

***Couche-Tard*** 

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# **Quarterly Report**

FOR THE 12-WEEK PERIOD ENDED JULY 21, 2013

## Management's Discussion and Analysis

*The purpose of this Management's Discussion and Analysis ("MD&A") is, as required by regulators, to explain management's point of view on Alimentation Couche-Tard Inc.'s ("Couche-Tard") financial condition and results of operations as well as its performance during the first quarter of the fiscal year ending April 27, 2014. 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 the 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. When such measures are presented, they are defined and the reader is informed. This MD&A should be read in conjunction with the annual consolidated financial statements and related notes included in our 2013 Annual Report, which, along with additional information relating to Couche-Tard, including the most recent Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on our website at [www.couche-tard.com/corporate](http://www.couche-tard.com/corporate).*

## 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", "intend", "expect", "estimate" 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 August 30, 2013, which are not guarantees of 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 2013 Annual Report as well as other risks detailed from time to time in reports filed by Couche-Tard with securities regulators in Canada.

## Our Business

We are the leader in the Canadian convenience store industry. In the United States, we are the largest independent convenience store operator in terms of number of company-operated stores. In Europe, we are a leader in convenience store and road transportation fuel in Scandinavian countries and in the Baltic States while we have a growing presence in Poland.

As of July 21, 2013, our network comprises 6,198 convenience stores throughout North America, including 4,678 stores with road transportation fuel dispensing. Our North-American network consists of 13 business units, including nine in the United States covering 39 states and the District of Columbia and four in Canada covering all ten provinces. More than 60,000 people are employed throughout our network and at the service offices in North America.

In Europe, we operate a broad retail network across Scandinavia (Norway, Sweden, Denmark), Poland, the Baltics (Estonia, Latvia, Lithuania) and Russia with 2,287 stores as at July 21, 2013, the majority of which offer road transportation fuel and convenience products while the others are unmanned automated service-stations which offer road transportation fuel only.

We also offer other products, including stationary energy, marine fuel, aviation fuel, lubricants and chemicals. We operate key fuel terminals and fuel depots in eight countries. Including employees at Statoil branded franchise stations, about 18,500 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, about 4,200 stores are operated under the Circle K banner in ten other countries worldwide (China, Guam, Honduras, Hong Kong, Indonesia, Japan, Macau, Mexico, Vietnam and United Arab Emirates) which brings to more than 12,650 the number of sites in our network.

Our mission is to offer our clients a quick and outstanding service by developing a customized and friendly relationship while still finding ways to surprise them on a daily basis. In this regard, we strive to meet the demands and needs of our clientele based on their regional requirements. To do so, we offer consumers food and beverage items, road transportation fuel and other high-quality products and services designed to meet clients' demands in a clean and welcoming environment. Our positioning in the industry stems primarily from the success of our business model, which is based on a decentralized management structure, an ongoing comparison of best practices and operational expertise that is enhanced by our experience in the various regions of our network. Our positioning is also a result of our focus on in-store merchandise, as well as our continued investments in our stores.

## Value creation

In the United States, the convenience store sector is fragmented and in a consolidation phase. We are participating in this process through our acquisitions and 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.

However, despite this context, acquisitions have to be concluded at reasonable conditions in order to create value for our Corporation and its shareholders. Therefore, we do not favour store count growth to the detriment of profitability. In addition to our participation in the consolidation phase of our sector and in the selling by integrated oil companies of their retail assets, it has to be noted that in recent years, organic contribution has played an important role in the growth of our net earnings. The on-going improvement of our offer, including fresh products, supply terms and efficiency of our business has been a highlight, especially with the absence of significant acquisitions and net growth in store count in the recent years, prior to the acquisition of Statoil Fuel & Retail. Thus, all these elements contributed to the growth in 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 and the significant portion of our debt denominated in US dollars.

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

	12-week period ended July 21, 2013	12-week period ended July 22, 2012
<b>Average for period <sup>(1)</sup></b>		
Canadian Dollar	0.9707	0.9830
Norwegian Krone <sup>(2)</sup>	0.1693	0.1669
Swedish Krone <sup>(2)</sup>	0.1511	0.1424
Danish Krone <sup>(2)</sup>	0.1752	0.1687
Zloty <sup>(2)</sup>	0.3076	0.2947
Euro <sup>(2)</sup>	1.3060	1.2542
Lats <sup>(2)</sup>	1.8625	1.8010
Litas <sup>(2)</sup>	0.3783	0.3633
Ruble <sup>(2)</sup>	0.0312	0.0303
	<b>As at July 21, 2013</b>	<b>As at April 28, 2013</b>
<b>Period end</b>		
Canadian Dollar	0.9646	0.9834
Norwegian Krone	0.1674	0.1734
Swedish Krone	0.1529	0.1543
Danish Krone	0.1762	0.1766
Zloty	0.3103	0.3163
Euro	1.3141	1.3170
Lats	1.8713	1.8822
Litas	0.3808	0.3814
Ruble	0.0309	0.0322

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

(2) Average rate for the period from May 1<sup>st</sup>, 2013 to July 21, 2013 for the 12-week period ended July 21, 2013 and from June 20, 2012 to June 30, 2012 for the 12-week period ended July 22, 2012. Calculated using the average exchange rate at the close of each day for the stated period.

Considering we use the US dollar as our reporting currency, in our consolidated financial statements and in the present 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 related to variations 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 in US dollars of our Canadian, European and corporate operations results.

## Overview of the First Quarter of Fiscal 2014

Net earnings amounted to \$255.0 million for the first quarter of fiscal 2014, up 147.8% over the corresponding period of fiscal 2013. Excluding from the first quarter of fiscal 2014 earnings the negative goodwill of \$41.6 million, the net foreign exchange gain as well as acquisition costs and excluding from the first quarter of fiscal 2013 earnings the non-recurring loss on foreign exchange forward contracts, the net foreign exchange gain, acquisition costs as well as the negative goodwill, the first quarter of fiscal 2014 net earnings would have been approximately \$220.0 million (\$1.16 per share on a diluted basis) compared to \$182.0 million (\$1.00 per share on a diluted basis) for the corresponding period of fiscal 2013, an increase of \$38.0 million, or 21.0%. This increase is mainly attributable to the contribution from acquisitions as well as the sound management of our expenses. These items, which contributed to the growth in net earnings, were partially offset by lower road transportation fuel and merchandise and service margins, the increase in financial expenses attributable to the additional debt that we incurred to finance the acquisition of Statoil Fuel & Retail.

## Statoil Fuel & Retail

### Quarterly results

Our results for the 12-week period ended July 21, 2013 include those of Statoil Fuel & Retail for the period beginning May 1<sup>st</sup>, 2013 and ending July 21, 2013. Because Couche-Tard's and Statoil Fuel & Retail's accounting periods are not aligned, Statoil Fuel & Retail results for the period from July 1<sup>st</sup>, 2013 to July 21, 2013 were determined according to management's best estimates based on the current budget, trends observed during the previous periods as well as preliminary indications of results for the month of July 2013. Any difference between estimated results and actual results will be reported in the next quarter results. For the period ended July 22, 2012, our results include those of Statoil Fuel & Retail for the period beginning June 20, 2012 and ending June 30, 2012. Our consolidated balance sheet as of July 21, 2013 includes the balance sheet of Statoil Fuel & Retail as of June 30, 2013, as adjusted for significant transactions.

The following table provides an overview of Statoil Fuel & Retail's accounting periods that will be incorporated in our upcoming consolidated financial statements:

Couche-Tard quarters	Statoil Fuel & Retail equivalent accounting periods	Statoil Fuel & Retail balance sheet date <sup>(2)</sup>
12-week period that will end October 13, 2013 (2 <sup>nd</sup> quarter of fiscal 2014)	From July 22 to July 31, 2013, August and September 2013 and from October 1 <sup>st</sup> to October 13, 2013 <sup>(1)</sup>	September 30, 2013
16-week period that will end February 2, 2014 (3 <sup>rd</sup> quarter of fiscal 2014)	From October 14 to October 31, 2013, November and December 2013 and January 2014	January 31, 2014
12-week period that will end April 27, 2014 (4 <sup>th</sup> quarter of fiscal 2014)	February, March and April 2014	April 30, 2014

- (1) For the period from October 1<sup>st</sup> to October 13, 2013, Statoil Fuel & Retail results will be determined according to management's best estimates based on the current budget and trends observed during the previous periods. Any difference between estimated results and actual results will be reported in the next quarter results.
- (2) The consolidated balance sheet will be adjusted for significant transactions, if any, occurring between Statoil Fuel & Retail balance sheet date and Couche-Tard balance sheet date.

We expect that the alignment of Statoil Fuel & Retail's accounting periods with those of Couche-Tard should be made once we have finalized replacing Statoil Fuel & Retail financial systems, which is, as of now, scheduled to be completed by the end of fiscal 2014.

### Synergies and cost reduction initiatives

Since the acquisition of Statoil Fuel & Retail, we have been actively working on identifying and implementing available synergies and cost reduction opportunities. Our analysis shows that opportunities are numerous and promising. Some can be implemented immediately while others may take more time to implement since they require rigorous analysis and planning. The implementation of a new ERP system will also be required before we can put in place some of the identified opportunities. The goal is to find the right balance not to jeopardize ongoing activities and projects already underway.

During the 12-week period ended July 21, 2013, we recorded synergies and cost savings we estimated at approximately \$10.0 million before income taxes. These synergies and cost reductions mainly reduced operating, selling, administrative and general expenses as well as cost of sales. Since the acquisition, the total cumulated annual synergies and cost savings amount to approximately \$38.0 million before income taxes. These amounts were determined by comparison with the reference period which was defined as Statoil Fuel & Retail's last full fiscal year previous to the acquisition (fiscal year 2011 ended December 31, 2011), but it does not necessarily represent the full annual impact of all these initiatives.

These synergies and cost reductions came from a variety of sources including cost reductions following the delisting of Statoil Fuel & Retail, the renegotiation of certain agreements with our suppliers, the reduction of in-store costs and the restructuring of certain departments.

Our work for the identification and implementation of available synergies and cost reduction opportunities is far from over. Our teams continue to work actively on various projects that seem promising and which, along with the implementation of new systems and marketing initiatives, should allow us to achieve our objectives. We therefore maintain our goal of annual synergies ranging from \$150.0 million to \$200.0 million before the end of December 2015.

## Network growth

### Completed transactions

In June 2013, under the June 2011 agreement with ExxonMobil, we acquired 60 stores operated by independent operators along with the related road transportation fuel supply agreements and for which we own the land and building for 59 sites and lease the land and own the building for one site. Additionally, we were transferred 50 road transportation fuel supply agreements in connection with this same agreement. This transaction consisted of the last stage to close the June 2011 agreement with ExxonMobil. A negative goodwill of \$41.6 million was recorded in relation with this transaction. Historically, those sites sold annually approximately 162.0 million gallons of road transportation fuel.

In addition, during the first quarter of fiscal 2014, we acquired three additional company-operated stores through distinct transactions.

Available cash was used for these acquisitions.

During the first quarter of fiscal 2014, we, along with a third-party, formed a new corporation, Circle K Asia LLC ("Circle K Asia"), in which both parties hold a 50% interest. During the 12-week period ended July 21, 2013, each party made a capital contribution of \$13.1 million. The total contribution was used to purchase a portion of Circle K's international franchise agreements as well as a master franchise in Asia. Under the contract signed between the parties, we, under certain circumstances, may repurchase all of the other party's shares in Circle K Asia. Consequently, the new corporation was fully consolidated in our consolidated financial statements and the third party's interest was recorded under "Non-controlling interest" in the consolidated statements of earnings, changes in equity and consolidated balance sheet. Furthermore, we must, under certain circumstances, repurchase all of the third-party's shares in Circle K Asia. Consequently, a redemption liability was recorded in our consolidated balance sheet. Circle K Asia should contribute to the expansion of our licensee's network in Asia. We don't expect this transaction to have a significant impact on our financial performance.

### Summary of changes in our stores network during the first quarter of fiscal 2014

The following table presents certain information regarding changes in our stores network over the 12-week period ended July 21, 2013 <sup>(1)</sup>:

Type of site	12-week period ended July 21, 2013				
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	Total
Number of sites, beginning of period	6,235	579	478	1,094	8,386
Acquisitions	3	60	50	-	113
Openings / constructions / additions	4	2	8	31	45
Closures / disposals / withdrawals	(37)	(1)	(3)	(18)	(59)
Conversions into company-operated stores	8	(6)	(2)	-	-
Conversions into affiliated stores	(2)	1	1	-	-
Number of sites, end of period	6,211	635	532	1,107	8,485
Number of automated service stations included in the period end figures <sup>(6)</sup>	919	-	33	-	952

(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 agent.

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

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

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

(6) These sites sell road transportation fuel only.

In addition, under licensing agreements, about 4,200 stores are operated under the Circle K banner in ten other countries worldwide (China, Guam, Honduras, Hong Kong, Indonesia, Japan, Macau, Mexico, Vietnam and United Arab Emirates) which brings to more than 12,650 the number of sites in our network.

## Issuance of Canadian dollar denominated senior unsecured notes

On August 21, 2013, subsequent to the end of the first quarter of fiscal 2014, we issued Canadian dollar denominated senior unsecured notes totalling CA\$300.0 million, maturing August 21<sup>st</sup>, 2020 and bearing interest at a rate of 4.214%. Interest is payable semi-annually on August 21<sup>st</sup> and February 21<sup>st</sup> of each year and notional amount will be repaid at maturity.

In addition to allowing us to spread the maturities of a portion of our long-term debt, this issuance allows us to secure the interest rate of a portion of our long-term debt at favourable rates. The net proceeds from the issuance, which were approximately CA\$298.3 million (\$286.0 million), were used to repay a portion of our acquisition facility.

## **Dividends**

The Board of Directors (“the Board”) decided to increase the dividend by CA1.25¢ per share to CA8.75¢, an increase of 16.7%.

During its August 30, 2013 meeting, the Board declared a quarterly dividend of CA8.75¢ per share for the first quarter of fiscal 2014 to shareholders on record as at September 11, 2013 and approved its payment for September 25, 2013. This is an eligible dividend within the meaning of the Income Tax Act of Canada.

## **Outstanding shares and stock options**

As at August 28, 2013, Couche-Tard had 49,367,280 Class A multiple voting shares and 138,322,854 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 2,105,780 outstanding stock options for the purchase of Class B subordinate voting shares.

## Summary analysis of consolidated results for the first quarter of fiscal 2014

The following table highlights certain information regarding our operations for the 12-week periods ended July 21, 2013 and July 22, 2012. The figures for the 12-week period ended July 22, 2012 include those of Statoil Fuel & Retail for the period beginning June 20, 2012 and ending June 30, 2012.

<i>(In millions of US dollars, unless otherwise stated)</i>	12-week period ended July 21, 2013	12-week period ended July 22, 2012	Variation %
<b>Statement of Operations Data:</b>			
Merchandise and service revenues <sup>(1)</sup> :			
United States	1,153.7	1,088.9	6.0
Europe	248.5	31.5	688.9
Canada	545.5	553.5	(1.4)
Total merchandise and service revenues	1,947.7	1,673.9	16.4
Road transportation fuel revenues:			
United States	3,599.9	3,343.4	7.7
Europe	2,052.1	221.8	825.2
Canada	692.5	662.8	4.5
Total road transportation fuel revenues	6,344.5	4,228.0	50.1
Other revenues <sup>(2)</sup> :			
United States	2.4	1.5	60.0
Europe	606.5	109.1	455.9
Canada	0.1	0.1	0.0
Total other revenues	609.0	110.7	450.1
<b>Total revenues</b>	<b>8,901.2</b>	<b>6,012.6</b>	<b>48.0</b>
Merchandise and service gross profit <sup>(1)</sup> :			
United States	372.0	362.9	2.5
Europe	101.0	12.2	727.9
Canada	185.3	189.6	(2.3)
Total merchandise and service gross profit	658.3	564.7	16.6
Road transportation fuel gross profit:			
United States	190.0	220.2	(13.7)
Europe	209.1	27.2	668.8
Canada	36.7	37.0	(0.8)
Total road transportation fuel gross profit	435.8	284.4	53.2
Other revenues gross profit <sup>(2)</sup> :			
United States	2.4	1.5	60.0
Europe	86.4	8.3	941.0
Canada	0.1	0.1	0.0
Total other revenues gross profit	88.9	9.9	798.0
<b>Total gross profit</b>	<b>1,183.0</b>	<b>859.0</b>	<b>37.7</b>
Operating, selling, administrative and general expenses	781.2	549.9	42.1
Negative goodwill	(41.6)	(0.9)	452.2
Depreciation, amortization and impairment of property and equipment and other assets	125.9	66.1	90.5
<b>Operating income</b>	<b>317.5</b>	<b>243.9</b>	<b>13.5</b>
<b>Net earnings</b>	<b>255.0</b>	<b>102.9</b>	<b>147.8</b>
<b>Other Operating Data:</b>			
Merchandise and service gross margin <sup>(1)</sup> :			
Consolidated	33.8%	33.7%	0.1
United States	32.2%	33.3%	(1.1)
Europe	40.6%	38.7%	1.9
Canada	34.0%	34.3%	(0.3)



<i>(In millions of US dollars, unless otherwise stated)</i>	<b>12-week period ended July 21, 2013</b>	12-week period ended July 22, 2012	Variation %
<b>Growth of same-store merchandise revenues <sup>(3) (4)</sup>:</b>			
United States	2.7%	2.8%	
Europe	1.9%	-	
Canada	0.7%	5.0%	
<b>Road transportation fuel gross margin :</b>			
United States (cents per gallon) <sup>(4)</sup>	19.42	23.20	(16.3)
Europe (cents per litre) <sup>(5)</sup>	10.26	11.22	(8.6)
Canada (CA cents per litre) <sup>(4)</sup>	5.52	5.61	(1.6)
<b>Volume of road transportation fuel sold <sup>(5)</sup>:</b>			
United States (millions of gallons)	1,036.9	968.2	7.1
Europe (millions of litres)	2,038.1	242.4	740.8
Canada (millions of litres)	692.9	672.5	3.0
<b>Growth of (decrease in) same-store road transportation fuel volume <sup>(4)</sup>:</b>			
United States	1.2%	1.1%	
Europe	1.8%	-	
Canada	(0.4%)	2.2%	
<b>Per Share Data:</b>			
Basic net earnings per share (dollars per share)	1.36	0.57	138.6
Diluted net earnings per share (dollars per share)	1.35	0.57	136.8
	<b>July 21, 2013</b>	<b>April 28, 2013</b>	<b>Variation \$</b>
<b>Balance Sheet Data:</b>			
Total assets	10,682.9	10,546.2	136.7
Interest-bearing debt	3,389.2	3,605.1	(215.9)
Shareholders' equity	3,344.6	3,216.7	127.9
<b>Indebtedness Ratios:</b>			
Net interest-bearing debt/total capitalization <sup>(6)</sup>	0.45 : 1	0.48 : 1	
Net interest-bearing debt/Adjusted EBITDA <sup>(7)</sup>	1.87 : 1	1.98 : 1 <sup>(8)</sup>	
Adjusted net interest bearing debt/Adjusted EBITDAR <sup>(9)</sup>	2.97 : 1	3.05 : 1 <sup>(8)</sup>	
<b>Returns:</b>			
Return on equity <sup>(10)</sup>	25.7%	21.5% <sup>(8)</sup>	
Return on capital employed <sup>(11)</sup>	12.0%	11.0% <sup>(8)</sup>	

- (1) Includes revenues derived from franchise fees, royalties, suppliers rebates on some purchases made by franchisees and licensees as well as merchandise wholesale.
- (2) Includes revenues from rental of assets, from sale of aviation and marine fuel, heating oil, kerosene, lubricants and chemicals. Revenues for the 12-week period ended July 22, 2012 include revenues from the Liquefied Petroleum Gas ("LPG")'s operations. Those operations were sold in December 2012.
- (3) Does not include services and other revenues (as described in footnote 1 above). Growth in Canada is calculated based on Canadian dollars.
- (4) For company-operated stores only.
- (5) Total road transportation fuel.
- (6) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and long-term debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (7) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments divided by EBITDA (Earnings Before Interest, Tax, Depreciation, Amortization and Impairment) adjusted for restructuring expenses, curtailment gain on certain defined benefits pension plans obligation and negative goodwill. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (8) This ratio is presented on a pro forma basis. It includes Couche-Tard's results for fiscal year ended April 28, 2013 as well as Statoil Fuel & Retail's results for the 12-month period ended April 30, 2013. Statoil Fuel & Retail balance sheet and earnings have been adjusted to make their presentation in line with Couche-Tard's policies and for fair value adjustments to assets acquired, including goodwill, and to liabilities assumed.
- (9) This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt plus the product of eight times rent expense, net of cash and cash equivalents and temporary investments divided by EBITDAR (Earnings Before Interest, Tax, Depreciation, Amortization, Impairment and Rent expense) adjusted for restructuring costs, curtailment gain on certain defined benefits pension plans obligation as well as negative goodwill. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (10) This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity for the corresponding period. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.
- (11) This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed for the corresponding period. Capital employed represents total assets less short-term liabilities not bearing interests. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations.

## Revenues

Our revenues were \$8.9 billion in the first quarter of fiscal 2014, up \$2.9 billion, an increase of 48.0%, mainly attributable to acquisitions and the growth in merchandise revenues and same-store road transportation fuel volume in the United States. These items contributing to the growth in revenues were partially offset by a weaker Canadian dollar.

More specifically, the growth of merchandise and service revenues for the first quarter of fiscal 2014 was \$273.8 million or 16.4%, of which approximately \$249.0 million was generated by acquisitions. As for internal growth, same-store merchandise revenues increased by 2.7% in the United States and 0.7% in Canada. The increase in same-store merchandise sales is attributable to our merchandising strategies, to the economic conditions in each of our markets as well as to the investments we made to enhance service and the offering of products in our stores. More specifically, in the U.S., we favoured pricing strategies aimed at boosting sales which helped us gain momentum in terms of transactions count while the fresh food category continued to post a nice growth in several of our markets. As a consequence, volume growth generated by the increase in the number of transactions was partly offset by the deflationary impact of our pricing strategies. The performance in the United States and Canada is very good especially in light of the weak growth recorded by several players in the retail industry during the last few months. In Europe, the exchange of best practices, the implementation of new and sustainable merchandising strategies as well as the investments made through extensive marketing campaigns to promote in-store offering allowed us to turn around the negative sales trend that existed when we acquired Statoil Fuel & Retail. Consequently, same-store merchandise revenue posted a nice growth of 1.9% which is encouraging in light of the difficult economic conditions in Europe. As for the weaker Canadian dollar, it had an unfavourable impact of approximately \$6.0 million on merchandise and service revenues of the first quarter of fiscal 2014.

Road transportation fuel revenues increased by \$2.1 billion or 50.1% in the first quarter of fiscal 2014, of which approximately \$2.0 billion stems from acquisitions. In the United States, same-store road transportation fuel volume increased by 1.2% while it decreased by 0.4% in Canada. In Europe, same-store road transportation fuel volume increased by 1.8% which is also a nice improvement over the trend our European network was posting before we acquired Statoil Fuel & Retail. Our new fuel brand "miles<sup>TM</sup>" we launched in some of our European markets is delivering promising results and was a nice contributor to the first quarter performance.

The higher average retail price of road transportation fuel generated an increase in revenues of approximately \$29.0 million as shown in the following table, starting with the second quarter of the fiscal year ended April 29, 2012:

Quarter	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	Weighted average
52-week period ended July 22, 2013					
United States (US dollars per gallon)	3.65	3.35	3.61	<b>3.51</b>	3.52
Canada (CA cents per litre)	117.41	110.43	115.65	<b>114.53</b>	114.23
53-week period ended July 21, 2012					
United States (US dollars per gallon)	3.49	3.31	3.73	<b>3.49</b>	3.50
Canada (CA cents per litre)	112.90	109.88	117.0	<b>112.62</b>	112.93

The weaker Canadian dollar had an unfavourable impact of approximately \$5.0 million on road transportation fuel sales of the first quarter of fiscal 2014.

Other income showed an increase of \$498.3 million for the first quarter of fiscal 2014, entirely attributable to acquisitions.

## Gross profit

In the first quarter of fiscal 2014, the consolidated merchandise and service gross margin grew by \$93.6 million or 16.6% compared with the corresponding quarter of fiscal 2013. In the United States, the gross margin is down 1.1% to 32.2% while in Canada, it decreased by 0.3% to 34.0%. This performance reflects changes in the product-mix, the modifications we brought to our supply terms as well as our merchandising strategy in line with market competitiveness and economic conditions within each market. More specifically, in the United States, the decrease in the margin as a percentage of sales mainly reflects the impact of our pricing strategies aimed at increasing store traffic which had a favourable impact on revenues but brought the margin percentage down. In Europe, the margin was 40.6%, which is in line with our expectations and historical margins recorded by Statoil Fuel & Retail at this time of the year. The higher merchandise and service gross margin as a percentage of sales in Europe reflects price and cost structures as well as a revenue mix that are different from those in North America.

In the first quarter of fiscal 2014, the road transportation fuel gross margin for our company-operated stores in the United States decreased by 3.78 ¢ per gallon, from 23.20 ¢ per gallon last year to 19.42 ¢ per gallon this year. In Canada, the gross margin decreased to CA5.52 ¢ per litre compared with CA5.61 ¢ per litre for the first quarter of fiscal 2013. In Europe, the road transportation fuel gross margin was 10.26 ¢ per litre for the first quarter of fiscal 2014. The road transportation fuel gross margin of our company-operated stores in the United States as well as the impact of expenses related to electronic payment modes for the last eight quarters, starting with the second quarter of fiscal year ended April 29, 2012, were as follows:

(US cents per gallon)

Quarter	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	1 <sup>st</sup>	Weighted average
52-week period ended July 21, 2013					
Before deduction of expenses related to electronic payment modes	15.20	17.80	19.30	<b>19.42</b>	17.95
Expenses related to electronic payment modes	5.15	4.79	5.03	<b>4.99</b>	4.98
After deduction of expenses related to electronic payment modes	10.05	13.01	14.27	<b>14.43</b>	12.97
53-week period ended July 22, 2012					
Before deduction of expenses related to electronic payment modes	17.04	14.84	16.98	<b>23.20</b>	17.83
Expenses related to electronic payment modes	5.20	4.74	5.06	<b>4.97</b>	4.97
After deduction of expenses related to electronic payment modes	11.84	10.10	11.92	<b>18.23</b>	12.86

As demonstrated by the table above, although road transportation fuel margin can be volatile from a quarter to another, they tend to normalize on an annual basis.

## Operating, selling, administrative and general expenses

For the first quarter of fiscal 2014, operating, selling, administrative and general expenses rose by 42.1% compared with the first quarter of fiscal 2013, but decreased by 1.0%, if we exclude certain items, as demonstrated by the following table:

	12-week period ended July 21, 2013
<b>Total variance as reported</b>	<b>42.1%</b>
Subtract:	
Increase from incremental expenses related to acquisitions	43.2%
Increase from higher electronic payment fees, excluding acquisitions	0.5%
Decrease from the weaker Canadian dollar	(0.3%)
Acquisition costs recognized to earnings of fiscal 2013	(0.3%)
<b>Remaining variance</b>	<b>(1.0%)</b>

The increase in electronic payment fees stems mainly from the higher road transportation fuel retail price and volume. The remaining variance is mainly due to sound management of costs across our operations. We continue to favour a tight control of our costs throughout the organization while making sure to maintain the quality of the service we offer our clients.

In Europe, expense level is still affected by costs incurred for projects aimed at creating value, including the implementation of a new IT infrastructure and the rollout of an Enterprise Resource Planning ("ERP") system. Although they were lower than in the previous quarters, our IT costs should continue to go down progressively along with the completion of these projects over the course of the next quarters but we nonetheless expect higher costs in quarters during which the ERP system will be rolled out in the different business units. In addition, as for the fourth quarter of fiscal 2013, but to a lesser extent, expenses of the quarter also include marketing costs to support our sales initiatives to boost sales in Europe, including "miles™", our new signature fuel brand as well as summer promotion campaigns.

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

During the first quarter of fiscal 2014, EBITDA increased by 43.4% compared to the corresponding period of the previous fiscal year, reaching \$452.1 million. Net of acquisition costs recorded to earnings, acquisitions contributed \$127.6 million to EBITDA, while the exchange rate variation had a negative impact of approximately \$1.0 million.

Excluding the impact of the negative goodwill for both comparable periods, adjusted EBITDA increased by \$96.2 million or 30.6% compared to the corresponding period of the previous fiscal year, reaching \$410.5 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, use these measures to evaluate the Corporation's financial and operating performance. Note that our definition of these measures may differ from the one used by other public corporations:

(in millions of US dollars)	12-week period ended July 21, 2013	12-week period ended July 22, 2012
Net earnings, as reported	255.0	102.9
Add:		
Income taxes	59.5	24.4
Net financial expenses	11.7	121.8
Depreciation and amortization and impairment of property and equipment and other assets	125.9	66.1
EBITDA	452.1	315.2
Remove:		
Negative goodwill	(41.6)	(0.9)
Adjusted EBITDA	410.5	314.3

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

For the first quarter of fiscal 2014, depreciation, amortization and impairment expense increased due to investments made through acquisitions, replacement of equipment, addition of new stores and ongoing improvement of our network.

In addition, following the acquisition of Statoil Fuel & Retail, we have undertaken an analysis of the remaining useful lives of Statoil Fuel & Retail property and equipment in order to modify the depreciation periods accordingly. Based on our preliminary analysis, we concluded that the modification of depreciation periods would reduce the depreciation expense, which was reflected in the depreciation expense for the first quarter of fiscal 2014. However, given the volume of assets to process, our analytical work has not been completed yet. Additional changes to the depreciation expense could be made.

## Net financial expenses

The first quarter of fiscal 2014 shows net financial expenses of \$11.7 million, a decrease of \$110.1 million compared to the first quarter of fiscal 2013. Excluding the net foreign exchange gains of \$13.2 million and \$6.2 million recorded respectively in the first quarter of fiscal 2014 and of fiscal 2013 and excluding the \$113.5 million non-recurring loss on foreign exchange forward contracts recorded in the first quarter of fiscal 2013 aimed at managing the currency risk related to the acquisition Statoil Fuel & Retail, the increase in net financing expenses is \$10.4 million. The increase is mainly due to the additional debt required to finance the acquisition of Statoil Fuel & Retail and debt assumed through this acquisition. With respect to the net foreign exchange gain of \$13.2 million, it is mainly due to the impact of the exchange rate fluctuations on certain inter-company balances as well as to the impact of exchange rates fluctuations on U.S. dollars denominated sales made by our European operations.

## Income taxes

The income tax rate for the first quarter of fiscal 2014 was 18.9%, a slight decrease from the income tax rate of 19.2% for the corresponding quarter of the previous year. The income tax rate for the first quarter of fiscal 2014 was higher than expected because of overall higher taxable income in the United States where we have our highest statutory tax rate. Excluding the net impact from negative goodwill recorded in the first quarter of fiscal 2014, the income tax rate would have been approximately 15.9%.

## Net earnings

We closed the first quarter of fiscal 2014 with net earnings of \$255.0 million, compared to \$102.9 million the previous fiscal year, an increase of \$152.1 million or 147.8%. Diluted net earnings per share stood at \$1.35 compared to \$0.57 the previous year, an increase of 137.8%. The exchange rate variation did not have a significant impact on net earnings of the first quarter of fiscal 2014.

Excluding from the first quarter of fiscal 2014 earnings the negative goodwill of \$41.6 million, the net foreign exchange gain as well as acquisition costs and excluding from the first quarter of fiscal 2013 earnings the non-recurring loss on foreign

exchange forward contracts, the net foreign exchange gain, acquisition costs as well as the negative goodwill, the first quarter of fiscal 2014 net earnings would have been approximately \$220.0 million (\$1.16 per share on a diluted basis) compared to \$182.0 million (\$1.00 per share on a diluted basis) for the corresponding period of fiscal 2013, an increase of \$38.0 million, or 21.0%.

## Financial Position as at July 21, 2013

As shown by our indebtedness ratios included in the “Selected Consolidated Financial Information” section and our net cash provided by operating activities, our financial position is excellent.

Our total consolidated assets amounted to \$10.7 billion as at July 21, 2013, an increase of \$136.7 million over the balance as at April 28, 2013. This increase stems primarily from the overall rise in assets resulting from the acquisitions we made during the first quarter of fiscal year 2014, partially offset by the net appreciation of the US dollar compared to the functional currencies of our operations in Canada and Europe at the balance sheet date.

For the first quarter of fiscal 2014, we recorded a return on capital employed of 12.0%<sup>1</sup>.

Other balance sheet line items significant variations are explained as follows:

### Accounts receivable

Accounts receivable increased by \$213.2 million from \$1,616.0 million as at April 28, 2013 to \$1,829.2 million as at July 21, 2013. The increase mainly stems from timing effects and increased road transportation fuel sales.

### Accounts payable

Accounts payable increased by \$218.3 million from \$2,351.1 million as at April 28, 2013 to \$2,569.3 million as at July 21, 2013. The increase mainly stems from timing effects and increased road transportation fuel purchases.

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

Long-term debt decreased by \$215.9 million from \$3,605.1 million as at April 28, 2013 to \$3,389.2 million as at July 21, 2013. During the first quarter of fiscal 2014, we repaid approximately \$603.0 million of our acquisition facility from amounts drawn down under our revolving facilities. An amount of \$200.0 million was also repaid on our revolving facilities from available cash. Our debt, net of cash and cash equivalents, amounted \$2,767.5 million as at July 21, 2013, a reduction of \$179.2 million compared to the balance sheet as at April 28, 2013.

### Equity

Shareholders' equity amounted to \$3.3 billion as at July 21, 2013, up \$127.9 million compared to April 28, 2013, mainly reflecting net earnings of the first quarter of fiscal 2014, partially offset by dividends declared as well as by the decrease in accumulated other comprehensive income following the net appreciation of the US dollar compared to the functional currencies of our operations in Canada and Europe at the balance sheet date. For the first quarter of fiscal 2014, we recorded a return on equity of 25.7%<sup>2</sup>.

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1 This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: earnings before income taxes and interests divided by average capital employed. 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. It includes Couche-Tard's results for the first quarter of fiscal year ended April 27, 2014 and the last three quarters of fiscal year ended April 28, 2013.

2 This ratio is presented for information purposes only and represents a measure of performance used especially in financial circles. It represents the following calculation: net earnings divided by average equity. It does not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other public corporations. It includes Couche-Tard's results for the first quarter of fiscal year ended April 27, 2014 and the last three quarters of fiscal year ended April 28, 2013.

## Liquidity and Capital Resources

Our sources of liquidity remain unchanged compared with the fiscal year ended April 28, 2013. For further information, please refer to our 2013 Annual Report. With respect to our capital expenditures and acquisitions carried out in the first quarter of fiscal 2014, they were financed using available cash. We expect that cash generated from operations together with borrowings available under our revolving unsecured credit facilities will be adequate to meet our liquidity needs in the foreseeable future.

During the first quarter of fiscal 2014, we repaid approximately \$603.0 million of our acquisition facility from amounts drawn down under our revolving facilities. An additional amount of \$200.0 million was also repaid on our revolving facilities from available cash. As at July 21, 2013, \$748.5 million of our revolving unsecured operating credit D had been used. As at the same date, the weighted average effective interest rate was 1.75% and standby letters of credit in the amount of CA\$2.2 million and \$28.1 million were outstanding.

As at July 21, 2013, the term revolving unsecured operating credit E was unused.

As at July 21, 2013, \$545.9 million were available under our credit agreements and we were in compliance with the restrictive covenants and ratios imposed by the credit agreements at that date. Thus, at the same date, we had access to more than \$1.2 billion through our available cash and revolving unsecured operating credit agreements.

Through Statoil Fuel & Retail, we have access to bank overdraft facilities totalling approximately \$336.0 million. As of July 21, 2013, the bank overdraft facilities were unused.

## Selected Consolidated Cash Flow Information

(In millions of US dollars)	12-week period ended July 21, 2013	12-week period ended July 22, 2012	Variation
	\$	\$	\$
<b>Operating activities</b>			
Net cash provided by operating activities	310.3	108.2	202.1
<b>Investing activities</b>			
Business acquisitions	(91.4)	(2,448.3)	2,356.9
Purchase of property and equipment and other assets, net of proceeds from the disposal of property and equipment and other assets	(54.4)	(43.8)	(10.6)
Net settlement of foreign exchange forward contracts	-	(95.9)	95.9
Other	20.7	(7.2)	27.9
Net cash used in investing activities	(125.1)	(2,595.2)	2,470.0
<b>Financing activities</b>			
Repayment of the acquisition facility	(603.0)	-	(603.0)
Net increase (decrease) in other debt	400.4	(121.1)	521.5
Borrowings under the acquisition facility, net of financing costs	-	2,664.3	(2,664.3)
Issuance of shares upon exercise of stock-options	1.2	-	1.2
Net cash (used in) provided by financing activities	(201.4)	2,543.2	(2,744.6)
<b>Credit rating</b>			
Standard and Poor's	BBB-	BBB-	

### Operating activities

During the first quarter of fiscal 2014, net cash from the operation of our stores network reached \$310.3 million, up \$202.1 million compared to the first quarter of fiscal year 2013, mainly due to higher net earnings not taking into account non-cash items, including depreciation, amortization and impairment of property and equipment and other assets, as well as negative goodwill.

### Investing activities

During the first quarter of fiscal 2014, investing activities were primarily for the acquisition of stores network for a total amount of \$91.4 million as well as for net investment in property and equipment and other assets which amounted to \$54.4 million. Net investments in property and equipment and other assets were primarily for the replacement of equipment in some of our

stores in order to enhance our offering of products and services, the addition of new stores as well as the ongoing improvement of our network. Following the closing of the business acquisition transaction with ExxonMobil, an amount of \$20.7 million placed in escrow was repaid to us during the first quarter of fiscal 2014.

## Financing activities

During the first quarter of fiscal 2014, we repaid an amount of \$603.0 million under our acquisition facility from amounts drawn under our operating credits. We also repaid a portion of \$200.0 million of our operating credits from net cash generated from our operating activities.

## Contractual Obligations and Commercial Commitments

There were no major changes during the 12-week period ended July 21, 2013, with respect to our contractual obligations and commercial commitments. For more information, please refer to our 2013 Annual Report.

## Selected Quarterly Financial Information

The Corporation's 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 2012, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from the Corporation's interim consolidated financial statements for each of the eight most recently completed quarters.

(In millions of US dollars except for per share data)

Quarter	12-week period ended July 21, 2013	52-week period ended April 28, 2013				Extract from the 53-week period ended April 29, 2012		
	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>	1 <sup>st</sup>	4 <sup>th</sup>	3 <sup>rd</sup>	2 <sup>nd</sup>
Weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	13 weeks	16 weeks	12 weeks
<b>Revenues</b>	<b>8,901.2</b>	8,776.0	11,467.0	9,287.7	6,012.6	6,055.7	6,597.3	5,151.2
Operating income before depreciation, amortization and impairment of property and equipment and other assets	<b>443.4</b>	292.7	391.4	365.6	310.0	200.1	186.5	200.6
Depreciation, amortization and impairment of property and equipment and other assets	<b>125.9</b>	138.1	182.5	134.3	66.1	62.2	75.7	52.4
Operating income	<b>317.5</b>	154.6	208.9	231.3	243.9	137.9	110.8	148.2
Share of earnings of joint ventures and associated companies accounted for using the equity method	<b>8.7</b>	3.0	3.9	3.7	5.2	3.4	7.0	5.2
Net financial expenses (revenues)	<b>11.7</b>	20.7	49.4	15.9	121.8	(13.0)	4.6	2.5
<b>Net earnings</b>	<b>255.0</b>	146.4	142.2	181.3	102.9	117.8	86.8	113.5
<b>Net earnings per share</b>								
Basic	<b>\$1.36</b>	\$0.78	\$0.76	\$0.98	\$0.57	\$0.66	\$0.49	\$0.62
Diluted	<b>\$1.35</b>	\$0.77	\$0.75	\$0.97	\$0.57	\$0.65	\$0.48	\$0.61

The volatility of road transportation fuel gross margin and seasonality have an impact on the variability of our quarterly net earnings. Given acquisitions made in recent years and higher retail prices at the pump, road transportation fuel revenues have become a more significant segment of our business and therefore our quarterly results are more sensitive to the volatility of road transportation fuel gross margins. However, road transportation fuel margins tend to be less volatile when considered on an annual basis or a longer term. With that said, the majority of our operating income is still derived from merchandise and service sales.

## Outlook

During the remainder fiscal year 2014, we expect to pursue our investments with caution in order to, amongst other things, improve our network. We also intend to keep an ongoing focus on our sales, supply terms and operating expenses while keeping an eye on growth opportunities that may be available.

We will continue to pay special attention to the integration of Statoil Fuel & Retail. To do this, we have formed a multidisciplinary team whose objectives are to ensure an effective integration and to identify opportunities for improvement,

including synergies. Within this framework, we also intend to put in place strategies that will enable us to reduce our debt level in order to regain our financial flexibility and maintain the quality of our credit profile.

Finally, in line with our business model, we intend to continue to focus our resources on the sale of fresh products and on innovation, including the introduction of new products and services, in order to satisfy the needs of our large clientele.

August 30, 2013



## CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 21, 2013	July 22, 2012
	\$	\$
<b>Revenues</b>	<b>8,901.2</b>	6,012.6
Cost of sales	7,718.2	5,153.6
<b>Gross profit</b>	<b>1,183.0</b>	859.0
Operating, selling, administrative and general expenses	781.2	549.9
Negative goodwill	(41.6)	(0.9)
Depreciation, amortization and impairment of property and equipment, intangible and other assets	125.9	66.1
	<b>865.5</b>	615.1
Operating income	<b>317.5</b>	243.9
Share of earnings of joint ventures and associated companies accounted for using the equity method	8.7	5.2
Financial expenses	29.3	15.4
Financial revenues	(4.4)	(0.9)
Loss on foreign exchange forward contracts	-	113.5
Foreign exchange gain from currency conversion	(13.2)	(6.2)
<b>Net financial expenses</b>	<b>11.7</b>	121.8
Earnings before income taxes	<b>314.5</b>	127.3
Income taxes	59.5	24.4
<b>Net earnings</b>	<b>255.0</b>	102.9
Net earnings attributable to:		
Shareholders of the Corporation	254.9	102.9
Non-controlling interest (Note 5)	0.1	-
<b>Net earnings</b>	<b>255.0</b>	102.9
Net earnings per share (Note 6)		
Basic	1.36	0.57
Diluted	1.35	0.57
Weighted average number of shares (in thousands)	<b>187,586</b>	179,057
Weighted average number of shares – diluted (in thousands)	<b>189,203</b>	181,457
Number of shares outstanding at end of period (in thousands)	<b>187,678</b>	179,068

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 21, 2013	July 22, 2012
	\$	\$
<b>Net earnings</b>	<b>255.0</b>	<b>102.9</b>
<b>Other comprehensive income</b>		
<b>Items that may be reclassified to earnings</b>		
<b>Translation adjustments</b>		
Changes in cumulative translation adjustments <sup>(1)</sup>	(87.7)	15.6
Change in fair value of financial instruments designated as a hedge of the Corporation's net investment in its U.S. operations <sup>(2)</sup>	(6.5)	-
Net interest on financial instruments designated as a hedge of the Corporation's net investment in its U.S. operations <sup>(3)</sup>	0.9	-
<b>Cash flow hedges</b>		
Change in fair value of financial instruments <sup>(4)</sup>	1.3	1.9
Gain realized on financial instruments reclassified to earnings <sup>(5)</sup>	(1.3)	(1.3)
<b>Other comprehensive (loss) income</b>	<b>(93.3)</b>	<b>16.2</b>
<b>Comprehensive income</b>	<b>161.7</b>	<b>119.1</b>
Comprehensive income attributable to:		
Shareholders of the Corporation	161.6	127.0
Non-controlling interest	0.1	(7.9)
<b>Comprehensive income</b>	<b>161.7</b>	<b>119.1</b>

(1) For the 12-week period ended July 22, 2012, these amounts include a gain of \$5.6 (net of income taxes of \$0.9). This gain arises from the translation of the US dollar denominated long-term debt which was previously designated as a foreign exchange hedge of the Corporation's net investment in its U.S. operations.

(2) For the 12-week period ended July 21, 2013, this amount is net of income taxes of \$2.4.

(3) For the 12-week period ended July 21, 2013, this amount is net of income taxes of \$0.2.

(4) For the 12-week periods ended July 21, 2013 and July 22, 2012, these amounts are net of income taxes of \$0.2 and \$0.6, respectively.

(5) For the 12-week periods ended July 21, 2013 and July 22, 2012, these amounts are net of income taxes of \$0.2 and \$0.5, respectively.

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

## CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in millions of US dollars, unaudited)

For the 12-week period ended	Attributable to the shareholders of the Corporation							July 21, 2013
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity	
	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, beginning of period</b>	670.4	16.5	2,344.0	185.8	3,216.7	-	3,216.7	
Comprehensive income:								
Net earnings			254.9		254.9	0.1	255.0	
Other comprehensive income				(93.3)	(93.3)		(93.3)	
Comprehensive income					161.6	0.1	161.7	
Dividends			(13.6)		(13.6)		(13.6)	
Addition to non-controlling interest (Note 5)					-	13.2	13.2	
Redemption liability (Note 5)		(13.2)			(13.2)		(13.2)	
Stock option-based compensation expense		(0.1)			(0.1)		(0.1)	
Initial fair value of stock options exercised	0.7	(0.7)			-		-	
Cash received upon exercise of stock options	1.2				1.2		1.2	
<b>Balance, end of period</b>	<b>672.3</b>	<b>2.5</b>	<b>2,585.3</b>	<b>92.5</b>	<b>3,352.6</b>	<b>13.3</b>	<b>3,365.9</b>	

For the 12-week period ended	Attributable to the shareholders of the Corporation							July 22, 2012
	Capital stock	Contributed surplus	Retained earnings	Accumulated other comprehensive income	Total	Non-controlling interest	Total equity	
	\$	\$	\$	\$	\$	\$	\$	
<b>Balance, beginning of period</b>	321.0	17.9	1,826.8	8.9	2,174.6		2,174.6	
Comprehensive income:								
Net earnings			102.9		102.9		102.9	
Other comprehensive income (loss)				24.1	24.1	(7.9)	16.2	
Total comprehensive income (loss)					127.0	(7.9)	119.1	
Dividends			(13.2)		(13.2)		(13.2)	
Acquisition of control of Statoil Fuel & Retail					-	487.2	487.2	
Acquisition of non-controlling interest in Statoil Fuel & Retail					-	(479.3)	(479.3)	
Stock option-based compensation expense		0.1			0.1		0.1	
Initial fair value of stock options exercised	0.2	(0.2)			-		-	
<b>Balance, end of period</b>	<b>321.2</b>	<b>17.8</b>	<b>1,916.5</b>	<b>33.0</b>	<b>2,288.5</b>	<b>-</b>	<b>2,288.5</b>	

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

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 21, 2013	July 22 2012
	\$	\$
<b>Operating activities</b>		
Net earnings	255.0	102.9
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation, amortization and impairment of property and equipment, intangible and other assets, net of amortization of deferred credits	101.7	57.0
Negative goodwill (Note 3)	(41.6)	(0.9)
Deferred income taxes	(18.6)	2.5
Share of earnings of joint ventures and associated companies accounted for using the equity method, net of dividends received	(7.8)	(4.2)
Deferred credits	6.9	6.8
Loss on disposal of property and equipment and other assets	0.1	0.4
Loss on foreign exchange forward contracts	-	113.5
Other	1.4	12.2
Changes in non-cash working capital	13.2	(182.0)
<b>Net cash provided by operating activities</b>	<b>310.3</b>	<b>108.2</b>
<b>Investing activities</b>		
Business acquisitions (Note 3)	(91.4)	(2,448.3)
Purchase of property and equipment and other assets	(77.9)	(48.4)
Proceeds from disposal of property and equipment and other assets	23.5	4.6
Restricted cash	20.7	(7.2)
Net settlement of foreign exchange forward contracts	-	(95.9)
<b>Net cash used in investing activities</b>	<b>(125.1)</b>	<b>(2,595.2)</b>
<b>Financing activities</b>		
Repayment of the unsecured non-revolving acquisition credit facility	(603.0)	-
Net increase (decrease) in other debt	400.4	(121.1)
Issuance of shares upon exercise of stock-options	1.2	-
Borrowings under the unsecured non-revolving acquisition credit facility, net of financing costs	-	2,664.3
<b>Net cash (used in) provided by financing activities</b>	<b>(201.4)</b>	<b>2,543.2</b>
Effect of exchange rate fluctuations on cash and cash equivalents	(20.4)	(3.1)
<b>Net (decrease) increase in cash and cash equivalents</b>	<b>(36.6)</b>	<b>53.1</b>
Cash and cash equivalents, beginning of period	658.3	304.3
Cash, cash equivalents and bank overdraft, end of period	621.7	357.4
Bank overdraft, end of period <sup>(1)</sup>	-	163.5
Cash and cash equivalents, end of period	621.7	520.9
<b>Supplemental information:</b>		
Interest paid	30.7	6.7
Interest and dividends received	4.5	1.3
Income taxes paid	78.8	28.0
<b>Cash and cash equivalents components:</b>		
Cash and demand deposits	473.6	374.6
Liquid investments	148.1	146.3
	621.7	520.9

(1) Bank overdraft is included in Bank loans and current portion of long-term debt on the consolidated balance sheet.

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

## CONSOLIDATED BALANCE SHEETS

(in millions of US dollars, unaudited)

	As at July 21, 2013	As at April 28, 2013
	\$	\$
<b>Assets</b>		
Current assets		
Cash and cash equivalents	621.7	658.3
Restricted cash	0.9	21.6
Accounts receivable	1,829.2	1,616.0
Inventories	853.9	846.0
Prepaid expenses	47.2	57.8
Income taxes receivable	64.3	81.6
	3,417.2	3,281.3
Property and equipment	5,067.5	5,079.9
Goodwill	1,067.7	1,081.0
Intangible assets	846.4	834.7
Other assets	136.0	136.3
Investment in joint ventures and associated companies	92.0	84.2
Deferred income taxes	45.4	48.8
	10,672.2	10,546.2
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	2,569.5	2,351.1
Provisions	105.1	96.5
Income taxes payable	50.9	70.0
Bank loans and current portion of long-term debt (Note 4)	17.3	620.8
	2,742.8	3,138.4
Long-term debt (Note 4)	3,371.9	2,984.3
Provisions	376.1	358.8
Pension benefit liability	109.2	109.7
Financial liabilities	29.3	20.4
Deferred credits and other liabilities	152.6	156.7
Deferred income taxes	524.4	561.2
	7,306.3	7,329.5
<b>Equity</b>		
Capital stock (Note 8)	672.3	670.4
Contributed surplus	2.5	16.5
Retained earnings	2,585.3	2,344.0
Accumulated other comprehensive income (Note 7)	92.5	185.8
Equity attributable to shareholders of the Corporation	3,352.6	3,216.7
Non-controlling interest	13.3	-
	3,365.9	3,216.7
	10,672.2	10,546.2

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

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

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

The interim financial statements were prepared in accordance with the same accounting policies and methods as the audited annual consolidated financial statements for the year ended April 28, 2013, except for those disclosed in Note 2. The interim financial statements do not include all the information required for complete financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Corporation’s 2013 Annual Report. The results of operations for the interim periods presented do not necessarily reflect results expected for the full fiscal year. The Corporation’s business follows a seasonal pattern. The busiest period is the first half-year of each fiscal year, which includes summer’s sales. These interim financial statements have not been subject to a review engagement by the Corporation’s external auditors.

On August 30, 2013, the Corporation’s interim financial statements were approved by the board of directors who also approved their publication.

#### Comparative figures

Certain comparative figures of the consolidated financial statements have been reclassified to comply with the presentation adopted in the fiscal year ended April 28, 2013.

Sales taxes on road transportation fuel in California, United States are now reported on a net basis in revenues instead of on a gross basis in revenues and cost of sales resulting in a reduction in revenues and cost of sales of \$8.3 for the 12-week period ended July 22, 2012.

This reclassification had no impact on consolidated net earnings or consolidated comprehensive income of the Corporation for the 12-week period ended July 22, 2012.

### 2. ACCOUNTING CHANGES

#### Revised Standards

##### *Financial Statement Presentation*

On April 29, 2013, the Corporation adopted amendments to International Accounting Standard (“IAS”) 1, “Presentation of Financial Statements”. The amendments govern the presentation of Other Comprehensive Income (“OCI”) in the financial statements, primarily by requiring OCI items that may be reclassified to the consolidated statements of earnings to be presented separately from those that remain in equity. The Corporation adopted this presentation and there was no other significant impact on the Corporation’s consolidated financial statements.

##### *Financial Instruments – Presentation and disclosure*

On April 29, 2013, the Corporation adopted the revised version of IFRS 7, “Financial Instruments: Disclosures”. The modifications clarify the rules for offsetting financial assets and financial liabilities on the consolidated balance sheets. The adoption of these changes did not have a significant impact on the Corporation’s consolidated financial statements.

#### New standards

##### *Consolidated financial statements*

On April 29, 2013, the Corporation adopted a new standard, IFRS 10, “Consolidated Financial Statements”, which requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under previous IFRS, consolidation was required when an entity had the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. IFRS 10 replaces SIC-12, “Consolidation—Special Purpose Entities” and parts of IAS 27, “Consolidated and Separate Financial Statements”. The adoption of this standard had no impact on the Corporation’s consolidated financial statements.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### *Joint Arrangements*

On April 29, 2013, the Corporation adopted a new standard, IFRS 11, "Joint Arrangements", which requires a venturer to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures must be accounted for using the equity method of accounting whereas for a joint operation the venturer must recognize its share of the assets, liabilities, revenue and expenses of the joint operation. Under previous IFRS, entities had the choice to proportionately consolidate or equity account for interests in joint ventures. IFRS 11 supersedes IAS 31, "Interests in Joint Ventures" and SIC-13, "Jointly Controlled Entities—Non-monetary Contributions by Venturers". The adoption of this standard had no impact on the Corporation's consolidated financial statements.

### *Disclosure of Interest in Other Entities*

On April 29, 2013, the Corporation adopted a new standard, IFRS 12, "Disclosure of Interest in Other Entities". IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off balance sheet vehicles. The standard includes existing disclosures and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. The adoption of this standard had no impact on the Corporation's consolidated financial statements. However, more information will be required in the notes to the Corporation's annual financial statements.

### *Fair Value Measurement*

On April 29, 2013, the Corporation adopted a new standard, IFRS 13, "Fair Value Measurement". IFRS 13 is a comprehensive standard for fair value measurement and disclosure requirements for use across all IFRS. The new standard clarifies that fair value is the price that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants, at the measurement date. It also establishes disclosures about fair value measurement. Under previous IFRS, guidance on measuring and disclosing fair value is dispersed among the specific standards requiring fair value measurements and in many cases does not reflect a clear measurement basis or consistent disclosures. The adoption of this standard had no impact on the Corporation's consolidated financial statements.

## 3. BUSINESS ACQUISITIONS

- During the 12-week period ended July 21, 2013, under the June 2011 agreement with ExxonMobil, the Corporation acquired 60 stores operated by independent operators along with the related road transportation fuel supply agreements. The Corporation owns the real estate for 59 sites and leases the land and owns the building for one site. Additionally, 50 road transportation fuel supply agreements were acquired by the Corporation during this period.
- During the 12-week period ended July 21, 2013, the Corporation also acquired three other stores through distinct transactions. The Corporation leases the land and owns the building for one site and owns these same assets for the other sites.

For the 12-week period ended July 21, 2013, acquisitions costs of \$0.1 in connection with these acquisitions and other unrealized acquisitions are included in Operating, selling, administrative and general expenses.

These acquisitions were settled for a total cash consideration of \$91.4. Since the Corporation has not completed its fair value assessment of the assets acquired, the liabilities assumed and goodwill for all transactions, the preliminary allocations of certain acquisitions are subject to adjustments to the fair value of the assets, liabilities and goodwill until the process is completed. Purchase price allocations based on the estimated fair value on the date of acquisition and available information as at the date of publication of these consolidated financial statements is as follows:

	\$
Tangible assets acquired	
Inventories	0.2
Property and equipment	105.2
Other assets	13.1
<u>Total tangible assets</u>	<u>118.5</u>
Liabilities assumed	
Provisions	18.1
<u>Total liabilities</u>	<u>18.1</u>
<u>Net tangible assets acquired</u>	<u>100.4</u>
Intangible assets	25.7
Goodwill	6.9
<u>Negative goodwill recorded to earnings</u>	<u>(41.6)</u>
<u>Total cash consideration paid</u>	<u>91.4</u>

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

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

These acquisitions were concluded in order to expand the Corporation's market share, to penetrate new markets and to increase its economies of scale. These acquisitions generated goodwill in the amount of \$6.9 mainly due to the strategic location of stores acquired and a negative goodwill of \$41.6 due to the difference between the acquisition price and the fair value of net assets acquired. Since the date of acquisition, revenues and net earnings from these stores amounted to \$25.5 and \$5.2, respectively. Considering the nature of these acquisitions, the available financial information does not allow for the accurate disclosure of pro-forma revenues and net earnings had the Corporation concluded these acquisitions at the beginning of its fiscal year.

### 4. BANK LOANS AND LONG-TERM DEBT

	As at July 21, 2013	As at April 28, 2013
	\$	\$
US dollar denominated unsecured non-revolving acquisition credit facility, maturing in June 2015	1,594.9	2,197.3
Canadian dollar denominated senior unsecured notes	960.1	978.7
US dollar denominated term revolving unsecured operating credit D, maturing in December 2016	748.5	345.5
NOK denominated fixed rate bonds, maturing in February 2019	2.2	2.3
NOK denominated floating rate bonds, maturing in February 2017	2.5	2.6
Other debts, including finance leases, maturing at various dates	81.0	78.7
	<b>3,389.2</b>	3,605.1
Current portion of long-term debt	17.3	620.8
	<b>3,371.9</b>	2,984.3

### 5. NON-CONTROLLING INTEREST

During the 12-week period ended July 21, 2013, the Corporation, along with another party, established a new corporation: Circle K Asia s.à.r.l. ("Circle K Asia"), in which both corporations hold a 50% interest following which each party made a capital contribution of \$13.2. Under the agreement signed between the parties, the Corporation, under certain circumstances, may repurchase all of the other party's shares in Circle K Asia. Consequently, Circle K Asia was fully consolidated in the Corporation's financial statements and the other party's interest in Circle K Asia was recorded under "Non-controlling interest" in the consolidated statements of earnings, comprehensive income, changes in equity and consolidated balance sheet. Under other circumstances, the Corporation must repurchase all of the other party's shares in Circle K Asia. Consequently, a redemption liability was recorded.

### 6. NET EARNINGS PER SHARE

	12-week period ended July 21, 2013			12-week period ended July 22, 2012		
	Net earnings \$	Weighted average number of shares (in thousands)	Net earnings per share \$	Net earnings \$	Weighted average number of shares (in thousands)	Net earnings per share \$
Basic net earnings attributable to Class A and B shareholders	254.9	187,586	1.36	102.9	179,057	0.57
Dilutive effect of stock options		1,617	(0.01)		2,400	-
Diluted net earnings available for Class A and B shareholders	254.9	189,203	1.35	102.9	181,457	0.57

When they have an anti-dilutive effect, stock options must be excluded from the calculation of the diluted net earnings per share. For the 12-week periods ended July 21, 2013, and July 22, 2012, no stock options were excluded.



## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 7. ACCUMULATED OTHER COMPREHENSIVE INCOME

As at July 21, 2013

	Cumulative translation adjustment	Net investment hedge	Net interest on investment hedge	Cash flow hedge	Cumulative net actuarial loss	Accumulated other comprehensive income
	\$	\$	\$	\$	\$	\$
<b>Balance, before income taxes</b>	116.6	(29.3)	3.7	2.1	(7.1)	86.0
Less: Income taxes	-	(5.9)	1.0	0.4	(2.0)	(6.5)
<b>Balance, net of income taxes</b>	116.6	(23.4)	2.7	1.7	(5.1)	92.5

As at July 22, 2012

	Attributable to shareholders of the Corporation					Total accumulated other comprehensive income
	Cumulative translation adjustment	Cash flow hedge	Cumulative net actuarial loss	Total	Non- controlling interest	
	\$	\$	\$	\$	\$	\$
<b>Balance, before income taxes</b>	28.7	3.2	(8.4)	23.5	7.9	31.4
Less: Income taxes	-	0.7	(2.3)	(1.6)	-	(1.6)
<b>Balance, net of income taxes</b>	28.7	2.5	(6.1)	25.1	7.9	33.0

### 8. CAPITAL STOCK

#### Stock options

For the 12-week period ended July 21, 2013, a total of 126,810 stock options were exercised (23,220 for the 12-week period ended July 22, 2012).

#### Issued and outstanding shares

As at July 21, 2013, the Corporation has 49,367,280 (53,651,712 as at July 22, 2012) issued and outstanding Class A multiple voting shares each comprising ten votes per share and 138,310,393 (125,415,901 as at July 22, 2012) outstanding Class B subordinate voting shares each comprising one vote per share.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 9. SEGMENTED INFORMATION

The Corporation operates convenience stores in the United States, in Europe and in Canada. It essentially operates in one reportable segment, the sale of goods for immediate consumption, road transportation fuel and other products mainly through corporate stores and franchise operations. The Corporation operates its convenience store chain under several banners, including Couche-Tard, Mac's, Circle K and Statoil. Revenues from external customers mainly fall into three categories: merchandise and services, road transportation fuel and other.

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

	12-week period ended July 21, 2013				12-week period ended July 22, 2012			
	United States	Europe	Canada	Total	United States	Europe	Canada	Total
	\$	\$	\$	\$	\$	\$	\$	\$
<b>External customer revenues<sup>(a)</sup></b>								
Merchandise and services	1,153.7	248.5	545.5	1,947.7	1,088.9	31.5	553.5	1,673.9
Road transportation fuel	3,599.9	2,052.1	692.5	6,344.5	3,343.4	221.8	662.8	4,228.0
Other	2.4	606.5	0.1	609.0	1.5	109.1	0.1	110.7
	<b>4,756.0</b>	<b>2,907.1</b>	<b>1,238.1</b>	<b>8,901.2</b>	<b>4,433.8</b>	<b>362.4</b>	<b>1,216.4</b>	<b>6,012.6</b>
<b>Gross Profit</b>								
Merchandise and services	372.0	101.0	185.3	658.3	362.9	12.2	189.6	564.7
Road transportation fuel	190.0	209.1	36.7	435.8	220.2	27.2	37.0	284.4
Other	2.4	86.4	0.1	88.9	1.5	8.3	0.1	9.9
	<b>564.4</b>	<b>396.5</b>	<b>222.1</b>	<b>1,183.0</b>	<b>584.6</b>	<b>47.7</b>	<b>226.7</b>	<b>859.0</b>
<b>Total long-term assets<sup>(b)</sup></b>	<b>2,798.6</b>	<b>3,760.1</b>	<b>614.2</b>	<b>7,172.9</b>	<b>2,472.6</b>	<b>3,734.6</b>	<b>611.4</b>	<b>6,818.6</b>

(a) Geographic areas are determined according to where the Corporation generates operating income (where the sale takes place) and according to the location of the long-term assets.

(b) Excluding financial instruments, deferred tax assets and post-employment benefit assets.

### 10. FAIR VALUES

The fair value of Trade accounts receivable and vendor rebates receivable, Credit and debit cards receivable and Accounts payable and accrued liabilities is comparable to their carrying amount given their short maturity. The fair value of Obligations related to buildings and equipment under finance leases is comparable to its carrying amount given that rent is generally at market value. The carrying value of the Term revolving unsecured operating credits and Unsecured non-revolving acquisition credit approximates their fair value given that their credit spread is similar to the credit spread the Corporation would obtain in similar conditions at the reporting date.

The following methods and assumptions were used to determine the estimated fair value of each class of financial instruments:

- The fair value of the investment contract including an embedded total return swap is based on the fair market value of the Corporation's Class B shares which is \$18.7 as at July 21, 2013 (\$19.1 as at April 28, 2013);
- The fair value of the senior unsecured notes are based on comparable market prices which is \$948.3 as at July 21, 2013 (\$1,002.6 as at April 28, 2013);
- The fair value of the cross-currency interest rate swaps is determined based on market rates obtained from the Corporation's financial institutions for similar financial instrument which is \$29.3 as at July 21, 2013 (\$20.4 as at April 28, 2013);

#### Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

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

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

The Corporation categorized the fair value measurement of the Instrument including an embedded total return swap and the cross currency interest rate swap in Level 2, as they are primarily derived from observable market inputs that are, quoted market prices.

## NOTES TO UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

### 11. SUBSEQUENT EVENTS

#### Issuance of Canadian dollar denominated senior unsecured notes

On August 21, 2013, the Corporation issued Canadian dollar denominated senior unsecured notes totalling CA\$300.0, maturing August 21, 2020 and bearing interest at a rate of 4.214%. Interest is payable semi-annually on August 21<sup>st</sup> and February 21<sup>st</sup> of each year. The net proceeds from the issuance, which were approximately CA\$298.0 (\$286.0), were used to repay a portion of the Corporation's acquisition facility.

#### Dividends

During its August 30, 2013 meeting, the Corporation's Board of Directors declared a quarterly dividend of CA¢8.75 per share for the first quarter of fiscal 2014 to shareholders on record as at September 11, 2013 and approved its payment for September 25, 2013. This is an eligible dividend within the meaning of the Income Tax Act of Canada.



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