost of goods sold is mainly comprised of the specific cost of merchandise and road transportation fuel sold, including applicable freight less vendor rebates. For in-store merchandise, the cost of inventory is generally determined using the retail method (retail price less a normal margin), and for road transportation fuel, it is generally determined using the average cost method. The road transportation fuel gross margin for stores generating commissions corresponds to the sales commission.

Operating, selling, administrative and general expenses. The primary components of operating, selling, administrative and general expenses are labor, net occupancy costs, electronic payment modes fees, commissions to dealers and agents and overhead.

Key performance indicators used by management, which can be found under “Summary Analysis of Consolidated Results of Fiscal 2019 - Other Operating Data”, are merchandise and service gross margin, growth of same-store merchandise revenues, road transportation fuel gross margin and growth of same-store road transportation fuel volume, return on equity and return on capital employed.

Summary Analysis of Consolidated Results for the Fourth Quarter of Fiscal 2019

The following table highlights certain information regarding our operations for the 12-week period ended April 28, 2019 and 12-week period ended April 29, 2018:

<i>(in millions of US dollars, unless otherwise stated)</i>	12-week period ended April 28, 2019	12-week period ended April 29, 2018	Change %
Revenues	13,113.3	13,614.8	(3.7)
Operating income	410.2	464.4	(11.7)
Net earnings attributable to shareholders of the Corporation	293.1	391.0	(25.0)
Selected Operating Data – excluding CAPL:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	34.6%	34.9%	(0.3)
United States	33.9%	33.6%	0.3
Europe	41.8%	44.0%	(2.2)
Canada	33.0%	34.4%	(1.4)
Growth of same-store merchandise revenues ⁽²⁾ :			
United States ⁽³⁾	3.4%	1.8%	
Europe	4.7%	4.3%	
Canada ⁽³⁾	4.2%	3.6%	
Road transportation fuel gross margin:			
United States (cents per gallon) ⁽³⁾	18.51	17.29	7.1
Europe (cents per liter)	8.28	8.72	(5.0)
Canada (CA cents per liter) ⁽³⁾	8.13	9.44	(13.9)
Growth of (decrease in) same-store road transportation fuel volume:			
United States ⁽³⁾	0.3%	(0.1%)	
Europe ⁽³⁾	(1.8%)	0.1%	
Canada ⁽³⁾	(0.4%)	(2.9%)	

(1) Includes revenues derived from franchise fees, royalties, suppliers rebates on some purchases made by franchisees and licensees, as well as from wholesale merchandise.

(2) Does not include services and other revenues (as described in footnote 1 above). Growth in Canada and Europe is calculated based on local currencies.

(3) For company-operated stores only.

Revenues

Our revenues were \$13.1 billion for the fourth quarter of fiscal 2019, down by \$501.5 million, a decrease of 3.7% compared with the corresponding quarter of fiscal 2018, mainly attributable to the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, the one-time sale of *Compulsory Stock Obligation* (“CSO”) inventory in Sweden in the fourth quarter of fiscal 2018, lower revenues in our wholesale business and lower other revenues, partly offset by a net higher average road transportation fuel selling price, and by organic growth.

Merchandise and service revenues

Total merchandise and service revenues for the fourth quarter of fiscal 2019 were \$3.3 billion, an increase of \$78.3 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL’s revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$133.0 million or 4.1%. This increase is primarily attributable to continued strong organic growth. Same-store merchandise revenues increased by 3.4% in the United States, by 4.7% in Europe and by 4.2% in Canada, driven by the success of our rebranding activities, improvements made to our offering, as well as by our various initiatives to drive traffic in our stores.

Road transportation fuel revenues

Total road transportation fuel revenues for the fourth quarter of fiscal 2019 were \$9.6 billion, a decrease of \$429.8 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL’s revenues, as well as the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, road transportation fuel revenues decreased by approximately \$153.0 million or 1.6%. This decrease is attributable to the one-time sale of CSO inventory in Sweden in the fourth quarter of fiscal 2018 and to lower revenues in our wholesale business, partly offset by a net higher average road transportation fuel selling price, which had a positive impact of approximately \$111.0 million. Same-store road transportation fuel volume in the United States increased by 0.3%, despite major fuel shortages in Arizona and Texas. In Europe, same-store road transportation fuel volume decreased by 1.8% due to the competitive landscape in the Baltics and unfavorable weather in Scandinavia. In Canada, although same-store road transportation fuel volume decreased by 0.4%, this is a sequential improvement driven by the momentum of the new loyalty program in our Esso stores.

The following table shows the average selling price of road transportation fuel of our company-operated stores in our various markets for the last eight quarters, starting with the first quarter of the fiscal year ended April 29, 2018:

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 28, 2019					
United States (US dollars per gallon) – excluding CAPL	2.76	2.72	2.42	2.51	2.60
Europe (US cents per liter)	75.07	80.56	75.28	74.59	76.32
Canada (CA cents per liter)	117.95	115.22	97.59	103.45	107.82
52-week period ended April 29, 2018					
United States (US dollars per gallon) – excluding CAPL	2.21	2.47	2.30	2.51	2.37
Europe (US cents per liter)	61.39	68.23	71.19	78.32	70.52
Canada (CA cents per liter)	99.81	101.46	108.11	110.39	102.85

Other revenues

Total other revenues for the fourth quarter of fiscal 2019 were \$217.9 million, a decrease of \$150.0 million compared with the corresponding period of fiscal 2018. Excluding CAPL's revenues, other revenues decreased by \$152.1 million in the fourth quarter of fiscal 2019. The decrease is primarily driven by the disposal of our marine fuel business during the third quarter of fiscal 2019, which had an impact of approximately \$92.0 million, and by the decrease in other fuel products demand, partly offset by an increase in other fuel products average selling price.

Gross profit

Our gross profit was \$2.0 billion for the fourth quarter of fiscal 2019, down by \$32.7 million, or 1.6% compared with the corresponding quarter of fiscal 2018, mainly attributable to the net negative impact from the translation of our Canadian and European operations into US dollars, which totalled approximately \$54.0 million, partly offset by organic growth.

Merchandise and service gross profit

In the fourth quarter of fiscal 2019, our merchandise and service gross profit was \$1.1 billion, an increase of \$17.6 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$39.0 million or 3.5%, mainly attributable to our organic growth. Our gross margin increased by 0.3% in the United States to 33.9%, and decreased by 2.2% in Europe to 41.8%, due to a different product mix. In Canada, our gross margin decreased by 1.4% to 33.0%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model.

Road transportation fuel gross profit

In the fourth quarter of fiscal 2019, our road transportation fuel gross profit was \$780.8 million, a decrease of \$38.0 million compared with the corresponding quarter of fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, our fourth quarter of fiscal 2019 road transportation fuel gross profit decreased by approximately \$9.0 million or 1.2%. Our road transportation fuel gross margin was 18.51¢ per gallon in the United States, an increase of 1.22¢ per gallon. In Europe, the road transportation fuel gross margin was US 8.28¢ per liter, a decrease of US 0.44¢ per liter, negatively impacted by last year's sale of CSO inventory in Sweden, while in Canada, the road transportation fuel gross margin was CA 8.13¢ per liter, a decrease of CA 1.31¢ per liter due to competitive pressure in some of our markets and to the impact of the newly implemented carbon tax in some regions.

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 first quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 28, 2019					
Before deduction of expenses related to electronic payment modes	22.70	21.88	29.42	18.51	23.60
Expenses related to electronic payment modes	4.21	4.10	3.92	4.40	4.10
After deduction of expenses related to electronic payment modes	18.49	17.78	25.50	14.11	19.50
52-week period ended April 29, 2018					
Before deduction of expenses related to electronic payment modes	20.75	24.70	15.66	17.29	19.39
Expenses related to electronic payment modes	3.79	4.21	3.73	3.62	3.82
After deduction of expenses related to electronic payment modes	16.96	20.49	11.93	13.67	15.57

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 be relatively stable over longer periods. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

Other revenues gross profit

In the fourth quarter of fiscal 2019, other revenues gross profit was \$52.8 million, a decrease of \$12.3 million compared with the corresponding period of fiscal 2018. Excluding CAPL's gross profit, other revenues gross profit decreased by \$14.4 million. The decrease is primarily driven by lower demand and increased costs for other fuel products, as well as the disposal of our marine fuel business, which had an impact of approximately \$3.0 million.

Operating, selling, administrative and general expenses (“expenses”)

For the fourth quarter of fiscal 2019, expenses increased by 2.9% compared with the corresponding period of fiscal 2018, but increased by 5.0%, if we exclude certain items that are not considered indicative of future trends:

	12-week period ended April 28, 2019
Total variance, as reported	2.9%
Adjusted for:	
Decrease from the net impact of foreign exchange translation	2.5%
Increase from higher electronic payment fees, excluding acquisitions	(0.6%)
Acquisition costs recognized to earnings of fiscal 2018	0.1%
Decrease in CAPL's expenses	0.1%
Remaining variance	5.0%

Excluding the conversion of our Esso stores from the agent model to the corporate model, as well as the impact from changes in some assumptions driven by external factors included in the calculation of our provisions, the remaining variance for the fourth quarter of fiscal 2019 would have been 3.6%. Growth in expenses, amongst other items, was driven by normal inflation, higher minimum wages in certain regions and higher marketing expenses to support our strategy. We continue to rigorously focus on controlling 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 fourth quarter of fiscal 2019, EBITDA decreased from \$711.1 million to \$655.3 million, a decrease of 7.8% compared with the same quarter last year. Excluding the specific items shown in the table below from EBITDA of the fourth quarter of fiscal 2019 and of the corresponding period of fiscal 2018, the adjusted EBITDA for the fourth quarter of fiscal 2019 decreased by \$61.3 million or 8.7% compared with the corresponding period of the previous fiscal year, driven by increase in expenses, due to the higher level of initiatives throughout the organization, and the net negative impact from the translation of our Canadian and European operations into US dollars, partly offset by organic growth. The variation in exchange rates had a net negative impact of approximately \$21.0 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 and payment of dividends. Note that our definition of these measures may differ from the one used by other public corporations.

(in millions of US dollars)	12-week periods ended	
	April 28, 2019	April 29, 2018
Net earnings including non-controlling interests, as reported	289.9	395.2
Add:		
Income taxes	45.3	(0.5)
Net financial expenses	78.6	75.6
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	241.5	240.8
EBITDA	655.3	711.1
Adjusted for:		
EBITDA attributable to non-controlling interests	(16.2)	(15.5)
Restructuring costs attributable to shareholders of the Corporation	2.6	6.9
Acquisition costs	0.4	0.9
Adjusted EBITDA	642.1	703.4

Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets (“depreciation”)

For the fourth quarter of fiscal 2019, our depreciation expense increased by \$0.7 million and decreased by \$0.9 million, when excluding CAPL’s results.

Net financial expenses

Net financial expenses for the fourth quarter of fiscal 2019 were \$78.6 million, an increase of \$3.0 million compared with the fourth quarter of fiscal 2018. Excluding the items shown in the table below, net financial expenses increased by \$2.9 million.

(in millions of US dollars)	12-week periods ended	
	April 28, 2019	April 29, 2018
Net financial expenses, as reported	78.6	75.6
Adjusted for:		
Net foreign exchange gain (loss)	1.1	(1.0)
CAPL’s financial expenses	(7.7)	(5.5)
Net financial expenses excluding items above	72.0	69.1

Income taxes

The income tax rate for the fourth quarter of fiscal 2019 was 13.5% compared with 17.5% for the corresponding period of fiscal 2018, when excluding the net tax benefit of \$69.7 million stemming from the finalization of the impact analysis of the “U.S. Tax Cuts and Jobs Act” of the fourth quarter of fiscal 2018. The decrease of the income tax rate of the fourth quarter of fiscal 2019 stems from the impact of a different mix in our earnings across the various jurisdictions.

Net earnings attributable to shareholders of the Corporation (“net earnings”) and adjusted net earnings attributable to shareholders of the Corporation (“adjusted net earnings”)

Net earnings for the fourth quarter of fiscal 2019 were \$293.1 million, compared with \$391.0 million for the fourth quarter of the previous fiscal year, a decrease of \$97.9 million or 25.0%. Diluted net earnings per share stood at \$0.52, compared with \$0.69 for the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net negative impact of approximately \$14.0 million on net earnings of the fourth quarter of fiscal 2019.

Excluding the items shown in the table below from net earnings of the fourth quarter of fiscal 2019 and fiscal 2018, adjusted net earnings for the fourth quarter of fiscal 2019 would have been approximately \$295.0 million, compared with \$335.0 million for the fourth quarter of fiscal 2018, a decrease of \$40.0 million or 11.9%. Adjusted diluted net earnings per share would have remained at \$0.52 for the fourth quarter of fiscal 2019 compared with \$0.59 for the corresponding period of fiscal 2018, a decrease of 11.9%.

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

(in millions of US dollars)	12-week periods ended	
	April 28, 2019	April 29, 2018
Net earnings attributable to shareholders of the Corporation, as reported	293.1	391.0
Adjusted for:		
Restructuring costs attributable to shareholders of the Corporation	2.6	6.9
Net foreign exchange (gain) loss	(1.1)	1.0
Acquisition costs	0.4	0.9
Tax benefit stemming from the “U.S. Tax Cuts and Jobs Act” attributable to shareholders of the Corporation	-	(65.6)
Accelerated depreciation and amortization expense	-	4.5
Tax impact of the items above and rounding	-	(3.7)
Adjusted net earnings attributable to shareholders of the Corporation	295.0	335.0

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.

Summary Analysis of Consolidated Results of Fiscal 2019

The following table highlights certain information regarding our operations for the 52-week period ended April 28, 2019, the 52-week period ended April 29, 2018, and the 53-week period ended April 30, 2017. CAPL refers to CrossAmerica Partners LP.

	52-week period 2019	52-week period 2018	53-week period 2017
<i>(in millions of US dollars, unless otherwise stated)</i>			
Statement of Operations Data:			
Merchandise and service revenues ⁽¹⁾ :			
United States	10,781.8	9,432.0	7,669.8
Europe	1,457.8	1,413.9	1,205.8
Canada	2,172.7	2,053.5	1,848.5
CAPL	95.8	76.6	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(2.7)</i>	-	-
Total merchandise and service revenues	14,505.4	12,976.0	10,724.1
Road transportation fuel revenues:			
United States	28,195.6	23,327.3	16,492.0
Europe	8,380.7	7,684.1	6,473.4
Canada	4,957.9	4,819.9	3,089.0
CAPL	2,211.8	1,547.6	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(444.7)</i>	<i>(262.4)</i>	-
Total road transportation fuel revenues	43,301.3	37,116.5	26,054.4
Other revenues ⁽²⁾ :			
United States	21.8	25.1	14.0
Europe	1,220.7	1,217.7	1,098.4
Canada	24.5	27.6	13.6
CAPL	61.2	47.6	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(17.3)</i>	<i>(16.1)</i>	-
Total other revenues	1,310.9	1,301.9	1,126.0
Total revenues	59,117.6	51,394.4	37,904.5
Merchandise and service gross profit ⁽¹⁾ :			
United States	3,646.3	3,140.1	2,545.0
Europe	609.0	602.3	511.4
Canada	729.7	707.7	625.2
CAPL	23.3	18.6	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(2.3)</i>	-	-
Total merchandise and service gross profit	5,006.0	4,468.7	3,681.6
Road transportation fuel gross profit:			
United States	2,471.5	1,868.1	1,407.6
Europe	981.1	1,024.2	917.5
Canada	392.8	424.9	262.0
CAPL	103.6	69.6	-
Total road transportation fuel gross profit	3,949.0	3,386.8	2,587.1
Other revenues gross profit ⁽²⁾ :			
United States	21.8	23.2	14.0
Europe	149.7	173.7	185.5
Canada	24.5	27.6	13.6
CAPL	61.2	47.6	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(17.3)</i>	<i>(16.1)</i>	-
Total other revenues gross profit	239.9	256.0	213.1
Total gross profit	9,194.9	8,111.5	6,481.8
Operating, selling, administrative and general expenses			
Excluding CAPL	5,584.8	5,069.5	4,096.6
CAPL	80.5	67.8	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(19.2)</i>	<i>(12.5)</i>	-
Total operating, selling, administrative and general expenses	5,646.1	5,124.8	4,096.6
Restructuring costs (including \$6.5 million for CAPL for the 52-week period ended April 29, 2018)	10.5	56.9	8.1
(Gain) loss on disposal of property and equipment and other assets	(21.3)	(17.7)	11.8
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets			
Excluding CAPL	927.2	849.5	667.6
CAPL	143.5	61.1	-
Total depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	1,070.7	910.6	667.6
Operating income	2,534.0	2,040.9	1,697.7
Excluding CAPL	(44.7)	(0.4)	-
CAPL	(0.4)	(3.6)	-
<i>Elimination of intercompany transactions with CAPL</i>	<i>(0.4)</i>	<i>(3.6)</i>	-
Total operating income	2,488.9	2,036.9	1,697.7
Net earnings including non-controlling interests	1,821.3	1,677.5	1,208.9
Net loss (earnings) attributable to non-controlling interests	12.6	(6.9)	-
Net earnings attributable to shareholders of the Corporation	1,833.9	1,670.6	1,208.9
Per Share Data:			
Basic net earnings per share (dollars per share)	3.25	2.95	2.13
Diluted net earnings per share (dollars per share)	3.25	2.95	2.12
Adjusted diluted net earnings per share (dollars per share)	3.32	2.60	2.21
Cash dividend per share (CA cents per share)	45.00	37.00	34.75

	52-week period 2019	52-week period 2018	53-week period 2017
<i>(in millions of US dollars, unless otherwise stated)</i>			
Other Operating Data – excluding CAPL:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	34.6%	34.5%	34.3%
United States	33.8%	33.3%	33.2%
Europe	41.8%	42.6%	42.4%
Canada	33.6%	34.5%	33.8%
Growth of same-store merchandise revenues ⁽³⁾⁽¹³⁾ :			
United States ⁽⁴⁾	4.1%	0.8%	2.0%
Europe	4.8%	2.7%	3.5%
Canada ⁽⁴⁾	5.2%	0.4%	0.1%
Road transportation fuel gross margin:			
United States (cents per gallon) ⁽⁴⁾	23.60	19.39	18.56
Europe (cents per liter)	8.61	8.72	8.22
Canada (CA cents per liter) ⁽⁴⁾	8.38	8.84	7.66
Total volume of road transportation fuel sold:			
United States (millions of gallons)	10,979.5	9,794.1	7,643.1
Europe (millions of liters)	11,391.2	11,747.6	11,160.2
Canada (millions of liters)	6,198.9	6,161.4	4,550.1
Growth of (decrease in) same-store road transportation fuel volume ⁽¹³⁾ :			
United States ⁽⁴⁾	0.7%	(0.4%)	2.6%
Europe ⁽⁴⁾	(0.9%)	-	1.0%
Canada ⁽⁴⁾	(1.6%)	(1.4%)	(0.3%)

(in millions of US dollars, unless otherwise stated)

Balance Sheet Data:

	April 28, 2019	April 29, 2018 ⁽¹²⁾	April 30, 2017
Total assets (including \$1.1 billion and \$1.3 billion for CAPL as at April 28, 2019 and as at April 29, 2018, respectively)	22,607.7	23,156.7	14,185.6
Interest-bearing debt (including \$539.2 million and \$536.8 million for CAPL as at April 28, 2019 and as at April 29, 2018, respectively)	6,951.4	8,906.7	3,354.9
Equity attributable to shareholders of the Corporation	8,923.2	7,560.4	6,009.6
Indebtedness Ratios⁽⁶⁾:			
Net interest-bearing debt/total capitalization ⁽⁶⁾	0.39 : 1	0.50 : 1	0.31 : 1
Leverage ratio ⁽⁷⁾⁽¹¹⁾	1.61 : 1	2.46 : 1	1.09 : 1
Adjusted leverage ratio ⁽⁸⁾⁽¹¹⁾	2.29 : 1	3.13 : 1	2.02 : 1
Returns⁽⁹⁾:			
Return on equity ⁽⁹⁾⁽¹¹⁾	22.3%	24.8%	22.5%
Return on capital employed ⁽¹⁰⁾⁽¹¹⁾	14.1%	12.0%	15.8%

- (1) Includes revenues derived from franchise fees, royalties, suppliers rebates on some purchases made by franchisees and licensees, as well as from wholesale of merchandise.
- (2) Includes revenues from the rental of assets and from the sale of aviation fuel, energy for stationary engines and marine fuel (until November 30, 2018).
- (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) These measures are presented as if our investment in CAPL was reported using the equity method as we believe it allows a more relevant presentation of the underlying performance of the Corporation.
- (6) This measure 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. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 5. We believe this ratio is useful to investors and analysts.
- (7) This measure 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. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 5. We believe this ratio is useful to investors and analysts.
- (8) This measure 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. For the purpose of this calculation, CAPL's long-term debt is excluded as it is a non-recourse debt to the Corporation, as referenced in footnote 5. We believe this measure is useful to investors and analysts.
- (9) This measure 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. We believe this measure is useful to investors and analysts.
- (10) This measure 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. We believe this measure is useful to investors and analysts.
- (11) As at April 29, 2018, these measures are presented for the 52-week period ended April 29, 2018, on a pro forma basis for the acquisitions of CST and Holiday. CST's and Holiday's historical earnings and balance sheet figures have been adjusted to make their presentation in line with our policies. As at April 30, 2017, these measures are presented for the 53-week period ended April 30, 2017, on a pro forma basis for the stores network acquired from Imperial Oil.
- (12) The information as at April 29, 2018, has been adjusted based on the fair value of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.
- (13) For fiscal 2018 and 2017, these measures are presented on a comparable basis of 52 weeks.

Revenues

For fiscal 2019, our revenues increased by \$7.7 billion or 15.0% compared with fiscal 2018, mainly attributable to the contribution from acquisitions, to a higher average road transportation fuel selling price and to organic growth, partly offset by the net negative impact from the translation of revenues of our Canadian and European operations into US dollars.

Merchandise and service revenues

For fiscal 2019, the growth in merchandise and service revenues was \$1.5 billion. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by \$1.6 billion or 12.7%. This increase is primarily attributable to the contribution from acquisitions, which amounted to approximately \$1.0 billion, as well as to organic growth. Same-store merchandise revenues increased by 4.1% in the United States, by 4.8% in Europe and by 5.2% in Canada, driven by the success of our rebranding activities, improvements made to our offering, as well as by our various initiatives to drive traffic in our stores.

Road transportation fuel revenues

The growth in road transportation fuel revenues was \$6.2 billion for fiscal 2019. Excluding CAPL's revenues, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel revenues increased by \$6.2 billion or 17.4%. This increase is attributable to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately \$3.5 billion, as well as to the contribution from acquisitions, which amounted to approximately \$3.1 billion, partly offset by lower revenues in our wholesale business. Same-store road transportation fuel volume increased by 0.7% in the United States, while it decreased by 0.9% in Europe and by 1.6% in Canada, strongly impacted at the beginning of the year by the transition to a new loyalty program in our Esso stores.

The following table shows the average selling price of road transportation fuel of our company-operated stores in our various markets for the last eight quarters, starting with the first quarter of the fiscal year ended April 29, 2018:

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
<u>52-week period ended April 28, 2019</u>					
United States (US dollars per gallon) – excluding CAPL	2.76	2.72	2.42	2.51	2.60
Europe (US cents per liter)	75.07	80.56	75.28	74.59	76.32
Canada (CA cents per liter)	117.95	115.22	97.59	103.45	107.82
<u>52-week period ended April 29, 2018</u>					
United States (US dollars per gallon) – excluding CAPL	2.21	2.47	2.30	2.51	2.37
Europe (US cents per liter)	61.39	68.23	71.19	78.32	70.52
Canada (CA cents per liter)	99.81	101.46	108.11	110.39	102.85

Other revenues

Total other revenues for fiscal 2019 were \$1.3 billion, an increase of \$9.0 million compared with fiscal 2018. Excluding CAPL's revenues, other revenues decreased by \$3.4 million in fiscal 2019. The decrease is primarily driven by the disposal of our marine fuel business, partly offset by an increase in other fuel products average selling price.

Gross profit

Our gross profit was \$9.2 billion for fiscal 2019, up by \$1.1 billion, or 13.4% compared with fiscal 2018, mainly attributable to the contribution from acquisitions, to higher fuel margins in the U.S. and to organic growth, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars.

Merchandise and service gross profit

During fiscal 2019, our merchandise and service gross profit was \$5.0 billion, an increase of \$537.3 million compared with fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, merchandise and service gross profit increased by approximately \$583.0 million or 13.1%. This increase is mostly attributable to the contribution from acquisitions, which amounted to approximately \$340.0 million, and to our organic growth. The gross margin was 33.8% in the United States, an increase of 0.5% and 41.8% in Europe, a decrease of 0.8%, due to a different product mix, while it was 33.6% in Canada, a decrease of 0.9%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model, as well as from the increase in taxes on cigarettes and other tobacco products.

Road transportation fuel gross profit

During fiscal 2019, our road transportation fuel gross profit was \$3.9 billion, an increase of \$562.2 million compared with fiscal 2018. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, road transportation fuel gross profit increased by approximately \$586.0 million or 17.7%, as a result of acquisitions and higher fuel margins. The road transportation fuel gross margin was 23.60¢ per gallon in the United States, an increase of 4.21¢ per gallon, US 8.61¢ per liter in Europe, a decrease of 0.11¢ per liter mainly as a result of the net negative impact from the translation of our European operations into US dollars, and CA 8.38¢ per liter in Canada, a decrease of CA 0.46¢ per liter, driven by competitive pressure in some of our markets.

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 first quarter of the fiscal year ended April 29, 2018, were as follows:

(US cents per gallon)

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 28, 2019					
Before deduction of expenses related to electronic payment modes	22.70	21.88	29.42	18.51	23.60
Expenses related to electronic payment modes	4.21	4.10	3.92	4.40	4.10
After deduction of expenses related to electronic payment modes	18.49	17.78	25.50	14.11	19.50
52-week period ended April 29, 2018					
Before deduction of expenses related to electronic payment modes	20.75	24.70	15.66	17.29	19.39
Expenses related to electronic payment modes	3.79	4.21	3.73	3.62	3.82
After deduction of expenses related to electronic payment modes	16.96	20.49	11.93	13.67	15.57

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 be relatively stable over longer periods. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

Other revenues gross profit

In fiscal 2019, other revenues gross profit was \$239.9 million, a decrease of \$16.1 million compared with fiscal 2018. Excluding CAPL's gross profit, other revenues gross profit decreased by \$28.5 million in fiscal 2019. The decrease is primarily driven by lower demand and increased costs for other fuel products, as well as the disposal of our marine fuel business, which had an impact of approximately \$3.0 million on fiscal 2019.

Operating, selling, administrative and general expenses (“expenses”)

For fiscal 2019, expenses increased by 10.2% compared with fiscal 2018, but increased by only 3.7% if we exclude certain items that are not considered indicative of future trends:

	52-week period ended April 28, 2019
Total variance, as reported	10.2%
Adjusted for:	
Increase from incremental expenses related to acquisitions	(6.4%)
Decrease from the net impact of foreign exchange translation	1.4%
Increase from higher electronic payment fees, excluding acquisitions	(0.9%)
Increase from settlements and reserves adjustments for specific elements recognized to earnings of fiscal 2019 ⁽¹⁾	(0.6%)
Acquisition costs recognized to earnings of fiscal 2018	0.2%
Increase in CAPL's expenses	(0.2%)
Incremental costs from our global brand initiatives recognized to earnings of fiscal 2018	0.1%
Additional costs incurred following Hurricanes Harvey and Irma recognized to earnings of fiscal 2018	0.1%
Negative goodwill recognized to earnings of fiscal 2018	(0.1%)
Compensatory payment to CAPL for divestiture of assets recognized to earnings of fiscal 2019	(0.1%)
Remaining variance	3.7%

(1) During fiscal 2019, we settled various claims and adjusted our reserves in connection with specific events of the year, which had a pre-tax negative impact of \$24.2 million on our earnings.

Excluding the conversion of our Esso stores from the agent model to the corporate model, as well as the impact from changes in some assumptions driven by external factors included in the calculation of our provisions, the remaining variance for fiscal 2019 would have been 3.4%. Growth in expenses, amongst other items, was driven by normal inflation, higher minimum wages in certain regions and higher expenses to support our growth and strategy. We continue to rigorously focus on controlling 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 fiscal 2019, EBITDA increased from \$3.0 billion to \$3.6 billion, a growth of 20.3%. Excluding the specific items shown in the table below from EBITDA of fiscal 2019 and fiscal 2018, the adjusted EBITDA for fiscal 2019 increased by \$540.0 million or 18.1%, mainly through the contribution of higher fuel margins in the U.S., acquisitions and organic growth, partly offset by a higher level of expenses, and the net negative impact from the translation of our Canadian and European operations into US dollars. Acquisitions contributed approximately \$269.0 million to the adjusted EBITDA of fiscal 2019, while the variation in exchange rates had a net negative impact of approximately \$45.0 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 and payment of dividends. Note that our definition of these measures may differ from the one used by other public corporations.

(in millions of US dollars)	52-week periods ended	
	April 28, 2019	April 29, 2018
Net earnings including non-controlling interests, as reported	1,821.3	1,677.5
Add:		
Income taxes	370.9	56.1
Net financial expenses	320.1	335.3
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	1,070.7	910.6
EBITDA	3,583.0	2,979.5
Adjusted for:		
EBITDA attributable to non-controlling interests	(77.5)	(49.5)
Restructuring costs attributable to shareholders of the Corporation	10.5	51.7
Compensatory payment to CAPL for divestiture of asset, net of non-controlling interests	5.0	-
Gain on the disposal of the marine fuel business	(3.2)	-
Acquisition costs	2.2	11.8
Gain on disposal of a terminal	-	(11.5)
Gain on investment in CST	-	(8.8)
Incremental costs related to hurricanes	-	6.6
Incremental costs from our global brand initiatives	-	3.0
Negative goodwill	-	(2.8)
Adjusted EBITDA	3,520.0	2,980.0

Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets (“depreciation”)

For fiscal 2019, our depreciation expense increased by \$160.1 million, including the \$55.0 million impairment charge on CAPL’s goodwill recorded in the first quarter of fiscal 2019. Excluding CAPL’s results, the depreciation expense increased by \$77.7 million for fiscal 2019, mainly driven by the contribution from our acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network.

Net financial expenses

Net financial expenses for fiscal 2019 were \$320.1 million, a decrease of \$15.2 million compared with fiscal 2018. Excluding the items shown in the table below, net financial expenses increased by \$28.6 million, mainly attributable to our higher average long-term debt in connection with our recent acquisitions, partly offset by the repayments made.

(in millions of US dollars)	52-week periods ended	
	April 28, 2019	April 29, 2018
Net financial expenses, as reported	320.1	335.3
Adjusted for:		
Net foreign exchange gain (loss)	5.3	(48.4)
CAPL’s financial expenses	(29.3)	(19.4)
Net financial expenses excluding items above	296.1	267.5

Income taxes

For fiscal 2019, the income tax rate was 16.9% compared with 20.6% for fiscal 2018, when excluding the net tax benefit of \$288.3 million stemming from the “U.S. Tax Cuts and Jobs Act”, as well as an adjustment for a tax benefit stemming from an internal reorganization of fiscal 2018. The income tax rate for fiscal 2019 includes a net tax benefit of \$6.2 million derived from the evaluation of our deferred income tax balances following the decrease of the statutory income tax rate in Sweden. Excluding this adjustment, the income tax rate would have been 17.2% for fiscal 2019, a decrease compared to fiscal 2018, stemming from a lower statutory income tax rate in the U.S., as well as from the impact of a different mix in our earnings across the various jurisdictions.

Net earnings attributable to shareholders of the Corporation (“net earnings”) and adjusted net earnings attributable to shareholders of the Corporation (“adjusted net earnings”)

For fiscal 2019, net earnings were \$1.8 billion, compared with \$1.7 billion for fiscal 2018, an increase of \$163.3 million or 9.8%. Diluted net earnings per share stood at \$3.25, compared with \$2.95 the previous year. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net negative impact of approximately \$30.0 million on net earnings of fiscal 2019.

Excluding the items shown in the table below from net earnings of fiscal 2019 and fiscal 2018, adjusted net earnings for fiscal 2019 would have been approximately \$1.9 billion, compared with \$1.5 billion for fiscal 2018, an increase of \$402.0 million or 27.3%. Adjusted diluted net earnings per share would have been \$3.32 for fiscal 2019, compared with \$2.60 for fiscal 2018, an increase of 27.7%.

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

(in millions of US dollars)	52-week periods ended	
	April 28, 2019	April 29, 2018
Net earnings attributable to shareholders of the Corporation, as reported	1,833.9	1,670.6
Adjusted for:		
Impairment charge on CAPL's goodwill	55.0	-
Restructuring costs attributable to shareholders of the Corporation	10.5	51.7
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	(6.2)	-
Net foreign exchange (gain) loss	(5.3)	48.4
Compensatory payment to CAPL for divestiture of assets, net of non-controlling interests	5.0	-
Gain on the disposal of the marine fuel business	(3.2)	-
Acquisition costs	2.2	11.8
Tax benefit stemming from the “U.S. Tax Cuts and Jobs Act” attributable to shareholders of the Corporation	-	(270.1)
Accelerated depreciation and amortization expense	-	19.0
Tax benefit stemming from an internal reorganization	-	(13.4)
Gain on disposal of a terminal	-	(11.5)
Gain on investment in CST	-	(8.8)
Incremental costs related to hurricanes	-	6.6
Incremental costs from our global brand initiatives	-	3.0
Negative goodwill	-	(2.8)
Tax impact of the items above and rounding	(17.9)	(32.5)
Adjusted net earnings attributable to shareholders of the Corporation	1,874.0	1,472.0

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.

CAPL's results

For fiscal 2019, CAPL's results were impacted by higher road transportation fuel prices as well as by the fact that fiscal 2018 included 9 months of activities compared to 12 months in fiscal 2019, since CAPL was acquired toward the end of the first quarter of fiscal 2018.

Financial Position as at April 28, 2019

As shown by our indebtedness ratios included in the “Summary Analysis of Consolidated Results for Fiscal 2019” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$22.6 billion as at April 28, 2019, a decrease of \$549.0 million over the balance as at April 29, 2018, primarily from the negative effect of the variation in exchange rates at the balance sheet date. It should be noted that we have updated our balance sheet as at April 29, 2018, to reflect the adjustments we made to the fair value assessment of the assets acquired, the liabilities assumed and the goodwill for the Holiday acquisition.

During the 52-week periods ended April 28, 2019 and April 29, 2018, we recorded return on capital employed¹ of 14.1% and of 12.0%, respectively.

Significant balance sheet variations are explained as follows:

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

Long-term debt and current portion of long-term debt decreased by \$1.9 billion, from \$8.9 billion as at April 29, 2018, to \$7.0 billion as at April 28, 2019, mainly as a result of net payments of approximately \$1.4 billion made on our revolving unsecured credit facility, net payments of \$413.5 million made on our acquisition and credit facilities as well as the impact of the weakening of the Canadian dollar and Euro against the US dollar, which was approximately \$177.0 million.

Equity

Equity attributable to shareholders of the Corporation amounted to \$8.9 billion as at April 28, 2019, up \$1.4 billion compared with April 29, 2018, mainly reflecting net earnings of fiscal 2019, partly offset by other comprehensive loss, as well as dividends declared for fiscal 2019. For the 52-week period ended April 28, 2019, we recorded a return on equity¹ of 22.3%.

As at April 28, 2019, non-controlling interests amounted to \$257.9 million, a decrease of \$69.1 million compared with April 29, 2018, mainly reflecting non-controlling interests' share in CAPL's losses and distributions.

¹ Please refer to the section “Summary Analysis of Consolidated Results of Fiscal 2019” of this Management Discussion & Analysis for additional information on this performance measure not defined by IFRS.

Liquidity and Capital Resources

Our principal sources of liquidity are our net cash provided by operating activities and borrowings available under our revolving unsecured credit facilities. Our principal uses of cash are to repay our debt, finance our acquisitions and capital expenditures, pay dividends, as well as to provide for working capital. We expect that cash generated from operations and borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future.

Term revolving unsecured operating credit, maturing in December 2023 (“operating credit D”)

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at April 28, 2019, \$40.0 million of the unsecured line of credit available on our operating credit D had been used, bearing interest at 5.625%, and standby letters of credit in the amount of \$12.6 million were outstanding.

During fiscal 2019, we amended our operating Credit D to extend its maturity to December 2023 and to increase the maximum amount of the unsecured line of credit from \$50.0 million to \$115.0 million. All other conditions related to this credit agreement remain unchanged.

CAPL US-dollar-denominated senior secured revolving credit facility, without recourse to the Corporation, maturing in April 2024

On April 1, 2019, CAPL fully repaid its credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$650.0 million, under which swing-line loans could be drawn up to \$25.0 million and standby letters of credit could be issued up to an aggregate of \$45.0 million (the “Former CAPL US-dollar-denominated senior secured revolving credit facility”).

On the same day, CAPL entered into a new credit agreement consisting of a US-dollar-denominated senior secured revolving credit facility of a maximum amount of \$750.0 million, maturing on April 25, 2024, under which swing-line loans may be drawn up to \$35.0 million and standby letters of credit may be issued up to an aggregate of \$65.0 million (the “CAPL US-dollar-denominated senior secured revolving credit facility”). This facility replaced the Former CAPL US-dollar-denominated senior secured revolving credit facility and is without recourse to the Corporation.

As at April 28, 2019, the effective interest rate was 4.730% (4.740% as at April 29, 2018) and CAPL was in compliance with the restrictive provisions and ratios imposed by the credit agreement.

Available liquidities

As at April 28, 2019, excluding CAPL's US dollar-denominated senior secured revolving credit facility, a total of approximately \$2.5 billion was available under our revolving unsecured operating credit facility and we were in compliance with the restrictive covenants and ratios imposed by the credit agreement at that date. Thus, as at the same date, excluding CAPL's cash and revolving credit facility, we had access to approximately \$3.2 billion through our available cash and revolving unsecured operating credit facility.

Selected Consolidated Cash Flows Information

(in millions of US dollars)	52-week periods ended		
	April 28, 2019	April 29, 2018	Variation
Operating activities			
Net cash provided by operating activities	3,083.6	2,163.1	920.5
Investing activities			
Purchase of property and equipment, intangible assets and other assets	(1,145.1)	(1,169.3)	24.2
Proceeds from disposal of property and equipment and other assets	215.6	132.1	83.5
Proceeds from disposal of marine fuel business	24.3	-	24.3
Change in restricted cash	(16.9)	(13.5)	(3.4)
Business acquisitions	(13.1)	(5,380.9)	5,367.8
Proceeds from disposal of CST's assets held for sale	-	895.5	(895.5)
Proceeds from disposal of an available-for-sale investment	-	91.6	(91.6)
Net cash used in investing activities	(935.2)	(5,444.5)	4,509.3
Financing activities			
Net (decrease) increase in term revolving unsecured operating credit D	(1,357.4)	702.9	(2,060.3)
Net increase in CAPL senior secured revolving credit facility	516.0	-	516.0
Net (decrease) increase in former CAPL senior secured revolving credit facility	(512.1)	64.5	(576.6)
Net (decrease) increase in acquisition facility, net of financing costs	(413.5)	412.1	(825.6)
Cash dividends paid	(181.3)	(162.4)	(18.9)
CAPL distributions paid to non-controlling interests	(56.5)	(50.5)	(6.0)
Decrease in other debts	(52.2)	(42.9)	(9.3)
Settlements of derivative financial instruments	3.0	(81.3)	84.3
Exercise of stock options	0.2	0.2	-
Issuance of senior unsecured notes, net of financing costs	-	3,935.9	(3,935.9)
Repayments of debts assumed on the CST acquisition	-	(1,075.9)	1,075.9
Repayment of senior unsecured notes	-	(232.5)	232.5
Share repurchase	-	(193.1)	193.1
Net cash (used in) provided by financing activities	(2,053.8)	3,277.0	(5,330.8)
Credit ratings			
S&P Global Ratings – Corporate credit rating	BBB	BBB	
Moody's - Senior unsecured notes credit rating	Baa2	Baa2	

Operating activities

During fiscal 2019, net cash from our operations reached \$3.1 billion, up \$920.5 million compared with fiscal 2018, mainly due to higher net earnings and improvement in working capital.

Investing activities

During fiscal 2019, net investments in property and equipment, intangible assets and other assets amounted to \$929.5 million.

The investments 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, for the ongoing improvement of our network, as well as for information technology.

Financing activities

During fiscal 2019, we repaid net amounts of approximately \$1.4 billion on our revolving unsecured operating credit and we repaid net amounts of \$413.5 million on our acquisition and unsecured credit facility.

During fiscal 2019, we also distributed \$181.3 million in dividends. In addition, during the same period, CAPL distributions to non-controlling interests amounted to \$56.5 million.

Contractual Obligations and Commercial Commitments

Set out below is a summary of our material contractual obligations as at April 28, 2019⁽¹⁾:

(in millions of US dollars)	2020	2021	2022	2023	2024	Thereafter	Total
Contractual obligations							
Long-term debt ⁽²⁾	1,484.9	396.9	169.9	1,341.6	651.6	4,191.7	8,236.6
Finance lease obligations and other debts	64.6	80.0	51.6	43.7	38.1	210.4	488.4
Operating lease obligations ⁽³⁾	459.8	425.1	385.6	302.0	269.6	1,418.6	3,260.7
Total	2,009.3	902.0	607.1	1,687.3	959.3	5,820.7	11,985.6

(1) The summary does not include the payments required under defined benefit pension plans.

(2) Includes CAPL's non-recourse debt of \$514.8 million maturing April 2024.

(3) The minimum lease payments for the next fiscal years are as follows and are including payments under the current lease term as well as payments under one or more options to extend leases when we are reasonably certain to exercise these options.

	2020	2021	2022	2023	2024	Thereafter	Total
Fuel Purchase Obligations							
United States (in millions of gallons)	1,075.9	950.6	312.5	312.5	37.5	42.4	2,731.4
Europe (in millions of liters)	7,703.0	1,272.8	571.9	29.6	-	-	9,577.3
Canada (in millions of liters)	3,641.7	3,641.7	3,641.7	3,641.7	3,009.7	31,172.8	48,749.3
CAPL (in millions of gallons)	470.4	404.0	394.2	394.4	337.5	1,092.0	3,092.5

Long-term debt. As at April 28, 2019, our long-term debt totaled \$7.0 billion, detailed as follows:

- i. Canadian-dollar-denominated senior unsecured notes totaling \$1.8 billion (CA \$2.4 billion), and US-dollar-denominated senior unsecured notes totaling \$3.4 billion, divided as follows:
 - a. Tranche 2 with a notional amount of CA\$450.0 million, maturing on November 1, 2019, bearing interest at 3.319%.
 - b. Tranche 3 with a notional amount of CA\$250.0 million, maturing on November 1, 2022, bearing interest at 3.899%.
 - c. Tranche 4 with a notional amount of CA\$300.0 million, maturing on August 21, 2020, bearing interest at 4.214%.
 - d. Tranche 5 with a notional amount of CA\$700.0 million, maturing on June 2, 2025, bearing interest at 3.600%.
 - e. Tranche 6 with a notional amount of \$1.0 billion, maturing on July 26, 2022, bearing interest at 2.700%.
 - f. Tranche 7 with a notional amount of CA\$700.0 million, maturing on July 26, 2024, bearing interest at 3.056%.
 - g. Tranche 8 with a notional amount of \$1.0 billion, maturing on July 26, 2027, bearing interest at 3.550%.
 - h. Tranche 9 with a notional amount of \$500.0 million, maturing on July 26, 2047, bearing interest at 4.500%.
 - i. Tranche 10 with a notional amount of \$600.0 million, maturing on December 13, 2019, bearing interest at 2.350%.
 - j. Tranche 11 with a notional amount of \$300.0 million, maturing on December 13, 2019, bearing interest at three-month LIBOR plus 0.500%.
- ii. Borrowings of \$40.0 million under our revolving unsecured credit facility through its unsecured line of credit denominated in US and Canadian dollars, maturing in December 2023. The effective interest rate was 5.625% as at April 28, 2019.
- iii. Euro-denominated senior unsecured notes totaling \$831.2 million, with a notional amount of €750.0 million, maturing on May 6, 2026, bearing interest at 1.875% and an effective rate of 1.944%.
- iv. Borrowings of \$514.8 million under CAPL's credit agreement consisting of a US-denominated senior secured revolving credit facility, maturing on April 25, 2024. The effective interest rate was 4.730% as at April 28, 2019.
- v. NOK-denominated senior unsecured notes totaling \$77.4 million, with a notional amount of NOK 675.0 million, maturing on February 18, 2026, bearing interest at 3.850% and an effective rate of 3.927%.
- vi. Other long-term debts of \$333.6 million, including obligations related to building and equipment under finance leases.

Finance leases and operating leases obligations. We lease an important portion of our assets using conventional operating leases and finance leases mainly for the rental of stores, land, equipment and office buildings. Generally, our real estate leases in North America are for primary terms of 5 to 20 years, usually with options to renew at market prices. In Europe, the lease terms range from short-term contracts to contracts with maturities up to more than 50 years and most lease contracts include options to renew at market prices. When leases are determined to be operating leases, obligations and related assets are not included in our consolidated balance sheets. Under certain leases, we are subject to additional rent based on revenues as well as future escalations in the minimum lease amount. When leases are determined to be finance leases, obligations and related assets are included in our consolidated balance sheets.

Fuel purchase obligations. We have entered into various fuel purchase agreements, which require us to purchase minimum volume of road transportation fuel annually. We have generally exceeded such minimum requirements in the past and expect to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in financial penalties for shortfall volumes or changes in the pricing of the products. As at April 28, 2019, our fuel purchase obligation consisted of multiple contracts under which we have 5,823.9 million of gallons and 58,326.6 million of liters to be purchased over the next years.

Contingencies. Various claims and legal proceedings have been initiated against us in the normal course of our operations and through acquisitions. Although the outcome of such matters is not predictable with assurance, we have no reason to believe that the outcome of any such current matter could reasonably be expected to have a materially adverse impact on our financial position, results of operations or the ability to carry on any of our business activities.

We are covered by insurance policies that have significant deductibles. At this time, we believe that we are adequately covered through the combination of insurance policies and self-insurance. Future losses which exceed insurance policy limits or, under adverse interpretations, could be excluded from coverage would have to be paid out of general corporate funds. In association with our workers' compensation policies, we issue letters of credit as collateral for certain policies.

Guarantees. We assigned a number of lease agreements for premises to third parties. Under some of these agreements, we retain ultimate responsibility to the landlord for payment of amounts under the lease agreements, should the sub lessees fail to pay. As at April 28, 2019, the total future lease payments under such agreements are approximately \$3.4 million and the fair value of the guarantee is not significant. Historically, we have not made any significant payments in connection with these indemnification provisions. We have also issued guarantees to third parties, and on behalf of third parties, for maximum undiscounted future payments totaling \$16.7 million. These guarantees primarily relate to financial guarantee commitments under car rental agreements and on behalf of retailers in Sweden. Guarantees on behalf of retailers in Sweden comprise items such as guarantees towards retailers' store inventory, in addition to guarantees towards leased store equipment. The carrying amount and fair value of the guarantee commitments recognized in the balance sheet at April 28, 2019 were not significant.

We also issue surety bonds for a variety of business purposes for our own operations, including surety bonds for taxes, lottery sales, wholesale distribution and alcoholic beverage sales. In most cases, a municipality or state governmental agency requires the surety bonds as a condition of operating a store in that area.

Other commitments. We have entered into various property purchase agreements, as well as product purchase agreements which require us to purchase minimum amounts or quantities of merchandise annually. We have generally exceeded such minimum requirements in the past and expect to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in termination of the contracts, changes in the pricing of the products, payments to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received.

Off-Balance Sheet Arrangements

In the normal course of business, we finance some of our off-balance sheet activities through operating leases for properties on which we conduct our retail business. Our future commitments are included under "Operating lease obligations" in the table above.

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 data)	52-week period ended April 28, 2019				52-week period ended April 29, 2018			
	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd	1 st
Quarter								
Weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks
Revenues	13,113.3	16,515.0	14,702.8	14,786.5	13,614.8	15,791.8	12,140.6	9,847.2
Operating income before depreciation, amortization and impairment of property and equipment, goodwill, intangibles assets and other assets	651.7	1,140.2	864.8	902.9	705.2	714.9	846.3	681.1
Depreciation, amortization and impairment of property and equipment, goodwill, intangibles assets and other assets	241.5	305.2	222.5	301.5	240.8	290.2	209.3	170.3
Operating income	410.2	835.0	642.3	601.4	464.4	424.7	637.0	510.8
Share of earnings of joint ventures and associated companies accounted for using the equity method	3.6	7.3	5.4	7.1	5.9	9.2	8.3	8.6
Net financial expenses	78.6	90.1	73.7	77.7	75.6	110.9	89.6	59.2
Net earnings including non-controlling interests	289.9	611.8	477.0	442.6	395.2	489.3	433.5	359.5
Net loss (earnings) attributable to non-controlling interests	3.2	0.3	(3.9)	13.0	(4.2)	(6.9)	(1.0)	5.2
Net earnings attributable to shareholders of the Corporation	293.1	612.1	473.1	455.6	391.0	482.4	432.5	364.7
Net earnings per share								
Basic	\$0.52	\$1.08	\$0.84	\$0.81	\$0.69	\$0.86	\$0.76	\$0.64
Diluted	\$0.52	\$1.08	\$0.84	\$0.81	\$0.69	\$0.85	\$0.76	\$0.64

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.

Analysis of Consolidated Results for the Fiscal Year Ended April 29, 2018

Revenues

For fiscal 2018, our revenues increased by \$13.5 billion or 35.6% compared with fiscal 2017, mainly attributable to the contribution from acquisitions, to a higher average road transportation fuel selling price, to organic growth, as well as to the positive net impact from the translation of revenues of our Canadian and European operations into US dollars, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

Merchandise and service revenues

More specifically, the growth in merchandise and service revenues was \$2.3 billion. Excluding CAPL's revenues, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, merchandise and service revenues increased by approximately \$2.0 billion or 18.9%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$2.1 billion, as well as to organic growth, partly offset by one less week during fiscal 2018 compared with fiscal 2017. Same-store merchandise revenues grew by 0.8% in the United States, negatively impacted by the general softness in the retail industry as well as by the significant climatic events of the middle of the year. Same-store merchandise revenues grew by 2.7% in Europe, a great success considering the replacement of the well-known brand Statoil with our global Circle K brand. Same-store merchandise revenues grew by 0.4% in Canada.

Road transportation fuel revenues

The growth in road transportation fuel revenues was \$11.1 billion. Excluding CAPL's revenues, as well as the net positive impact from the translation of our European and Canadian operations into US dollars, road transportation fuel revenues increased by \$9.2 billion or 35.3%. This increase is attributable to the contribution from acquisitions, which amounted to approximately \$6.6 billion, as well as to the impact of a higher average road transportation fuel selling price, which had a positive impact of approximately \$2.6 billion, partly offset by one less week during fiscal 2018 compared with fiscal 2017. Same-store road transportation fuel volumes decreased by 0.4% in the United States, by 1.4% in Canada and were stable in Europe.

The following table shows the average selling price of road transportation fuel in our various markets, starting with the first quarter of the fiscal year ended April 30, 2017:

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 29, 2018					
United States (US dollars per gallon) – excluding CAPL	2.21	2.47	2.30	2.51	2.37
Europe (US cents per liter)	61.39	68.23	71.19	78.32	70.52
Canada (CA cents per liter)	99.81	101.46	108.11	110.39	102.85
53-week period ended April 30, 2017					
United States (US dollars per gallon) – excluding CAPL	2.20	2.10	2.18	2.25	2.18
Europe (US cents per liter)	58.65	58.01	61.87	62.46	60.40
Canada (CA cents per liter)	92.66	90.36	94.67	97.20	94.35

Other revenues

Total other revenues for fiscal 2018 were \$1.3 billion. Excluding CAPL's revenues, other revenues increased by \$144.4 million. The impact of acquisitions for fiscal 2018 was approximately \$24.0 million.

Gross profit

Our gross profit was \$8.1 billion for fiscal 2018, up by \$1.6 billion, an increase of 25.1% compared with fiscal 2017, mainly attributable to the contribution from acquisitions, to higher fuel margins, to organic growth, to the net positive impact from the translation of operations of our Canadian and European operations into US dollars, as well as to the contribution from CAPL, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

Merchandise and service gross profit

During fiscal 2018, our consolidated merchandise and service gross profit was \$4.5 billion, an increase of \$787.1 million compared with fiscal 2017. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, consolidated merchandise and service gross profit increased by approximately \$713.0 million or 19.4%. This increase is mostly attributable to the contribution from acquisitions, which amounted to approximately \$683.0 million, and to our organic growth, partly offset by one less week during fiscal 2018 compared with fiscal 2017. The gross margin was 33.3% in the United States, an increase of 0.1%, it was 42.6% in Europe, an increase of 0.2%, while in Canada it was 34.5%, an increase of 0.7%, mainly as a result of the conversion of certain Esso agent sites to company-operated stores.

Road transportation fuel gross profit

The consolidated road transportation fuel gross profit was \$3.4 billion for fiscal 2018, an increase of \$799.7 million compared with fiscal 2017. Excluding CAPL's gross profit, as well as the net positive impact from the translation of our Canadian and European operations into US dollars, consolidated road transportation fuel gross profit increased by approximately \$665.0 million or 25.7%. The road transportation fuel gross margin was 19.39¢ per gallon in the United States, an increase of 0.83¢ per gallon or 4.5% over fiscal 2017. Road transportation fuel margin was CA 8.84¢ per liter in Canada, an increase of CA 1.18¢ per liter, still driven by the inclusion of the CST stores in our network and different pricing strategies, and it was US 8.72¢ per liter in Europe, an increase of US 0.50¢ per liter.

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 first quarter of the fiscal year ended April 30, 2017, were as follows:

(US cents per gallon)

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 29, 2018					
Before deduction of expenses related to electronic payment modes	20.75	24.70	15.66	17.29	19.39
Expenses related to electronic payment modes	3.79	4.21	3.73	3.62	3.82
After deduction of expenses related to electronic payment modes	16.96	20.49	11.93	13.67	15.57
53-week period ended April 30, 2017					
Before deduction of expenses related to electronic payment modes	20.86	19.87	18.33	15.47	18.56
Expenses related to electronic payment modes	4.08	3.99	3.99	4.12	4.04
After deduction of expenses related to electronic payment modes	16.78	15.88	14.34	11.35	14.52

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 over longer periods. Margin volatility and expenses related to electronic payment modes are not as significant in Europe and Canada.

Other revenues gross profit

In fiscal 2018, other revenues gross profit was \$256.0 million, an increase of \$42.9 million compared with fiscal 2017. Excluding CAPL's gross profit, other revenues gross profit increased by \$11.4 million.

Operating, selling, administrative and general expenses (“expenses”)

For fiscal 2018, expenses increased by 25.1% compared with fiscal 2017, but increased by only 2.0%, if we exclude certain items as demonstrated by the following table:

	52-week period ended April 29, 2018
Total variance, as reported	25.1%
Adjusted for:	
Increase from incremental expenses related to acquisitions	(18.8%)
Increase from the net impact of foreign exchange translation	(1.9%)
CAPL's expenses for fiscal 2018	(1.7%)
Acquisition costs recognized to earnings of fiscal 2017	0.5%
Acquisition costs recognized to earnings of fiscal 2018	(0.3%)
Increase from higher electronic payment fees, excluding acquisitions	(0.7%)
Additional costs incurred following Hurricanes Harvey and Irma	(0.2%)
Incremental costs from our global brand initiatives	(0.1%)
Negative goodwill recognized to earnings of fiscal 2018	0.1%
Remaining variance	2.0%

The remaining increase is derived from higher minimum wages in certain regions, normal inflation, higher advertising and marketing activities in connection with our global brand project, higher expenses needed to support our organic growth, the conversion of CODO stores into company-operated stores and by proportionally higher operational expenses in our recently built stores, as these stores generally have a larger footprint and higher sales than the average of our existing network, partly offset by one less week during fiscal 2018 compared with fiscal 2017. 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 fiscal 2018, EBITDA increased from \$2.4 billion to \$3.0 billion. Excluding the specific items shown in the table below from EBITDA, the adjusted EBITDA for fiscal 2018 increased by \$558.5 million or 23.1% compared with fiscal 2017 mainly through the contribution from acquisitions, which were approximately \$478.0 million, higher fuel margins, organic growth and the net positive impact from the translation of the results of our Canadian and European operations into US dollars, of approximately \$53.0 million, partly offset by one less week during fiscal 2018 compared with fiscal 2017.

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)	52-week period ended April 29, 2018	53-week period ended April 30, 2017
Net earnings including non-controlling interests, as reported	1,677.5	1,208.9
Add:		
Income taxes	56.1	383.2
Net financial expenses	335.3	136.0
Depreciation, amortization and impairment of property and equipment, goodwill, intangible assets, and other assets	910.6	667.6
EBITDA	2,979.5	2,395.7
Adjusted for:		
EBITDA attributable to non-controlling interests	(49.5)	-
Restructuring costs attributable to shareholders of the Corporation	51.7	8.1
Acquisition costs	11.8	21.0
Gain on disposal of a terminal	(11.5)	-
Gain on investment in CST	(8.8)	-
Incremental costs related to hurricanes	6.6	-
Incremental costs from our global brand initiatives	3.0	-
Negative goodwill	(2.8)	-
Adjusted EBITDA	2,980.0	2,424.8

Depreciation, amortization and impairment of property and equipment, intangible assets and other assets (“depreciation”)

For fiscal 2018, depreciation, amortization and impairment expenses increased by \$243.0 million. Excluding CAPL, the depreciation expense increased by \$181.9 million mainly driven by the impact from investments made through acquisitions, the replacement of equipment, the addition of new stores and the ongoing improvement of our network. The depreciation expense for fiscal 2018 includes a charge of \$19.0 million for the accelerated depreciation and amortization of certain assets in connection with our global rebranding project.

Net financial expenses

Net financial expenses for fiscal 2018 were \$335.3 million, an increase of \$199.3 million compared with fiscal 2017. Excluding the net foreign exchange loss of \$48.4 million and the net foreign exchange loss of \$9.6 million recorded in fiscal 2018 and fiscal 2017, respectively, as well as CAPL’s financial expenses of \$19.4 million, net financial expenses increased by \$141.1 million. This increase is mainly attributable to our higher average long-term debt in connection with our recent acquisitions, partly offset by the repayments made, as well as by one less week during fiscal 2018 compared with fiscal 2017. The net foreign exchange loss of \$48.4 million for fiscal 2018 is mainly due to the impact of foreign exchange variations on certain cash balances and working capital items.

Income taxes

During fiscal 2018, following the approval of the “U.S. Tax Cuts and Jobs Act”, we recorded a net tax benefit of \$288.3 million, of which \$18.2 million relates to non-controlling interests. This net tax benefit is mostly derived from the remeasurement of our deferred income tax balances using the new U.S. statutory federal income tax rate, which decreased from 35.0% to 21.0%, partly offset by the Deemed Repatriation Transition Tax (“Transition tax”).

Excluding this adjustment, as well as an adjustment for a tax benefit stemming from an internal reorganization, the income tax expense for fiscal 2018 would have been approximately \$358.0 million, corresponding to an income tax rate of 20.6%, which compares to an income tax rate of 24.1% for fiscal 2017. This reduction in our income tax rate stems mainly from the decrease in our U.S. statutory federal income tax rate starting January 1, 2018.

Net earnings attributable to shareholders of the Corporation and adjusted net earnings attributable to shareholders of the Corporation (“net earnings”)

Net earnings for fiscal 2018 were \$1.7 billion, compared with \$1.2 billion for fiscal 2017, an increase of \$461.7 million or 38.2%. Diluted net earnings per share stood at \$2.95, compared with \$2.12 the previous year.

Excluding the items shown in the table below from net earnings of fiscal 2018 and fiscal 2017, net earnings for fiscal 2018 would have been approximately \$1.5 billion, compared with \$1.3 billion for fiscal 2017, an increase of \$213.0 million or 16.9%. Adjusted diluted net earnings per share would have been approximately \$2.60 for fiscal 2018, compared with \$2.21 for fiscal 2017, an increase of 17.6%. The translation of revenues and expenses from our Canadian and European operations into US dollars had a net positive impact of approximately \$26.0 million on net earnings of fiscal 2018.

(in millions of US dollars)	52-week period ended	53-week period ended
	April 29, 2018	April 30, 2017
Net earnings attributable to shareholders of the Corporation, as reported	1,670.6	1,208.9
Adjusted for:		
Tax benefit stemming from the “U.S. Tax Cuts and Jobs Act” attributable to shareholders of the Corporation	(270.1)	-
Restructuring costs attributable to shareholders of the Corporation	51.7	8.1
Net foreign exchange loss	48.4	9.6
Accelerated depreciation and amortization expense	19.0	27.1
Tax benefit stemming from an internal reorganization	(13.4)	-
Acquisition costs	11.8	21.0
Gain on disposal of a terminal	(11.5)	-
Gain on investment in CST	(8.8)	-
Incremental costs related to hurricanes	6.6	-
Incremental costs from our global brand initiatives	3.0	-
Negative goodwill	(2.8)	-
Tax impact of the items above and rounding	(32.5)	(15.7)
Adjusted net earnings attributable to shareholders of the Corporation	1,472.0	1,259.0

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.

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 April 28, 2019, our management, following its assessment, certifies the design and operating effectiveness of the Corporation’s 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 28, 2019, our management and our external auditors reported that these internal controls were effective.

Critical Accounting Policies and Estimates

Estimates. This MD&A is based on our consolidated financial statements, which have been prepared in accordance with IFRS. These standards require us to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. On an ongoing basis, we review our estimates. These estimates are based on our best knowledge of current events and actions that we may undertake in the future. Actual results could differ from those estimates. The most significant accounting judgments and estimates that we have made in the preparation of the consolidated financial statements are discussed along with the relevant accounting policies when applicable and relate primarily to the following topics: vendor rebates, useful lives of tangible and intangible assets, income taxes, leases, employee future benefits, provisions, impairment and business combinations.

Inventory. Our inventory is comprised mainly of products purchased for resale including tobacco products and alternative tobacco products, fresh goods, beer and wine, grocery items, candies and snacks, other beverages and road transportation fuel. Inventories are valued at the lesser of cost and net realizable value. Cost of merchandise is generally valued based on the retail price less a normal margin and the cost of road transportation fuel inventory is generally determined according to the average cost method. Inherent in the determination of margins are certain management judgments and estimates, which could affect ending inventory valuations and results of operations.

Impairment of long-lived assets. Property and equipment are tested for impairment, should events or circumstances indicate that their book value may not be recoverable, as measured by comparing their net book value to their recoverable amount, which corresponds to the higher of fair value less costs to sell and value in use. Should the carrying amount of long-lived assets exceed their recoverable amount, an impairment loss in the amount of the excess would be recognized. Our evaluation of the existence of impairment indicators is based on market conditions and our operational performance. The variability of these factors depends on a number of conditions, including uncertainty about future events. These factors could cause us to conclude that impairment indicators exist and require that impairment tests be performed, which could result in determining that the value of certain long-lived assets is impaired, resulting in a write-down of such long-lived assets.

Goodwill and other intangible assets. Goodwill and other intangible assets with indefinite-life are evaluated for impairment annually, or more often if events or changes in circumstances indicate that the value of certain goodwill or intangibles may be impaired. For the purpose of this impairment test, management uses estimates and assumptions to establish the fair value of our reporting units and intangible assets. If these assumptions and estimates prove to be incorrect, the carrying value of our goodwill or other intangible assets may be overstated. Our annual impairment test is performed in the first quarter of each fiscal year.

Asset retirement obligations. Asset retirement obligations primarily relate to estimated future costs to remove underground road transportation fuel storage tanks. They are based on our prior experience in removing these tanks, estimated tank remaining useful life, lease terms for those tanks installed on leased properties, external estimates and governmental regulatory requirements. A discounted liability is recorded for the present value of an asset retirement obligation, with a corresponding increase to the carrying value of the related long-lived asset at the time an underground storage tank is installed. To determine the initial liability, the future estimated cash flows are discounted using a pre-tax rate that reflects current market assessments of the time value of money, and the risks specific to the liability.

Following the initial recognition of the asset retirement obligation, the carrying amount of the liability is increased to reflect the passage of time and then adjusted for variations in the current market-based discount rate or the scheduled underlying cash flows required to settle the liability.

Environmental matters. We provide for estimated future site remediation costs to meet government standards for known site contaminations, when such costs can be reasonably estimated. Estimates of the anticipated future costs for remediation activities at such sites are based on our prior experience with remediation sites, and consideration of other factors such as the condition of the site's contamination, location of sites and experience of the contractors performing the environmental assessments and remediation work. In order to determine the initial recorded liability, the present value of estimated future cash flows was calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

In most of the U.S. states in which we operate, with the exception of Alaska, California, Florida, Iowa, Maryland, New York, Oregon, Texas, Washington, West Virginia and Wisconsin, there is a state fund to cover the cost of certain environmental remediation activities after the applicable trust fund deductible is met, which varies by state. These state funds provide insurance for motor fuel facilities operations to cover some of the costs of cleaning up certain environmental contamination caused by the use of road transportation fuel equipment. Road transportation fuel storage tank registration fees and/or a motor fuel tax in each of the states finance the trust funds. We pay annual registration fees and remits sales taxes to applicable states. Insurance coverage and deductibles differ from state to state.

Income taxes. The income tax expense recorded to earnings is the sum of the deferred income taxes and current income taxes that are not recognized in Other comprehensive income or directly in Equity.

We use the balance sheet liability method to account for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between the carrying amounts and tax bases of assets and liabilities, using enacted or substantively enacted tax rates and laws, as appropriate, at the date of the consolidated financial statements for the years in which the temporary differences are expected to reverse. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax liabilities are recognized for all taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where we are able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities, and when they relate to income taxes levied by the same taxation authority, and we intend to settle our current tax assets and liabilities on a net basis.

We are subject to income taxes in numerous jurisdictions. Significant judgment is required in determining the worldwide provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain. We recognize liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

Insurance and workers' compensation. In the U.S. and Ireland, we are self-insured for certain losses related to general liability and workers' compensation. The expected ultimate cost for claims incurred as of the consolidated balance sheet date is discounted and is recognized as a liability. This cost is estimated based on analysis of our historical data and actuarial estimates. In order to determine the initial recorded liability, the present value of estimated future cash flows is calculated using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Accounting standards adopted during the current year

Financial Instruments

As of April 30, 2018, we adopted IFRS 9, *Financial Instruments*, which includes three requirements for recognition and measurement, impairment and general hedge accounting. These requirements were applied as follows:

The first requirement, recognition and measurement, requires a new classification of financial assets and liabilities under IFRS 9, which largely retains requirements under IAS 39. Therefore, it did not have significant impact on our consolidated financial statements. The second requirement, impairment, replaces the "incurred loss" model in IAS 39 with a forward-looking "expected credit loss" model. The new impairment model applies to financial assets measured at amortized cost and debt instruments measured at fair value through other comprehensive income. This requirement had no significant impact on our consolidated financial statements. The third requirement, general hedge accounting, entails that we must ensure that hedge accounting relationships are aligned with our risk management objectives and strategy and apply a more qualitative and forward-looking approach to assessing hedge effectiveness. We have elected not to adopt this last requirement and instead, as permitted by IFRS 9, to continue to apply the general hedge accounting requirements of IAS 39 until further notice.

Revenue from Contracts with Customers

As of April 30, 2018, we adopted IFRS 15, *Revenue from Contracts with Customers* retrospectively without restatement of comparative amounts. We analyzed the impact of the new standard by comparing our current accounting policies with the new guidance and identified the differences from applying the new requirements to our different revenue streams. Under the previous accounting policies, we recognized initial franchise fees when all of the initial services required by the franchise agreement were performed, when there were no material unfulfilled conditions affecting completion of the sale and when there was no remaining obligation or intent to refund amounts received, which generally occurred when the franchise store opened. Under the new accounting policy, we recognized a portion of the initial fees when the franchise store opens and defers remaining revenue over the estimated term of the related franchise agreement. As a result, we adjusted initial franchise fees revenue of \$4.1 million (net of income taxes of \$1.3 million) to Retained earnings, with an offset to Deferred credits and other liabilities, Accounts payable and accrued liabilities and Income taxes payable.

Classification and Measurement of Share-based Payment Transactions

On April 30, 2018, we applied amendments to IFRS 2, *Share-based Payment*, clarifying how to account for certain types of share-based payment transactions, such as the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments. The amendments were applied prospectively and had no significant impact on our consolidated financial statements.

Recently issued accounting standards not yet implemented

Leases

In January 2016, the IASB issued IFRS 16, *Leases*, which will replace IAS 17, *Leases*. On April 29, 2019, we will apply the new standard retrospectively without restatement of comparative amounts. The new standard requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts, and record it on the balance sheet, except with respect to lease contracts that meet limited exception criteria.

Given that we have significant contractual obligations accounted for as operating leases under IAS 17, there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements, and, to a lower extent, changes in the timing of expense recognition.

The following outlines the key areas that will be impacted by the adoption of IFRS 16, a summary of the analysis we performed and the expected impacts of the adoption of the new standard on these key areas:

Financial reporting

The analysis includes which contracts will be in scope as well as the options available under the new standard, such as whether to early adopt, to apply the two recognition and measurement exemptions and whether to apply the new standard on a full retrospective application in accordance with IAS 8 or retrospectively without restatement of comparative amounts.

Our preliminary assessment indicates that the increase in both our total assets and total liabilities will range between \$2.4 billion and \$2.8 billion on our consolidated balance sheet as at April 29, 2019. We are in the final stages of validating the final amounts of the impact on our consolidated balance sheet, which will be disclosed in our unaudited interim condensed consolidated financial statements of the first quarter of fiscal year 2020. Therefore, there could be changes in the amounts specified above.

Lease-related expenses previously recorded in Operating, selling, administrative and general expenses will be recorded as depreciation expense using the straight-line method on the right-of-use assets and the lease liabilities carrying amount will be increased to reflect interest on the lease liability using a method based on our incremental borrowing rate. For an individual lease, the application of these two methods will result in more expenses charged to net earnings earlier in the lease term and less expenses charged in the later years.

Consequently, the adoption of IFRS 16 will increase total assets, total liabilities, depreciation and amortization, financial expenses, while reducing Operating, selling, administrative and general expenses. The right-of-use assets will be measured for the major portion of our leases at an amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to each lease as well as other balances related to those contracts. We will also use the exemptions for short-term leases and leases for which the underlying asset is of low-value.

We will elect to include in the right-of-use assets and lease liabilities fixed amounts related to non-lease components including, but not limited to, utility charges, and common area maintenance charges. Other lease-related expenses not within the scope of IFRS 16 will continue to be expensed as incurred and recorded in Operating, selling, administrative and general expenses.

Adoption of IFRS 16 will impact the presentation of cash flows relating to leases in our consolidated statements of cash flows, even though the new standard will not impact the amount of cash transferred between the parties of a lease. Total expenses recognized over the lease term is equal to total cash paid over the lease term.

The lease terms, for the majority of leases in North America, vary between 5 and 20 years, which include the initial base term and renewal option(s) when applicable. In Europe, the lease terms range from short-term contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable.

Information systems

We analyzed the need to make changes within our information systems environment to optimize the management of more than 9,000 leases that will fall within the scope of the new standard. We have evaluated different IT solutions for the eventual recognition and measurement of leases in scope. IT solutions have been selected and their implementation is almost completed.

Control environment

We performed an analysis and evaluated the impact that the adoption of IFRS 16 will have on our control environment and implemented processes to enable the application of the new accounting standard for fiscal year 2020.

Stakeholders

We performed an analysis of the impact that the adoption of IFRS 16 will have on the disclosure to our stakeholders. We discussed the impact of IFRS 16 to internal and external stakeholders and will keep the discussion open during fiscal year 2020.

Business Risk

We are constantly looking to control and improve our operations. In this perspective, identification and management of risks are key components of such activities. We have identified and assessed key risk factors that could negatively impact our objectives and their ensuing performance.

We manage risks on an ongoing basis and implement a series of measures designed to mitigate key risks described in the present section as well as their financial impact.

Changes in customer behaviour. In the road transportation fuel and convenience business sector, customer traffic is generally driven by consumer preferences and spending trends, growth of road traffic and trends in travel and tourism. A decline in the number of potential customers using our fuel stations and convenience stores due to changes in consumer preferences, changes in discretionary consumer spending or modes of transportation could adversely impact our business, financial condition and results of operations. Additionally, developments regarding climate change and the effects of greenhouse gas emissions on climate change and the environment may decrease the demand for our major product, petroleum-based fuel. Attitudes toward our product and its relationship to the environment and the “green movement” may significantly affect our sales and ability to market our product. New technologies developed to steer the public toward non-fuel dependent means of transportation may create an environment with negative attitude toward fuel, thus affecting the public’s attitude toward our major product and potentially having a material effect on our business, financial condition and results of operations. Further, new technologies developed to improve fuel efficiency or governmental mandates to improve fuel efficiency may result in decreased demand for petroleum-based fuel, which could have a material effect on our business, financial condition and results of operations.

Road transportation fuel. Our results are sensitive to the changes in road transportation fuel prices and gross margin. Factors beyond our control such as market-driven changes in supply terms, road transportation fuel price fluctuations due to, among other things, general political and economic conditions, as well as the market’s limited ability to absorb road transportation fuel prices fluctuations, are factors that could influence road transportation fuel selling price and related gross margin. During fiscal 2019, road transportation fuel revenues accounted for approximately 73.0% of our total revenues, yet the road transportation fuel gross margin represented about only 43.0% of our overall gross profits.

Tobacco products. Tobacco products represent our largest product category of merchandise and service revenues. For fiscal 2019, tobacco products represented approximately 39.0% and 11.0% of total merchandise and service revenues and gross profits, respectively. Significant increases in wholesale cigarette pricing, significant increases or structural changes in tobacco related taxes, current and future legislation and national and local campaigns to discourage smoking, or prevent use of tobacco products, competition of illicit trade and introduction of smoking alternative may have an adverse impact on the demand for tobacco products, and may therefore adversely affect our revenues and profits in light of the competitive landscape and consumer sensitivity to the price of such products.

In addition, we sell brands of cigarettes that are manufactured to be sold by Couche-Tard on an exclusive basis and we could be sued for health problems caused by the use of tobacco products. In fact, various health-related legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising and marketing of cigarettes had unfavorable ruling against vendors of tobacco products. Any unfavorable verdict against us in a health-related suit could adversely affect our business, financial condition and results of operations. In conformity with accounting standards, we have not established any reserves for the payment of expenses or adverse results related to any potential health-related litigation.

Legislative and regulatory requirements. Our operations are subject to extensive regulations, including regulations relating to the sale of alcohol, tobacco and tobacco products, products containing cannabis (through a licensed store), and products containing cannabidiol (CBD), various food safety and product quality requirements, minimum wage laws, and tax laws and regulations. Regulations related to employee compensation, benefits and other programs, including minimum wage increases, could adversely affect our business, financial condition and results of operations. In addition, convenience store operations are subject to numerous environmental laws and regulations that are discussed under “Environmental laws and regulations”.

We currently incur substantial operating and capital costs for compliance with existing health, safety, environmental and other laws and regulations applicable to our operations. If we fail to comply with any laws and regulations or permit limitations or conditions, or fail to obtain any necessary permits or registrations, or to extend current permits or registrations upon expiry of their terms, or to comply with any restrictive terms contained in our current permits or registrations, we may be subject to, among other things, civil and criminal penalties and, in certain circumstances, the temporary or permanent curtailment or shutdown of a portion of our operations. In addition, the laws and regulations applicable to our operations are subject to change and it is expected that, given the nature of our business, we will continue to be subject to increasingly stringent health, safety, environmental laws and regulations and other laws and regulations that may increase the cost of operating our business above currently expected levels and require substantial future capital and other expenditures. As a result, there can be no assurance that the effect of any future laws and regulations or any changes to existing laws and regulations, or their current interpretation, on our business, financial condition and results of operations would not be material.

In addition, the sale of products containing cannabidiol (CBD) in the United States is based on our position that, with the passing of the U.S. Agricultural Improvement Act of 2018 (also known as the 2018 Farm Bill), hemp and hemp products were permanently removed from the U.S. Controlled Substances Act and out of the jurisdiction of the U.S. Drug Enforcement Administration (DEA). There is a risk that our interpretation of the U.S. legislation is inaccurate or that it will be successfully challenged by U.S. federal or state authorities. A successful challenge to such position by a U.S. state or federal authority could have an adverse impact on our operations and results, including as a result of civil and criminal penalties, damages, fines, the curtailment of a portion of our operations or asset seizures and the denial of regulatory applications, as well as on our reputation.

Information technology systems. We depend on information technology systems (“IT systems”) to manage numerous aspects of our business transactions and to provide complete and reliable information to management. Our IT systems are an essential component of our business and growth strategies, and obsolescence of or a serious disruption to our IT systems could significantly limit our ability to manage and operate our business efficiently. These systems are vulnerable to, among other things, damage and interruption from power outage or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches, cyberattacks, computer viruses and laws and regulations necessitating mandatory upgrades and timelines with which we may not be able to comply. Any serious disruption could adversely affect our operations, our competitive position and/or reputation, and could lead to claims that could have an adverse effect on profitability.

Sensitive information – data protection. In the normal course of our business as a fuel and merchandise retailer, we obtain large amounts of personal data from our customers as well as other sensitive information regarding our employees, business partners and vendors. While we have invested significant amounts in the protection of our information technology and maintain what we believe are adequate security controls over individually identifiable customer, employee and vendor data provided to us, a breakdown or a breach in our systems that results in the unauthorized release of individually identifiable customer or other sensitive data could nonetheless occur and have a material effect on our reputation, operating results and financial condition. Such a breakdown or breach could also materially increase the costs we incur to protect against such risks. A material failure on our part to comply with regulations relating to our obligation to protect such sensitive data or to the privacy rights of our customers, employees and others could subject us to fines or other regulatory sanctions and potentially to lawsuits.

Environmental laws and regulations. Our operations, particularly those relating to the storage, transportation and sale of fuel products, are subject to numerous environmental laws and regulations in the countries in which we operate. These include laws and regulations governing the quality of fuel products, ground pollution and emissions and discharges into air and water, the implementation of targets regarding the use of certain bio-fuel or renewable energy products, the handling and disposal of hazardous wastes, the use of vapor reduction systems to capture fuel vapor, and the remediation of contaminated sites. Environmental requirements, and the enforcement and interpretation of these requirements, change frequently and have generally become more stringent over time. Under various national, provincial, state and local laws and regulations, we may, as the owner or operator, be liable for the costs of removal or remediation of contamination at our current or former sites, whether or not we knew of, or caused, the presence of such contamination. We may also be subject to litigation costs, fines and other sanctions as a result of our failure to comply with these requirements.

Our business may also be affected by laws and regulations addressing global climate change and the role played in it by fossil fuel combustion and the resulting carbon emissions. Some jurisdictions in which we operate have enacted measures to limit carbon emissions, and such measures increase the costs of petroleum-based fuels above what they otherwise would be and may adversely affect the demand for road transportation fuel. Similarly, adoption of other environmental protection measures affecting the petroleum supply chain, such as more stringent requirements applicable to the exploration, drilling, and transportation of crude oil and to the refining and transportation of petroleum products, may also increase the costs of petroleum-based fuels with similar effects on demand for road transportation fuel. The impact of such developments, individually or in combination, could adversely affect our sales of road transportation fuel and associated gross profit.

Tax incentives and other subsidies in different legislations in which we operate have also made renewable fuels as well as alternative powered and energy-efficient vehicles more competitive than they otherwise would have been, which may adversely impact our business, financial condition and results of operations.

Electronic payment modes. We are exposed to significant fluctuations in expenses related to electronic payment modes resulting from large changes in road transportation fuel retail prices, because the majority of this expense is based on a percentage of the retail prices of road transportation fuel. For fiscal 2019, a variation of 10.0% in our expenses associated with electronic payment modes would have had an impact of approximately \$0.08 on earnings per share on a diluted base.

Competition. The industries and geographic areas in which we operate are highly competitive and marked by a constant change in terms of the number and type of retailers offering the products and services found in our stores. We compete with other convenience store chains, independent convenience stores, gas station operators, large and small food retailers, quick service restaurants, local pharmacies and pharmacy chains and dollar stores. There can be no assurance that we will be able to compete successfully against our competitors. Our business may also be adversely affected if we do not sustain our ability to meet customer requirements relative to price, quality, customer service and service offerings.

Tax laws and liabilities. We are subject to extensive tax obligations imposed by multiple jurisdictions, including direct and indirect taxes, payroll taxes, franchise taxes, foreign withholding taxes and property taxes. New or changes to existing tax laws and regulations could result in increased tax expenses or liabilities in the future and could materially and adversely impact our financial condition, results of operations and cash flows. Additionally, many tax obligations are subject to periodic audits by tax authorities which could result in penalties and interest payments.

Acquisitions. Acquisitions have been and should continue to be a significant part of our growth strategy. Our ability to identify and complete strategic acquisitions in the future may be limited by different factors, including the number of attractive acquisition targets with motivated sellers, internal demands on our resources and, to the extent necessary, our ability to obtain regulatory approval and financing on satisfactory terms for larger acquisitions, if at all.

Achieving anticipated benefits and synergies of an acquisition will depend in part on whether the operations, systems, management and cultures of our corporation and the acquired business can be integrated in an efficient and effective manner and whether the presumed bases or sources of synergies produce the benefits anticipated. We may not be able to achieve anticipated synergies and cost savings for an acquisition for many reasons, including contractual constraints, an inability to take advantage of expected synergistic savings and increased operating efficiencies, loss of key employees, or changes in tax laws and regulations. The process of integrating an acquired business may lead to greater than expected operating costs, significant one-time write-offs or restructuring charges, customer loss and business disruption (including, without limitation, difficulties in maintaining relationships with employees, customers, or suppliers). Failure to successfully integrate an acquired business may have an adverse effect on our business, financial condition and results of operations.

Although we perform a due diligence investigation of the businesses or assets that we acquire, there may be liabilities or expenses of the acquired business or assets that we do not uncover during our due diligence investigation and for which we, as a successor owner, may be responsible. The discovery of any material liabilities relating to an acquisition could have a material adverse effect on our business, financial condition and results of operations.

Dependence on third party suppliers. Our fuel business is dependent upon the supply of refined oil products from a relatively limited number of suppliers and upon a distribution network serviced principally by third party tanker trucks. In the case of our key suppliers, an event causing disruptions to any of these suppliers' supply chains or refineries could have a significant effect on our ability to receive refined oil products for resale, or result in us paying a higher cost to obtain such products.

Litigation. In the ordinary course of business, we are a defendant in a number of legal proceedings, suits, and claims common to companies engaged in our business and an adverse outcome in such proceedings could adversely affect our business, financial condition and results of operations. Effectively, convenience store businesses and other foodservices operators can be adversely affected by litigation and complaints from customers or government agencies resulting from food quality, illness, or other health or environmental concerns or operating issues stemming from one or more locations. Lack of fresh food handling experience among our workforce increases the risk of food borne illness resulting in litigation and reputational damage. Adverse publicity about these allegations may negatively potentially affect us, regardless of whether the allegations are true, by discouraging customers from purchasing fuel, merchandise or food at one or more of our convenience stores. We could also incur significant liabilities if a lawsuit or claim results in a decision against us. Even if we are successful in defending such litigation, our litigation costs could be significant, and the litigation may divert time and money away from our operations and adversely affect our performance or our ability to continue operating our stores.

Brand image and reputation. Trademarks and other proprietary rights are important to the Corporation's competitive position and we benefit from a well-recognized brand. If the Corporation is unsuccessful in protecting its intellectual property rights, or if another party prevails in litigation claiming any rights thereto, the value of the brand could be diminished, causing customer confusion and materially adversely impacting our business and financial results. Failure to maintain product safety and quality could materially adversely affect our brand image and reputation and lead to potential product liability claims (including class-action), government agency investigations and damages.

Recruitment and retention of highly qualified employees. We are dependent on our ability to attract and retain a strong management team and key employees. If, for any reason, we are not able to attract and retain sufficient and appropriately skilled people, our business, our financial results and our ability to achieve our strategic objectives may be compromised.

Seasonality and natural disasters. Weather conditions can have an impact on our revenues as historical purchase patterns indicate that our customers increase their transactions and also purchase higher margin items when weather conditions are favourable. We have operations in the Southeast and West Coast regions of the United States and, although these regions are generally known for their mild weather, they are susceptible to severe storms, hurricanes, earthquakes and other natural disasters.

Hazards and risks associated with fuel products. Our operations expose us to certain risks, particularly at our terminals and other storage facilities, where large quantities of fuel are stored, and at our fuel stations. These risks include equipment failure, work accidents, fires, explosions, vapour emissions, spills and leaks at storage facilities and/or in the course of transportation to or from our or a third party's terminal, fuel stations or other sites. In addition, we are also exposed to the risk of accidents involving the tanker trucks used in our fuel product distribution system. These types of hazards and accidents may cause personal injuries or the loss of life, business interruptions and/or property, equipment and environmental contamination and damage. Further, we may be subject to litigation, compensation claims, governmental fines or penalties or other liabilities or losses in relation to such incidents and accidents and may incur significant costs as a result. Such incidents and accidents may also affect our reputation or our brands, leading to a decline in the sales of our products and services, and may adversely impact our business, financial condition and results of operations.

Indebtedness. We currently have \$6.1 billion of bonds with an average effective interest rate of 3.212% with the latest maturity date being July 26, 2047. This level of indebtedness could have important consequences, such as allocating a portion of cash flows from operations to the payment of interests on the indebtedness and other financial obligations, and thus making it unavailable for other purposes and potentially affecting the corporation's ability to obtain additional financing. The credit arrangements contain restrictive covenants that may limit our ability to incur, assume or permit to exist additional indebtedness, guarantees or liens. They also require the corporation to comply with certain coverage ratio tests which may prevent the corporation from pursuing certain business opportunities or taking certain actions.

Exchange rate. The functional currency of our parent Company is the Canadian dollar. As such, our investments in our U.S. and European operations are exposed to net changes in currency exchange rates. Should changes in currency exchange rates occur, the amount of our net investment in our U.S. and European operations could increase or decrease. From time to time, we use cross-currency interest rate swap agreements to hedge a portion of this risk.

We are also exposed to foreign currency risk with respect to a portion of our long-term debt denominated in US dollars, Norwegian-kroner and Euro-denominated senior unsecured notes and cross-currency interest rate swaps. As at April 28, 2019, all else being equal, a hypothetical variation of 5.0% of the US dollar would have had a net impact of \$36.0 million on Other comprehensive income (loss) which would be offset by equivalent amounts from the hedged net investments. For the cash and cash equivalent denominated in foreign currencies, as at April 28, 2019 and with all other variables held constant, a hypothetical variation of 5.0% of the US-dollar would have had a net impact of \$8.3 million on Other comprehensive income (loss).

We use the US dollar as our reporting currency. As such, changes in currency exchange rates could materially increase or decrease our foreign currency-denominated net assets on consolidation which would increase or decrease, as applicable, shareholders' equity. In addition, changes in currency exchange rates will affect the translation of the revenue and expenses of our Canadian and European operations and will result in lower or higher net earnings than would have occurred had the exchange rate not changed.

In addition to currency translation risks, we incur a currency transaction risk whenever one of our subsidiaries enters into a contract with customer or supplier labelled in a different currency than its functional currency. Given the volatility of exchange rates, we may not be able to manage our currency transaction and/or translation risks effectively, and volatility in currency exchange rates could have an adverse effect on our business, financial condition and results of operations.

Credit risk. We are exposed to credit risk arising from our indexed deposit contract including an embedded total return swap and cross-currency interest rate swaps when these swaps result in a receivable from financial institutions. We do not currently use derivative instruments to mitigate this risk.

Interest rates. We are exposed to interest rate fluctuations associated with changes in the short-term interest rate. Borrowings under our credit facilities bear interest at variable rates, and other debt we incur could likewise bear interest at variable rates. As at April 28, 2019, we carried a variable rate debt of approximately \$940.0 million. Based on the amount of our variable rate debt as at April 28, 2019, a one percentage point increase in interest rates would decrease our earnings per share by \$0.02 on a diluted basis. If market interest rates increase, variable-rate debt will create higher debt service requirements, which could adversely affect our cash flows. We do not currently use derivative instruments to mitigate this risk. We could also be exposed to a risk of change in cash flows due to changes in interest rates on future debt issuance. To mitigate this risk, we could enter into derivatives in order to hedge the interest rates on forecasted debt issuance.

Liquidity. Liquidity risk is the risk that we will encounter difficulties in meeting our obligations associated with financial liabilities and lease commitments. We are exposed to this risk mainly through our long-term debt, accounts payable and accrued expenses, lease agreements and derivative financial instruments when their fair value is unfavorable for us. Our liquidities are provided mainly by cash flows from operating activities and borrowings available under our revolving credit facilities.

Accounts receivable. We are exposed to risk related to the creditworthiness and performance of our customers, suppliers and contract counterparties. As of April 28, 2019, we had outstanding accounts receivable totaling \$1.9 billion. This amount primarily consists of vendor rebates due from our suppliers, credit card receivables, receivables arising from the sale of fuel and other products to independent franchised or licensed fuel station operators as well as amounts receivable from other industrial and commercial clients. Contracts with longer payment cycles or difficulties in enforcing contracts or collecting accounts receivable could lead to material fluctuations in our cash flows and could adversely impact our business, financial condition and results of operations.

Insurance. We carry comprehensive liability, fire and extended coverage insurance on most of our facilities, with policy specifications and insured limits customarily carried in our industry for similar properties. There can be no assurance that we will be able to continue to obtain such insurance on favourable terms or at all. Some types of losses, such as losses resulting from wars, acts of terrorism, or natural disasters, generally are not insured because they are either uninsurable or not economically practical.

Economic conditions. Our revenues may be negatively influenced by changes in global, national, regional and/or local economic variables and consumer confidence. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of our market areas.

Global operations. We have significant operations in multiple jurisdictions throughout the world. Some of the risks inherent in the scope of our international operations include: the difficulty of enforcing agreements and collecting receivables through certain foreign legal systems, more expansive legal rights of foreign labor unions and employees, foreign currency exchange rate fluctuations, the potential for changes in local economic conditions, potential tax inefficiencies in repatriating funds from foreign subsidiaries and exchange controls and restrictive governmental actions, such as restrictions on transfer or repatriation of funds and trade protection matters, including prohibitions or restrictions on acquisitions or joint ventures. Any of these factors could materially and adversely affect our business, financial condition and results of operations.

Corporate structure. We are a holding company and essentially all of our assets consist of the capital stock of our material subsidiaries. We conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before us.

Acts of war or terrorism. Acts of war and terrorism could impact general economic conditions and the supply and price of crude oil. Such events could adversely impact our business, financial condition and results of operations.

Outlook

For fiscal 2020, we want to continue building on our success and drive to attain our very ambitious objective to double our business again in the next five years. We will continue to work on optimizing our global business functions while maintaining our super local focus on regional business units that understand the needs and appetites of our customers. We will keep developing and building upon our global brand, Circle K, throughout our network, leveraging all of our learnings as well as our scale, delivering on local demand while remaining true to our mission – to make our customers' lives a little easier every day.

We will, as always, look for and seize opportunities to grow the business, relying on our customary financial discipline – embedded in our DNA – and always focusing on creating value for our shareholders and employees.

July 9, 2019