

# Fiscal Year 2020

**ALIMENTATION COUCHE-TARD INC.**  
MANAGEMENT DISCUSSION & ANALYSIS  
52-week period ended April 26, 2020



## 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 26, 2020. 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 2020 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 June 29, 2020, 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. Additionally, we are uncertain of the duration and impacts of the current COVID-19 pandemic on our business. We are actively monitoring the effect of the COVID-19 pandemic on all aspects of our business and geographies, including how it will impact our people, our customers, our suppliers, our business partners and distribution channels.

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 2020 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 26, 2020, our network comprised 9,414 convenience stores throughout North America, including 8,221 stores with road transportation fuel dispensing. Our North American network consists of 18 business units, including 14 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 Europe, we operate a broad retail network across Scandinavia, Ireland, Poland, the Baltics and Russia through 10 business units. As of April 26, 2020, our network comprised 2,710 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 22,000 people work in our retail network, terminals and service offices across Europe.

In addition, under licensing agreements, close to 2,350 stores are operated under the Circle K banner in 15 other countries and territories (Cambodia, Egypt, Guam, Guatemala, Honduras, Hong Kong, Indonesia, Jamaica, Macau, Mexico, Mongolia, New Zealand, Saudi Arabia, the United Arab Emirates and Vietnam), which brings the worldwide total network to close to 14,500 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 are a customer-centric, financially disciplined organization that routinely compares best practices, and uses our global experience to enhance our operational expertise and continually invests in our people and our stores.

## Value Creation

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

No matter the context, to create value for our Corporation and its shareholders, acquisitions have to be concluded at reasonable conditions. Therefore, we do not necessarily favor store count growth to the detriment of profitability. In addition to acquisitions, the contribution from organic growth has played an important role in the recent growth of our net earnings. Highlights have included the 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 periods ended		52-week periods ended		
	April 26, 2020	April 28, 2019	April 26, 2020	April 28, 2019	April 29, 2018
<b>Average for period<sup>(1)</sup></b>					
Canadian dollar	<b>0.7275</b>	0.7510	<b>0.7494</b>	0.7595	0.7826
Norwegian krone	<b>0.1005</b>	0.1165	<b>0.1096</b>	0.1195	0.1241
Swedish krone	<b>0.1016</b>	0.1077	<b>0.1038</b>	0.1108	0.1205
Danish krone	<b>0.1467</b>	0.1514	<b>0.1485</b>	0.1542	0.1587
Zloty	<b>0.2485</b>	0.2627	<b>0.2568</b>	0.2675	0.2800
Euro	<b>1.0953</b>	1.1298	<b>1.1087</b>	1.1499	1.1810
Ruble	<b>0.0141</b>	0.0153	<b>0.0153</b>	0.0153	0.0172

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

	As at April 26, 2020	As at April 28, 2019
<b>Period end</b>		
Canadian dollar	<b>0.7118</b>	0.7412
Norwegian krone	<b>0.0941</b>	0.1152
Swedish krone	<b>0.0993</b>	0.1053
Danish krone	<b>0.1448</b>	0.1491
Zloty	<b>0.2385</b>	0.2596
Euro	<b>1.0800</b>	1.1133
Ruble	<b>0.0134</b>	0.0154

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 2020 Overview

### Financial Results

Net earnings attributable to shareholders of the Corporation ("net earnings") amounted to \$2.4 billion for fiscal 2020, compared with \$1.8 billion for fiscal 2019. Diluted net earnings per share stood at \$2.09, compared with \$1.62 for the previous year.

The results for fiscal 2020 were affected by a pre-tax net gain of \$61.5 million on the disposal of our interests in CrossAmerica Partners LP ("CAPL"), a pre-tax net gain of \$41.0 million on the disposal of a portion of our U.S. wholesale fuel business as part of an asset exchange with CAPL, a positive impact on income tax of \$33.6 million from an adjustment to deferred tax assets, a pre-tax net foreign exchange gain of \$33.5 million, pre-tax acquisition costs of \$6.7 million, pre-tax restructuring costs of \$4.5 million and an income tax expense of \$2.7 million following the asset exchange transactions with CAPL.

The results for fiscal 2019 were affected by a pre-tax impairment 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 net 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.

Excluding these items, the adjusted net earnings would have been approximately \$2.2 billion<sup>1</sup> (1.97<sup>1</sup> per share on a diluted basis) for fiscal 2020, compared with \$1.8 billion<sup>1</sup> (1.63<sup>1</sup> per share on a diluted basis) for fiscal 2019, an increase of \$374.0 million or 20.3%, driven by higher road transportation fuel margins in the U.S. and Europe and strong organic growth in our convenience operations, partly offset by the negative impact of COVID-19 on the traffic in our network.

### Changes in our Network

#### *Disposal of our interests in CAPL*

On November 19, 2019, we announced the closing of the sale of our interests in CAPL, representing 100% of the equity interests of the sole member of the General Partner, 100% of the incentive distribution rights and 21.7% of the outstanding common units of CAPL to investment entities controlled by Joe Topper, the founder of CAPL and a member of the Board of Directors of its General Partner for an amount of \$190.0 million. We recognized a net gain on disposal of \$61.5 million in relation to this transaction. The decision to divest our interests in CAPL was based on the outcome of a strategic review. This transaction also led to the release of a deferred tax asset valuation allowance of \$29.0 million in relation with capital losses which were not expected to be used before their expiration date.

#### *Asset Exchange Agreements with CAPL*

##### *November 2019 asset exchange agreement*

On March 26, 2020, we announced the closing of an asset exchange agreement with CAPL (the "November 2019 asset exchange agreement") under which we transferred a portion of our U.S. wholesale road transportation fuel operations, which consisted of wholesale fuel supply agreements covering 333 sites, 33 fee and leasehold properties also covered by wholesale fuel supply agreements for a total of 366 supply agreements, as well as cash consideration of approximately \$14.0 million, receiving in return CAPL's 17.5% limited partnership interest in CST Fuel Supply LP. We recognized a net gain on disposal of \$41.0 million in relation to this transaction. Following this asset exchange agreement, we own a 100% interest in CST Fuel Supply LP. Therefore, an amount of \$105.2 million, net of taxes, was recognized to retained earnings corresponding to the difference between the non-controlling interest in CST Fuel Supply LP recognized in our consolidated financial statements and the fair value of the consideration to acquire the remaining 17.5% interest in CST fuel Supply LP. This transaction also led to the release of a deferred tax asset valuation allowance of \$4.6 million in relation with capital losses which were not expected to be used before their expiration date.

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<sup>1</sup> 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 MD&A for additional information on this performance measure not defined by IFRS. These performance measures, for the 52-week period ended April 28, 2019, have been adjusted for the estimated impact of IFRS 16, the previously reported adjusted net earnings were approximately \$1.9 billion and adjusted diluted net earnings per share was \$1.66.

### *December 2018 asset exchange agreement*

On December 17, 2018, we entered into an asset exchange agreement with CAPL under which we aimed at exchanging 192 Circle K U.S. stores against the real estate property held by CAPL for 56 U.S. company-operated stores 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 owned and operated by CAPL in the U.S. Upper Midwest ("December 2018 asset exchange agreement"). The aggregate value of this agreement will totalize approximately \$185.0 million.

During fiscal 2020, we closed the first four transactions of the December 2018 asset exchange agreement with CAPL. In these transactions, 139 Circle K U.S. stores for a total value of approximately \$132.0 million have been exchanged against 17 company-operated stores owned and operated by CAPL and the real estate for 39 properties held by CAPL for an equivalent value.

The first two transactions of the December 2018 asset exchange agreement, which occurred while CAPL was fully consolidated in our consolidated financial statements, resulted in a reclassification of \$7.7 million between equity attributable to the shareholders of the Corporation and equity attributable to the non-controlling interests. Following these exchange transactions, we performed a re-evaluation of our deferred tax assets and liabilities which generated a net income tax expense of \$4.4 million, of which \$2.7 million are attributable to shareholders of the Corporation. The third and fourth transactions of the same agreement, which occurred after the disposal of our interests in CAPL, resulted in a gain on disposal of \$1.9 million in relation to these transactions.

On May 5, 2020, subsequent to the end of fiscal 2020, we closed the fifth transaction of the December 2018 asset exchange agreement with CAPL. In this fifth transaction, we transferred 29 Circle K U.S. stores for a total value of approximately \$32.0 million. In exchange, CAPL transferred the real estate for 13 properties for an equivalent value. The remaining assets of this agreement are expected to be exchanged in the second half of calendar 2020.

### *Multi-site acquisition*<sup>1</sup>

On January 13, 2020, we acquired 17 stores from a franchise operator. These convenience stores operate under the Holiday banner in South Dakota and Minnesota, within the United States.

### *Single-site acquisitions*

During fiscal 2020, we acquired 13 company-operated stores through distinct transactions.

### *Store construction*

During fiscal 2020, we completed the construction of 56 stores and the relocation or reconstruction of 29 stores. As of April 26, 2020, another 30 stores were under construction and should open in the upcoming quarters.

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<sup>1</sup> A multi-site acquisition is defined as an acquisition of seven store or more.

## Summary of changes in our store network during the fourth quarter and fiscal 2020

The following tables present certain information regarding changes in our store network over the 12-week and 52-week periods ended April 26, 2020<sup>(1)</sup>:

Type of site	12-week period ended April 26, 2020				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,732	449	1,025	1,290	12,496
Acquisitions	3	—	—	—	3
Openings / constructions / additions	10	1	18	27	56
Closures / disposals / withdrawals	(33)	(26)	(345)	(27)	(431)
Store conversion	(21)	29	(9)	1	—
<b>Number of sites, end of period</b>	<b>9,691</b>	<b>453</b>	<b>689</b>	<b>1,291</b>	<b>12,124</b>
Circle K branded sites under licensing agreements					2,347
<b>Total network</b>					<b>14,471</b>
Number of automated fuel stations included in the period-end figures <sup>(6)</sup>	982	—	10	—	992

Type of site	52-week period ended April 26, 2020				Total
	Company-operated <sup>(2)</sup>	CODO <sup>(3)</sup>	DODO <sup>(4)</sup>	Franchised and other affiliated <sup>(5)</sup>	
Number of sites, beginning of period	9,794	514	1,052	1,215	12,575
Acquisitions	30	—	—	—	30
Openings / constructions / additions	72	3	37	163	275
Closures / disposals / withdrawals	(128)	(151)	(389)	(88)	(756)
Store conversion	(77)	87	(11)	1	—
<b>Number of sites, end of period</b>	<b>9,691</b>	<b>453</b>	<b>689</b>	<b>1,291</b>	<b>12,124</b>
Circle K branded sites under licensing agreements					2,347
<b>Total network</b>					<b>14,471</b>

- (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.

## COVID-19 Pandemic

Due to the implementation of restrictive social measures in the various geographies where we operate, the COVID-19 pandemic had a meaningful impact on our financial results, mostly driven by declining traffic in our entire network. These measures led to fewer visits to our stores starting mid-March in Europe and slightly later in North America. The impact of lower traffic was partially offset by the purchasing of larger baskets by consumers. From a merchandise category standpoint, product demand shifted during the pandemic negatively impacting margins due to a different product mix. From a fuel perspective, volumes declined rapidly during the first weeks following the stay-at-home orders across the different regions, while margins remained healthy. Additionally, various measures were enacted to support the health and safety of our employees and customers driving incremental operating expenses. These additional costs were partly offset by initiatives implemented across our network to reduce our controllable expenses.

## 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 Quebec), the United States and Europe. The rollout of our Circle K brand in Europe was completed during the first quarter of fiscal 2020, while in North America, it is progressing steadily.

As of April 26, 2020, more than 6,300 stores in North America, including 995 stores acquired from CST, now proudly display our new global brand. This represents more than 86.0% of our overall North American project.

## Class A multiple-voting shares and Class B subordinate voting shares split

On September 4, 2019, the Board of Directors approved a two-for-one split of all the Corporation's issued and outstanding Class A multiple-voting shares and Class B subordinate voting shares as at September 20, 2019. This share split was approved by regulatory authorities and occurred on September 27, 2019. All share and per-share information in this document has been adjusted retroactively to reflect this share split.

## Share Repurchase Program

During fiscal 2020, under our share repurchase program launched on April 8, 2019, we repurchased 16,354,384 Class B subordinate voting shares for a net amount of \$470.8 million. The last share repurchase was traded on March 26, 2020. The share repurchase program expired on April 9, 2020 and was not renewed.

## Repayment of Senior Unsecured Notes

On December 13, 2019, we fully repaid, at maturity, our \$600.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017, and on the same date the associated fixed-to-floating interest rate swaps matured.

On November 1, 2019, we fully repaid, at maturity, our CA \$450.0 million (\$341.4 million) Canadian-dollar-denominated senior unsecured notes issued on November 1, 2012. On the same date, we settled, at maturity, the following cross-currency interest rate swaps:

Receive – Notional (in millions)	Receive – Rate	Pay – Notional (in millions)	Pay – Rate
CA \$450.0 (US \$341.4)	3.319%	US \$451.4	From 2.733% to 2.740%

On May 28, 2019, we repaid, without penalty, \$150.0 million of our \$300.0 million US-dollar-denominated senior unsecured notes issued on December 14, 2017, and maturing on December 13, 2019. On August 13, 2019, we repaid, without penalty, the remaining \$150.0 million of our \$300.0 million US-dollar-denominated senior unsecured notes.

## Issuance of Senior Unsecured Notes

On January 22, 2020, we issued US-dollar-denominated senior unsecured notes totaling \$1.5 billion, consisting of the following:

Nominal amount (in millions)	Maturity	Coupon rate	Effective rate as at April 26, 2020	Interest payment dates
\$750.0	January 25, 2030	2.950%	3.033%	July 25, and January 25
\$750.0	January 25, 2050	3.800%	3.880%	July 25, and January 25

A part of the net proceeds from these issuances, which were \$1,484.1 million, was used to repay our term revolving unsecured operating credit D.

## Interest Rate Locks

During fiscal 2020, we entered into interest rate locks at the following conditions:

Notional amount (in millions)	Interest lock term	Rate	Maturity date
\$500.0	10 years	From 1.566% to 1.626%	March 9, 2020

The instruments allowed us to hedge the variability of our interest payments on the anticipated issuance of US-dollar-denominated senior unsecured notes due to changes in the US Treasury rates. These instruments were designated as a cash flow hedge of our interest rate risk and as a result, during fiscal 2020, a gain of \$7.5 million was recognized in Accumulated other comprehensive loss to reflect the fluctuation in the interest rate locks' fair value. On January 22, 2020, prior to their maturity, we settled all of our interest rate locks. The total cumulative gain of \$7.5 million is amortized over the term of the related US-dollar-denominated senior unsecured notes issued on January 22, 2020, and maturing on January 25, 2030, as an adjustment to the related interest expense.

## Restructuring

During fiscal 2020, 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 \$4.5 million were recorded to earnings during fiscal 2020.

## Investment in Fire & Flower

On August 7, 2019, we invested an amount of CA \$26.0 million (\$19.5 million) in Fire & Flower Holdings Corp. ("Fire & Flower"), a leading independent cannabis retailer listed on the Toronto Stock Exchange and based in Alberta, Canada. This investment is in the form of unsecured convertible debentures which would result, as at April 26, 2020 and on a fully-diluted basis, in a 11.3% ownership interest in Fire & Flower upon conversion. We have also been issued common share purchase warrants, that, if exercised in accordance with the terms thereof, would subsequently increase our ownership interest in Fire & Flower up to 51.6% as at April 26, 2020 on a fully-diluted basis. As at April 26, 2020, the unsecured convertible debentures were not converted, and no common share purchase warrants were exercised.

## Dividends

During its June 29, 2020 meeting, the Board of Directors declared a quarterly dividend of CA 7.0¢ per share, for the fourth quarter of fiscal 2020 to shareholders on record as at July 9, 2020, and approved its payment for July 23, 2020. This is an eligible dividend within the meaning of the *Income Tax Act* (Canada).

For fiscal 2020, the Board of Directors declared total dividends of CA 26.5¢ per share, an increase of 17.8% compared with fiscal 2019.

## Outstanding Shares and Stock Options

As at June 26, 2020, Couche-Tard had 253,803,700 Class A multiple-voting shares and 858,952,631 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 3,254,697 outstanding stock options for the purchase of Class B subordinate voting shares.

## New Accounting Standard Adopted by the Corporation

As of April 29, 2019, we adopted IFRS 16, *Leases*, which requires lessees to recognize on the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts, except with respect to lease contracts that meet limited exception criteria. As permitted under the specific transition provisions in the standard, we have elected not to restate our comparative figures for the fiscal year 2019. The table below presents the estimated pro forma impact of the change in accounting policy on our previously reported results:

52-week period ended April 28, 2019							
(in millions of US dollars)	Pre – IFRS 16 As reported	Excluding: rent under IAS 17	Including: depreciation and interests <sup>(1)</sup>	Other	Total estimated pro forma IFRS 16 adjustments	Pro forma - IFRS 16	Total estimated pro forma IFRS 16 impacts – attributable to shareholders of the Corporation
Revenues	59,117.6	—	—	40.0	40.0	59,157.6	20.0
Cost of sales	49,922.7	—	—	—	—	49,922.7	—
<b>Gross profit</b>	<b>9,194.9</b>	<b>—</b>	<b>—</b>	<b>40.0</b>	<b>40.0</b>	<b>9,234.9</b>	<b>20.0</b>
Operating, selling, administrative and general expenses	5,646.1	(390.0)	—	28.0	(362.0)	5,284.1	(361.0)
Restructuring costs	10.5	—	—	—	—	10.5	—
Gain on disposal of property and equipment and other assets	(21.3)	—	—	—	—	(21.3)	—
Depreciation, amortization and impairment	1,070.7	(18.0)	388.0	—	370.0	1,440.7	356.0
<b>Total operating expenses</b>	<b>6,706.0</b>	<b>(408.0)</b>	<b>388.0</b>	<b>28.0</b>	<b>8.0</b>	<b>6,714.0</b>	<b>(5.0)</b>
<b>Operating income</b>	<b>2,488.9</b>	<b>408.0</b>	<b>(388.0)</b>	<b>12.0</b>	<b>32.0</b>	<b>2,520.9</b>	<b>25.0</b>
Share of earnings of joint ventures and associated companies	23.4	—	—	—	—	23.4	—
<b>EBITDA</b>	<b>3,583.0</b>	<b>390.0</b>	<b>—</b>	<b>12.0</b>	<b>402.0</b>	<b>3,985.0</b>	<b>381.0</b>
Financial expenses	338.7	(20.0)	90.0	—	70.0	408.7	62.0
Financial revenues	(13.3)	—	—	—	—	(13.3)	—
Foreign exchange gain	(5.3)	—	—	—	—	(5.3)	—
<b>Net financial expenses</b>	<b>320.1</b>	<b>(20.0)</b>	<b>90.0</b>	<b>—</b>	<b>70.0</b>	<b>390.1</b>	<b>62.0</b>
Earnings before income taxes	2,192.2	428.0	(478.0)	12.0	(38.0)	2,154.2	(37.0)
Income taxes	370.9	108.0	(120.0)	3.0	(9.0)	361.9	(9.0)
Net earnings including non-controlling interests	1,821.3	320.0	(358.0)	9.0	(29.0)	1,792.3	(28.0)
Net loss attributable to non-controlling interests	12.6	(3.0)	20.0	(16.0)	1.0	13.6	—
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>1,833.9</b>	<b>317.0</b>	<b>(338.0)</b>	<b>(7.0)</b>	<b>(28.0)</b>	<b>1,805.9</b>	<b>(28.0)</b>

(1) Depreciation and interest expenses are based on our assessment of Fiscal 2020 impact.

In order to facilitate the understanding of our financial performance, we have adjusted some of our previously reported performance measures. All adjustments related to IFRS 16 are clearly identified and are based on the calculations presented in the tables above.

## Statements of Earnings Categories

*Merchandise and service revenues.* In-store merchandise revenues are comprised primarily of the sale of tobacco and alternative tobacco products, beer, wine, beverage, grocery items, candy and snacks 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 car wash revenues, 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 sales of bus tickets.

Service revenues also include franchise and license fees as well as commissions from agents, and royalties from franchisees and licensees. We also generate license fees revenues derived from the underlying sale of cannabis product through a licensed store 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 and 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 main items comprising Operating, selling, administrative and general expenses are labor, occupancy costs, electronic payment modes fees, repairs, maintenance and overhead.

Key performance indicators used by management, which can be found under "Summary Analysis of Consolidated Results of Fiscal 2020 - 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 2020

The following table highlights certain information regarding our operations for the 12-week periods ended April 26, 2020, and April 28, 2019. CAPL refers to CrossAmerica Partners LP.

<i>(in millions of US dollars, unless otherwise stated)</i>	<b>12-week period ended April 26, 2020</b>	12-week period ended April 28, 2019	Variation %
Revenues	<b>9,687.2</b>	13,113.3	(26.1)
Operating income	<b>769.6</b>	410.2	87.6
Net earnings attributable to shareholders of the Corporation	<b>576.3</b>	293.1	96.6
<b>Selected Operating Data – excluding CAPL:</b>			
Merchandise and service gross margin <sup>(1)</sup> :			
Consolidated	<b>33.5%</b>	34.6%	(1.1)
United States	<b>33.0%</b>	33.9%	(0.9)
Europe	<b>40.6%</b>	41.8%	(1.2)
Canada	<b>31.8%</b>	33.0%	(1.2)
Growth of (decrease in) same-store merchandise revenues <sup>(2)</sup> :			
United States <sup>(3)</sup>	<b>(0.5%)</b>	3.4%	
Europe	<b>(6.5%)</b>	4.7%	
Canada <sup>(3)</sup>	<b>4.7%</b>	4.2%	
Road transportation fuel gross margin:			
United States (cents per gallon) <sup>(3)</sup>	<b>46.88</b>	18.51	153.3
Europe (cents per liter)	<b>8.67</b>	8.28	4.7
Canada (CA cents per liter) <sup>(3)</sup>	<b>8.40</b>	8.13	3.3
Growth of (decrease in) same-store road transportation fuel volume:			
United States <sup>(3)</sup>	<b>(18.3%)</b>	0.3%	
Europe <sup>(3)</sup>	<b>(13.4%)</b>	(1.8%)	
Canada <sup>(3)</sup>	<b>(23.5%)</b>	(0.4%)	

(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 in Europe is calculated based on local currencies.

(3) For company-operated stores only.

### Revenues

Our revenues were \$9.7 billion for the fourth quarter of fiscal 2020, down by \$3.4 billion, a decrease of 26.1% compared with the corresponding quarter of fiscal 2019, mainly attributable to the negative impact of COVID-19 on fuel demand, to a lower average road transportation fuel selling price and to the disposal of our interests in CAPL, which had an impact of approximately \$387.0 million, as well as by the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, which had an impact of approximately \$197.0 million.

#### Merchandise and service revenues

Total merchandise and service revenues for the fourth quarter of fiscal 2020 were \$3.2 billion, a decrease of \$85.2 million compared with the corresponding quarter of 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, merchandise and service revenues decreased by approximately \$33.0 million or 1.0%. This decrease is primarily attributable to decreased traffic in our network partly offset by growth in basket size. Same-store merchandise revenues decreased by 0.5% in the United States, and by 6.5% in Europe, while they increased by 4.7% in Canada due to changes in the competitive landscape.

#### Road transportation fuel revenues

Total road transportation fuel revenues for the fourth quarter of fiscal 2020 were \$6.3 billion, a decrease of \$3.3 billion compared with the corresponding quarter of fiscal 2019. 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 \$2.7 billion or 29.7%. This decrease is mostly attributable to the negative impact of COVID-19 on fuel demand, as well as to a lower average road transportation fuel selling price, which had a negative impact of approximately \$1.0 billion. Same-store road transportation fuel volume decreased in the United States by 18.3%, in Europe by 13.4%, and in Canada by 23.5%.

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 28, 2019:

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
<b>52-week period ended April 26, 2020</b>					
United States (US dollars per gallon) – excluding CAPL	2.66	2.55	2.51	2.21	2.50
Europe (US cents per liter)	77.35	70.86	73.92	60.95	71.20
Canada (CA cents per liter)	111.16	105.14	103.47	88.78	103.21
<b>52-week period ended April 28, 2019</b>					
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

### Other revenues

Total other revenues for the fourth quarter of fiscal 2020 were \$129.1 million, a decrease of \$88.8 million compared with the corresponding period of 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, other revenues decreased by \$69.6 million in the fourth quarter of fiscal 2020, primarily driven by lower demand and lower prices in our aviation fuel activities.

### **Gross profit**

Our gross profit was \$2.3 billion for the fourth quarter of fiscal 2020, up by \$312.2 million, or 15.8% compared with the corresponding quarter of fiscal 2019, mainly attributable to higher road transportation fuel gross margin in the U.S. and in Europe, partly offset by the negative impact of COVID-19 on fuel demand, by the disposal of our interests in CAPL, which had an impact of approximately \$38.0 million, and to the net negative impact from the translation of our Canadian and European operations into US dollars, which had an impact of approximately \$29.0 million.

### Merchandise and service gross profit

In the fourth quarter of fiscal 2020, our merchandise and service gross profit was \$1.1 billion, a decrease of \$60.5 million compared with the corresponding quarter of fiscal 2019. 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 decreased by approximately \$45.0 million or 3.9%, mainly attributable to lower traffic in our network due to COVID-19. Our gross margin decreased by 0.9% in the United States to 33.0%, by 1.2% in Europe to 40.6%, and by 1.2% to 31.8% in Canada. These performances reflect changes in our product mix towards lower margin categories.

### Road transportation fuel gross profit

In the fourth quarter of fiscal 2020, our road transportation fuel gross profit was \$1.2 billion, an increase of \$392.3 million compared with the corresponding quarter of fiscal 2019. 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 road transportation fuel gross profit increased by approximately \$431.0 million or 56.8%. Our road transportation fuel gross margin was strong at 46.88¢ per gallon in the United States, an increase of 28.37¢ per gallon, driven by the sharp decline in crude oil prices during the quarter as well as by changes in the competitive landscape. In Europe, road transportation fuel margin was US 8.67¢ per liter, an increase of US 0.39¢ per liter, while in Canada, it was CA 8.40¢ per liter, an increase of CA 0.27¢ 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 28, 2019, were as follows:

(US cents per gallon) Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
<b>52-week period ended April 26, 2020</b>					
Before deduction of expenses related to electronic payment modes	26.86	28.29	27.04	46.88	31.19
Expenses related to electronic payment modes	4.70	4.63	4.54	4.97	4.70
After deduction of expenses related to electronic payment modes	22.16	23.66	22.50	41.91	26.49
<b>52-week period ended April 28, 2019</b>					
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	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10

(1) Please note that this information has been restated to reflect the cost of electronic payment expenses per corporate-store road transportation fuel gallons instead of per total road transportation fuel gallons.

Generally, during normal economic cycles, road transportation fuel margins in the United States can be volatile from one quarter to another but have historically trended higher over longer periods. The historical trends for Europe and Canada are similar, while the margin volatility and expenses related to electronic payment modes are not as significant.

#### Other revenues gross profit

In the fourth quarter of fiscal 2020, other revenues gross profit was \$33.2 million, a decrease of \$19.6 million compared with the corresponding period of fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by approximately \$6.0 million in the fourth quarter of fiscal 2020. The decrease is mainly attributable to lower demand of aviation fuel products.

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

For the fourth quarter of fiscal 2020, expenses decreased by 8.0% compared with the corresponding period of fiscal 2019. If we exclude the decrease in rent from the transition to IFRS 16 and certain items that are not considered indicative of future trends, expenses increased by 2.3%.

	<b>12-week period ended April 26, 2020</b>
<b>Total variance, as reported</b>	<b>(8.0%)</b>
Adjusted for:	
Decrease in rent expense from transition to IFRS 16	6.3%
Decrease from the net impact of foreign exchange translation	1.7%
Decrease in CAPL's expenses	1.6%
Decrease from higher electronic payment fees, excluding acquisitions	1.1%
Increase from incremental expenses related to acquisitions	(0.2%)
Acquisition costs recognized to earnings of fiscal 2020	(0.2%)
<b>Remaining variance</b>	<b>2.3%</b>

Growth in expenses, amongst other items, was driven by COVID-19 related expenses, normal inflation, higher labor costs from minimum wage increases in certain regions and incremental investments in our stores to support our strategic initiatives. COVID-19 related expenses include, but are not limited to, an emergency appreciation pay premium of \$2.50 per hour in North America for hourly store employees and distribution center employees, the installation of plexiglass dividers and other social distancing tools in our stores, additional cleaning and sanitizing supplies as well as masks and gloves for our employees. 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 2020, EBITDA increased from \$655.3 million to \$1.1 billion, an increase of 65.5% compared with the same quarter last year. Excluding the specific items shown in the table below the adjusted EBITDA for the fourth quarter of fiscal 2020 increased by \$314.0 million or 42.9% compared with the corresponding period of the previous fiscal year, mainly from higher road transportation fuel gross margins in the U.S. and in Europe, partly offset by the negative impact of COVID-19 on our traffic, the disposal of our interests in CAPL, as well as from the net negative impact from the translation of our Canadian and European operations into US dollars. The variation in exchange rates had a net negative impact of approximately \$6.0 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 26, 2020	April 28, 2019
Net earnings including non-controlling interests, as reported	578.3	289.9
Add:		
Income taxes	145.4	45.3
Net financial expenses	53.2	78.6
Depreciation, amortization and impairment	307.4	241.5
EBITDA	1,084.3	655.3
Adjusted for:		
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Acquisition costs	2.9	0.4
EBITDA attributable to non-controlling interests	(2.0)	(16.2)
Restructuring costs attributable to shareholders of the Corporation	0.9	2.6
Adjusted EBITDA, as previously reported	1,045.1	642.1
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	—	89.0
Adjusted EBITDA	1,045.1	731.1

## Depreciation, amortization and impairment (“depreciation”)

For the fourth quarter of fiscal 2020, our depreciation expense increased by \$65.9 million compared with the fourth quarter of fiscal 2019. Excluding CAPL's results, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$88.0 million, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$84.0 million.

## Net financial expenses

Net financial expenses for the fourth quarter of fiscal 2020 were \$53.2 million, a decrease of \$25.4 million compared with the fourth quarter of fiscal 2019. Excluding the items shown in the table below, net financial expenses decreased by \$10.0 million, mainly attributable to the lower average cost of our long-term debt compared to the fourth quarter of fiscal 2019.

(in millions of US dollars)	12-week periods ended	
	April 26, 2020	April 28, 2019
Net financial expenses, as reported	53.2	78.6
Adjusted for:		
Net foreign exchange gain	22.8	1.1
CAPL's financial expenses	—	(7.7)
Estimated pro forma impact from transition to IFRS 16	—	14.0
Net financial expenses excluding items above	76.0	86.0

## Income taxes

The income tax rate for the fourth quarter of fiscal 2020 was 20.1% compared with 13.5% for the corresponding period of fiscal 2019. The income tax rate for the fourth quarter of fiscal 2020 includes a net tax benefit of \$4.6 million derived from the release of deferred tax asset valuation allowance following the disposal of a portion of our U.S. wholesale fuel business. Excluding this adjustment, the income tax rate would have been 20.7% for the fourth quarter of fiscal 2020, an increase compared to the fourth quarter of fiscal 2019, stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	12-week periods ended	
	April 26, 2020	April 28, 2019
Income tax rate, as reported	20.1%	13.5%
Adjusted for:		
Release of deferred tax asset valuation allowance	0.6%	—
Net income tax rate excluding item above	20.7%	13.5%

## 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 2020 were \$576.3 million, compared with \$293.1 million for the fourth quarter of the previous fiscal year, an increase of \$283.2 million or 96.6%. Diluted net earnings per share stood at \$0.52, compared with \$0.26 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 \$2.0 million on net earnings of the fourth quarter of fiscal 2020.

Excluding the items shown in the table below from net earnings of the fourth quarter of fiscal 2020 and fiscal 2019, adjusted net earnings for the fourth quarter of fiscal 2020 would have been approximately \$521.0 million, compared with \$289.0 million for the fourth quarter of fiscal 2019, an increase of \$232.0 million or 80.3%. Adjusted diluted net earnings per share would have been \$0.47 for the fourth quarter of fiscal 2020 compared with \$0.26 for the corresponding period of fiscal 2019, an increase of 80.8%.

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

(in millions of US dollars)	12-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings attributable to shareholders of the Corporation, as reported	576.3	293.1
Adjusted for:		
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Net foreign exchange gain	(22.8)	(1.1)
Release of deferred tax asset valuation allowance	(4.6)	—
Acquisition costs	2.9	0.4
Restructuring costs attributable to shareholders of the Corporation	0.9	2.6
Tax impact of the items above and rounding	9.3	—
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	521.0	295.0
Estimated pro forma impact from transition to IFRS 16	—	(6.0)
Adjusted net earnings attributable to shareholders of the Corporation	521.0	289.0

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 2020

The following table highlights certain information regarding our operations for the 52-week periods ended April 26, 2020, April 28, 2019, and April 29, 2018. CAPL refers to CrossAmerica Partners LP.

	52-week period 2020	52-week period 2019	52-week period 2018
<i>(in millions of US dollars, unless otherwise stated)</i>			
<b>Statement of Operations Data:</b>			
Merchandise and service revenues <sup>(1)</sup> :			
United States	10,918.4	10,781.8	9,432.0
Europe	1,416.3	1,457.8	1,413.9
Canada	2,302.7	2,172.7	2,053.5
CAPL	29.6	95.8	76.6
Elimination of intercompany transactions with CAPL	(0.8)	(2.7)	—
Total merchandise and service revenues	14,666.2	14,505.4	12,976.0
Road transportation fuel revenues:			
United States	25,724.8	28,195.6	23,327.3
Europe	7,481.1	8,380.7	7,684.1
Canada	4,415.7	4,957.9	4,819.9
CAPL	1,365.7	2,211.8	1,547.6
Elimination of intercompany transactions with CAPL	(288.0)	(444.7)	(262.4)
Total road transportation fuel revenues	38,699.3	43,301.3	37,116.5
Other revenues <sup>(2)</sup> :			
United States	36.9	21.8	25.1
Europe	652.0	1,220.7	1,217.7
Canada	21.3	24.5	27.6
CAPL	65.6	61.2	47.6
Elimination of intercompany transactions with CAPL	(8.9)	(17.3)	(16.1)
Total other revenues	766.9	1,310.9	1,301.9
<b>Total revenues</b>	<b>54,132.4</b>	<b>59,117.6</b>	<b>51,394.4</b>
Merchandise and service gross profit <sup>(1)</sup> :			
United States	3,686.7	3,646.3	3,140.1
Europe	587.6	609.0	602.3
Canada	750.9	729.7	707.7
CAPL	6.8	23.3	18.6
Elimination of intercompany transactions with CAPL	(0.8)	(2.3)	—
Total merchandise and service gross profit	5,031.2	5,006.0	4,468.7
Road transportation fuel gross profit:			
United States	3,131.3	2,471.5	1,868.1
Europe	932.0	981.1	1,024.2
Canada	344.2	392.8	424.9
CAPL	57.5	103.6	69.6
Total road transportation fuel gross profit	4,465.0	3,949.0	3,386.8
Other revenues gross profit <sup>(2)</sup> :			
United States	36.9	21.8	23.2
Europe	123.6	149.7	173.7
Canada	21.2	24.5	27.6
CAPL	65.7	61.2	47.6
Elimination of intercompany transactions with CAPL	(8.9)	(17.3)	(16.1)
Total other revenues gross profit	238.5	239.9	256.0
<b>Total gross profit</b>	<b>9,734.7</b>	<b>9,194.9</b>	<b>8,111.5</b>
Operating, selling, administrative and general expenses			
Excluding CAPL	5,276.4	5,584.8	5,069.5
CAPL	46.8	80.5	67.8
Elimination of intercompany transactions with CAPL	(9.2)	(19.2)	(12.5)
Total operating, selling, administrative and general expenses	5,314.0	5,646.1	5,124.8
Restructuring costs	4.5	10.5	56.9
Gain on disposal of property and equipment and other assets	(83.1)	(21.3)	(17.7)
Depreciation, amortization and impairment			
Excluding CAPL	1,282.9	927.2	849.5
CAPL	53.9	143.5	61.1
Total depreciation, amortization and impairment	1,336.8	1,070.7	910.6
<b>Operating income</b>			
Excluding CAPL	3,137.7	2,534.0	2,040.9
CAPL	25.3	(44.7)	(0.4)
Elimination of intercompany transactions with CAPL	(0.5)	(0.4)	(3.6)
Total operating income	3,162.5	2,488.9	2,036.9
Net financial expenses	284.5	320.1	335.3
<b>Net earnings including non-controlling interests</b>	<b>2,357.6</b>	<b>1,821.3</b>	<b>1,677.5</b>
Net (earnings) loss attributable to non-controlling interests	(4.0)	12.6	(6.9)
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>2,353.6</b>	<b>1,833.9</b>	<b>1,670.6</b>
<b>Per Share Data:</b>			
Basic net earnings per share (dollars per share)	2.10	1.62	1.48
Diluted net earnings per share (dollars per share)	2.09	1.62	1.47
Adjusted diluted net earnings per share (dollars per share) <sup>(15)</sup>	1.97	1.63	1.30
Cash dividend per share declared for fiscal year ended (CA cents per share)	26.50	22.50	18.50

	52-week period	52-week period	52-week period
	2020	2019	2018
<i>(in millions of US dollars, unless otherwise stated)</i>			
<b>Other Operating Data – excluding CAPL:</b>			
Merchandise and service gross margin <sup>(1)</sup> :			
Consolidated	34.3%	34.6%	34.5%
United States	33.8%	33.8%	33.3%
Europe	41.5%	41.8%	42.6%
Canada	32.6%	33.6%	34.5%
Growth of same-store merchandise revenues <sup>(3)</sup> :			
United States <sup>(4)</sup>	2.1%	4.1%	0.8%
Europe	0.1%	4.8%	2.7%
Canada <sup>(4)</sup>	2.8%	5.2%	0.4%
Road transportation fuel gross margin:			
United States (cents per gallon) <sup>(4)</sup>	31.19	23.60	19.39
Europe (cents per liter)	8.48	8.61	8.72
Canada (CA cents per liter) <sup>(4)</sup>	7.91	8.38	8.84
Total volume of road transportation fuel sold:			
United States (millions of gallons)	10,476.1	10,979.5	9,794.1
Europe (millions of liters)	10,990.3	11,391.2	11,747.6
Canada (millions of liters)	5,815.6	6,198.9	6,161.4
Growth of (decrease in) same-store road transportation fuel volume:			
United States <sup>(4)</sup>	(3.9%)	0.7%	(0.4%)
Europe <sup>(4)</sup>	(3.9%)	(0.9%)	—
Canada <sup>(4)</sup>	(6.0%)	(1.6%)	(1.4%)

*(in millions of US dollars, unless otherwise stated)*

	April 26, 2020	April 28, 2019	April 29, 2018 <sup>(14)</sup>
<b>Balance Sheet Data<sup>(5)</sup>:</b>			
Total assets (including \$1.1 billion and \$1.3 billion for CAPL as at April 28, 2019 and as at April 29, 2018, respectively)	25,679.5	25,033.0	23,156.7
Interest-bearing debt (including \$696.0 million and \$536.8 million for CAPL as at April 28, 2019 and as at April 29, 2018, respectively) <sup>(6)</sup>	10,379.3	9,575.3	8,906.7
Equity attributable to shareholders of the Corporation	10,066.6	8,913.7	7,560.4
<b>Indebtedness Ratios<sup>(7)</sup>:</b>			
Net interest-bearing debt/total capitalization <sup>(6)(8)</sup>	0.40 : 1	0.48 : 1	0.50 : 1
Leverage ratio <sup>(9)(13)</sup>	1.54 : 1	2.09 : 1	2.46 : 1
Adjusted leverage ratio <sup>(10)(13)</sup>	1.60 : 1	2.18 : 1	3.13 : 1
<b>Returns<sup>(7)</sup>:</b>			
Return on equity <sup>(11)(13)</sup>	24.8%	21.9%	24.8%
Return on capital employed <sup>(12)(13)</sup>	15.0%	12.6%	12.0%

(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) The balance sheet data as at April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16. The previous total assets reported was \$22,607.7 million, the interest-bearing debt was \$6,951.4 million and the equity attributable to shareholders of the Corporation was \$8,923.2 million for the 52-week period ended April, 28, 2019. The balance sheet data as at April 29, 2018 has not been adjusted for any estimated pro forma impact of IFRS 16.

(6) This measure is presented including the following balance sheet accounts: Current portion of long-term debt, Long-term debt, Current portion of lease liabilities, and Lease liabilities.

(7) Until November 2019, 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.

(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: interest-bearing debt, net of cash and cash equivalents and temporary investments divided by the addition of shareholders' equity and interest-bearing 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, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 0.39 : 1. We believe this ratio is useful to investors and analysts.

(9) 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: 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, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 1.61 : 1. We believe this measure is useful to investors and analysts.

(10) 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: 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, until November 2019, CAPL's long-term debt was excluded as it was a non-recourse debt to the Corporation, as referenced in footnote 7. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 2.29 : 1. We believe this measure is useful to investors and analysts.

(11) 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. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 22.3%. We believe this measure is useful to investors and analysts.

(12) 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. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously disclosed measure was 14.1%. We believe this measure is useful to investors and analysts.

(13) 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.

(14) 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. The information, for the 52-week period ended April 29, 2018, has not been adjusted for the estimated pro forma impact of IFRS 16.

(15) This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated pro forma impact of IFRS 16 and the previously reported adjusted diluted net earnings per share was \$1.66. The performance measure, for the 52-week period ended April 29, 2018 has not been adjusted for any estimated pro forma impact of IFRS 16.

## Revenues

For fiscal 2020, our revenues decreased by \$5.0 billion or 8.4% compared with fiscal 2019, mainly attributable to the negative impact of COVID-19 on fuel demand, to a lower road transportation fuel average selling price, to the disposal of our interests in CAPL and of our marine fuel business, as well as to the net negative impact from the translation of revenues of our Canadian and European operations into US dollars, which had a net negative impact of approximately \$670.0 million, partly offset by organic growth.

### Merchandise and service revenues

For fiscal 2020, the growth in merchandise and service revenues was \$160.8 million. 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 \$322.0 million or 2.2%. This increase is primarily attributable to organic growth, partly offset by the impact of COVID-19 in the fourth quarter. Same-store merchandise revenues increased by 2.1% in the United States, by 0.1% in Europe and by 2.8% 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, partly offset by the negative impact of COVID-19 on traffic toward the end of the fiscal year.

### Road transportation fuel revenues

For fiscal 2020, the road transportation fuel revenues decreased by \$4.6 billion compared with 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 decreased by approximately \$3.4 billion or 8.2%. This decrease is mostly attributable to the negative impact of COVID-19 on fuel demand, as well as to a lower average road transportation fuel selling price, which had a negative impact of approximately \$1.5 billion. Same-store road transportation fuel volume decreased by 3.9% in the United States and in Europe. In Canada, same-store road transportation fuel volume decreased by 6.0%, mainly attributable to the competitive landscape as well as to the significant drop in demand toward the end of the fiscal year due to COVID-19.

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 28, 2019:

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
<u>52-week period ended April 26, 2020</u>					
United States (US dollars per gallon) – excluding CAPL	2.66	2.55	2.51	2.21	2.50
Europe (US cents per liter)	77.35	70.86	73.92	60.95	71.20
Canada (CA cents per liter)	111.16	105.14	103.47	88.78	103.21
<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

### Other revenues

Total other revenues for fiscal 2020 were \$766.9 million, a decrease of \$544.0 million compared with 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, other revenues decreased by \$496.7 million for fiscal 2020, primarily driven by the disposal of our marine fuel business during the third quarter of fiscal 2019, which had an impact of approximately \$267.0 million, as well as lower demand and lower prices in our aviation fuel activities.

## Gross profit

For fiscal 2020, our gross profit was \$9.7 billion, an increase of \$539.8 million or 5.9% compared with fiscal 2019, mainly attributable to higher fuel margins in the U.S. and in Europe and to organic growth in our convenience activities, partly offset by the net negative impact from the translation of our Canadian and European operations into US dollars, which had an impact of approximately \$91.0 million.

### Merchandise and service gross profit

During fiscal 2020, our merchandise and service gross profit was \$5.0 billion, an increase of \$25.2 million compared with fiscal 2019. 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 \$73.0 million or 1.5%. This increase is mostly attributable to organic growth, partly offset by lower traffic in our network due to COVID-19 toward the end of the fiscal year. The gross margin was steady at 33.8% in the United States, while it decreased by 0.3% in Europe, to 41.5%, due to a different product mix, and by 1.0% in Canada, to 32.6%, mainly as a result of the conversion of our Esso stores from the agent model to the corporate model, as well as from the impact of a different product mix.

### Road transportation fuel gross profit

During fiscal 2020, our road transportation fuel gross profit was \$4.5 billion, an increase of \$516.0 million compared with fiscal 2019. 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 \$612.0 million or 15.9%, as a result of higher fuel margins in the U.S. and in Europe, partly offset by the decrease in demand caused by COVID-19 towards the end of fiscal year. The road transportation fuel gross margin was 31.19¢ per gallon in the United States, an increase of 7.59¢ per gallon driven by the volatility in crude oil prices during the year, to their sharp decline toward the end of the fiscal year, as well as by changes to the competitive landscape. In Europe, road transportation fuel margin was US 8.48¢ per liter, a decrease of 0.13¢ per liter mainly as a result of the net negative impact from the translation of our European operations into US dollars, and CA 7.91¢ per liter in Canada, a decrease of CA 0.47¢ 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 28, 2019, were as follows:

(US cents per gallon)

Quarter	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted average
52-week period ended April 26, 2020					
Before deduction of expenses related to electronic payment modes	26.86	28.29	27.04	46.88	31.19
Expenses related to electronic payment modes <sup>(1)</sup>	4.70	4.63	4.54	4.97	4.70
After deduction of expenses related to electronic payment modes	22.16	23.66	22.50	41.91	26.49
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 <sup>(1)</sup>	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10

(1) Please note that this information has been restated to reflect the cost of electronic payment expenses per corporate-store road transportation fuel gallons instead of per total road transportation fuel gallons.

Generally, during normal economic cycles, road transportation fuel margins in the United States can be volatile from one quarter to another but have historically trended higher over longer periods. The historical trends for Europe and Canada are similar, while the margin volatility and expenses related to electronic payment modes are not as significant.

### Other revenues gross profit

During fiscal 2020, other revenues gross profit was \$238.5 million, a decrease of \$1.4 million, compared with fiscal 2019. Excluding CAPL's gross profit, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, other revenues gross profit decreased by approximately \$5.0 million in fiscal 2020. This decrease is mainly attributable to lower demand for other fuel products as well as by the disposal of our marine fuel business in December 2018, which had an impact of approximately \$9.0 million in fiscal 2019.

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

For fiscal 2020, expenses decreased by 5.9% compared with fiscal 2019. If we exclude the decrease in rent from the transition to IFRS 16 and certain items that are not considered indicative of future trends, expenses increased by 2.8%.

	52-week period ended April 26, 2020
<b>Total variance, as reported</b>	<b>(5.9%)</b>
Adjusted for:	
Decrease in rent expense from transition to IFRS 16	6.4%
Decrease from the net impact of foreign exchange translation	1.2%
Decrease in CAPL's expenses	0.6%
Decrease from settlements and reserves adjustments for specific elements recognized to earnings of fiscal 2019 <sup>(1)</sup>	0.4%
Compensatory payment to CAPL for divestiture of assets recognized in fiscal 2019	0.2%
Increase from incremental expenses related to acquisitions	(0.1%)
Acquisition costs recognized to earnings of fiscal 2020	(0.1%)
Disposal of our marine fuel business	0.1%
<b>Remaining variance</b>	<b>2.8%</b>

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

Growth in expenses, amongst other items, was driven by COVID-19 related expenses, normal inflation, higher labor costs from minimum wage increases in certain regions and incremental investments in our stores to support our strategic initiatives. COVID-19 related expenses include, but are not limited to, an emergency appreciation pay premium of \$2.50 per hour in North America for hourly store employees and distribution center employees, the installation of plexiglass dividers and other social distancing tools in our stores, additional cleaning and sanitizing supplies as well as masks and gloves for our employees. We continue to rigorously focus on controlling costs throughout our organization, while ensuring we maintain the quality of service we offer to our customers. Excluding the conversion of our Esso stores from the agent model to the corporate model, the remaining variance for fiscal 2020 would have been 2.5%.

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

During fiscal 2020, EBITDA increased from \$3.6 billion to \$4.5 billion, a growth of 26.3% compared with the previous fiscal year. Excluding the specific items shown in the table below from EBITDA of fiscal 2020 and of fiscal 2019, the adjusted EBITDA for fiscal 2020 increased by \$465.9 million or 11.9% compared with the previous fiscal year, mainly attributable to higher road transportation fuel margins in the U.S. and in Europe and to organic growth on the convenience side, partly offset by the negative impact of COVID-19 on our traffic. The variation in exchange rates had a net negative impact of approximately \$23.0 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 26, 2020	April 28, 2019
Net earnings including non-controlling interests, as reported	2,357.6	1,821.3
Add:		
Income taxes	545.9	370.9
Net financial expenses	284.5	320.1
Depreciation, amortization and impairment	1,336.8	1,070.7
<b>EBITDA</b>	<b>4,524.8</b>	<b>3,583.0</b>
Adjusted for:		
EBITDA attributable to non-controlling interests	(66.6)	(77.5)
Net gain on the disposal of the Corporation's interests in CAPL	(61.5)	—
Net gain on the disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Acquisition costs	6.7	2.2
Restructuring costs attributable to shareholders of the Corporation	4.5	10.5
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)
Adjusted EBITDA, as previously reported	4,366.9	3,520.0
Estimated pro forma impact from transition to IFRS 16 attributable to shareholders of the Corporation	—	381.0
<b>Adjusted EBITDA</b>	<b>4,366.9</b>	<b>3,901.0</b>

## Depreciation, amortization and impairment (“depreciation”)

For fiscal 2020, our depreciation expense increased by \$266.1 million compared with fiscal 2019. Excluding CAPL’s results and the \$55.0 million impairment charge on CAPL’s goodwill recorded in the first quarter of fiscal 2019, as well as the net negative impact from the translation of our Canadian and European operations into US dollars, the depreciation expense increased by approximately \$368.0 million for fiscal 2020, mainly driven by the additional depreciation expense arising from right-of-use assets due to the adoption of IFRS 16, which had an impact of approximately \$356.0 million.

## Net financial expenses

Net financial expenses for fiscal 2020 were \$284.5 million, a decrease of \$35.6 million compared with fiscal 2019. Excluding the items shown in the table below, net financial expenses for fiscal 2020 decreased by \$65.7 million mainly attributable to our lower average long-term debt following the repayments made, as well as to the lower average cost of our long-term debt compared to fiscal 2019.

(in millions of US dollars)	52-week periods ended	
	April 26, 2020	April 28, 2019
Net financial expenses, as reported	284.5	320.1
Adjusted for:		
Net foreign exchange gain	33.5	5.3
CAPL’s financial expenses	(25.6)	(29.3)
Estimated pro forma impact from transition to IFRS 16	—	62.0
Net financial expenses excluding items above	292.4	358.1

## Income taxes

For fiscal 2020, the income tax rate was 18.8% compared with 16.9% for fiscal 2019. The income tax rate for fiscal 2020 includes a net tax benefit of \$33.6 million derived from the release of deferred tax asset valuation allowance following the disposal of our interests in CAPL as well as a portion of our U.S. wholesale fuel business. Excluding this adjustment, as well as the impact of the first two transactions of the December 2018 asset exchange, the income tax rate would have been 19.9% for fiscal 2020, an increase compared to fiscal 2019, stemming from the impact of a different mix in our earnings across the various jurisdictions in which we operate.

	52-week periods ended	
	April 26, 2020	April 28, 2019
Income tax rate, as reported	18.8%	16.9%
Adjusted for:		
Release of deferred tax asset valuation allowance	1.2%	—
Income tax expense following the asset exchange transactions with CAPL	(0.1%)	—
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	—	0.3%
Net income tax rate excluding items above	19.9%	17.2%

## 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 2020, net earnings were \$2.4 billion, compared with \$1.8 billion for fiscal 2019, an increase of \$519.7 million or 28.3%. Diluted net earnings per share stood at \$2.09, compared with \$1.62 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 \$11.0 million on net earnings of fiscal 2020.

Excluding the items shown in the table below from net earnings of fiscal 2020 and fiscal 2019, adjusted net earnings for fiscal 2020 would have been approximately \$2.2 billion, compared with \$1.8 billion for fiscal 2019, an increase of \$374.0 million or 20.3%. Adjusted diluted net earnings per share would have been \$1.97 for fiscal 2020, compared with \$1.63 for fiscal 2019, an increase of 20.9%.

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

(in millions of US dollars)	52-week periods ended	
	April 26, 2020	April 28, 2019
Net earnings attributable to shareholders of the Corporation, as reported	2,353.6	1,833.9
Adjusted for:		
Net gain on the disposal of the Corporation's interests in CAPL	(61.5)	—
Net gain on disposal of a portion of the Corporation's U.S. wholesale fuel business	(41.0)	—
Release of deferred tax asset valuation allowance	(33.6)	—
Net foreign exchange gain	(33.5)	(5.3)
Acquisition costs	6.7	2.2
Restructuring costs attributable to shareholders of the Corporation	4.5	10.5
Income tax expense following the asset exchange transactions with CAPL	2.7	—
Impairment charge on CAPL's goodwill	—	55.0
Tax benefit stemming from the decrease of the statutory income tax rate in Sweden	—	(6.2)
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)
Tax impact of the items above and rounding	22.1	(17.9)
Adjusted net earnings attributable to shareholders of the Corporation, as previously reported	2,220.0	1,874.0
Estimated pro forma impact from transition to IFRS 16	—	(28.0)
Adjusted net earnings attributable to shareholders of the Corporation	2,220.0	1,846.0

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 2020, CAPL's results were impacted by the fact that fiscal 2020 included 8 months of activities compared to 12 months in fiscal 2019. On November 19, 2019, we disposed of our interests in CAPL.

## Financial Position as at April 26, 2020

As shown by our indebtedness ratios included in the “Summary Analysis of Consolidated Results for Fiscal 2020” section and our net cash provided by operating activities, our financial position is solid.

Our total consolidated assets amounted to \$25.7 billion as at April 26, 2020, an increase of \$3.1 billion over the balance as at April 28, 2019, primarily due to a higher cash position following borrowings on our term revolving unsecured operating credit and refinancing of US senior unsecured notes, as well as to the adoption of IFRS 16, partly offset by the disposal of our interests in CAPL and the net negative impact of the variation in exchange rates at the balance sheet date. It should be noted that, as permitted under the specific transition provisions in the standard, we did not adjust our balance sheet as at April 28, 2019, to reflect the impact of IFRS 16 on our assets and liabilities.

During the 52-week periods ended April 26, 2020 and April 28, 2019, we recorded a return on capital employed<sup>1</sup> of 15.0% and of 12.6%, respectively.

Significant balance sheet variations are explained as follows:

### Accounts receivable

Accounts receivable decreased by \$607.9 million, from \$1.9 billion as at April 28, 2019, to \$1.3 billion as at April 26, 2020. The decrease stems mainly from a lower selling price for road transportation fuel and decline in fuel traffic toward the end of the fiscal year, as well as the negative net impact of approximately \$58.0 million from the variation in exchange rates at the balance sheet date.

### Property and equipment

Property and equipment decreased by \$993.4 million, from \$11.1 billion as at April 28, 2019, to \$10.1 billion as at April 26, 2020, mainly as a result of the depreciation, amortization and impairment expense, the disposal of our interests in CAPL, the adoption of IFRS 16, as finance leases are now part of the right-of-use assets, as well as the net negative impact of approximately \$226.0 million from the exchange rates variation at the balance sheet date. These were partly offset by the investments we made to our network.

### Right-of-use assets

Right-of-use assets stood at \$2.5 billion as at April 26, 2020, following the adoption of IFRS 16, partly offset by depreciation, amortization and impairment expense of fiscal 2020 as well as by the disposal of our interests in CAPL.

### Intangible assets

Intangible assets decreased by \$393.6 million, from \$944.4 million as at April 28, 2019, to \$550.8 million as at April 26, 2020, mainly due to the disposal of our interests in CAPL, the adoption of IFRS 16, and the depreciation, amortization and impairment expense, as well as the negative net impact of approximately \$31.0 million from the variation in exchange rates at the balance sheet date.

### Accounts payable and accrued liabilities

Accounts payable and accrued liabilities decreased by \$1.1 billion, from \$3.9 billion as at April 28, 2019, to \$2.8 billion as at April 26, 2020. The decrease stems mainly from lower cost for road transportation fuel purchases and the decrease in fuel purchases in response to the decline in traffic toward the end of fiscal 2020, as well as by the net impact of the weakening of the Canadian and European currencies against the US dollar, which was approximately \$101.0 million.

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<sup>1</sup> Please refer to the section “Summary Analysis of Consolidated Results of Fiscal 2020” of this MD&A for additional information on this performance measure not defined by IFRS. This performance measure, for the 52-week period ended April 28, 2019, has been adjusted for the estimated impact of IFRS 16, the previously reported return on capital employed was 14.1%.

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

Long-term debt and current portion of long-term debt increased by \$779.1 million, from \$7.0 billion as at April 28, 2019, to \$7.7 billion as at April 26, 2020, mainly as a result of borrowings on our term revolving unsecured operating credit and the issuance of new US dollar senior unsecured notes, partly offset by the repayment of Canadian and US dollar senior unsecured notes, the disposal of our interests in CAPL, the adoption of IFRS 16, as our finance leases are now part of the lease liabilities, as well as the net impact of the weakening of the Canadian dollar, the Euro and the Norwegian krone against the US dollar, which was approximately \$88.0 million.

## Leases liabilities and current portion of lease liabilities

Long-term lease liabilities and current portion of lease liabilities stood at \$2.6 billion as at April 26, 2020, following the adoption of IFRS 16, partly offset by the principal portion of the lease payments made during fiscal 2020 as well as by the disposal of our interests in CAPL.

## Equity

Equity attributable to shareholders of the Corporation amounted to \$10.1 billion as at April 26, 2020, up \$1.1 billion compared with April 28, 2019, mainly reflecting net earnings for fiscal 2020, partly offset by the impact of share repurchases, the other comprehensive loss, the dividends declared during fiscal 2020, as well as by the repurchase of non-controlling interests in CST Fuel Supply LP. For the 52-week periods ended April 26, 2020, and April 28, 2019, we recorded a return on equity<sup>1</sup> of 24.8% and 21.9%, respectively.

Non-controlling interests were nil as at April 26, 2020, a decrease of \$257.9 million compared to April 28, 2019, mostly reflecting the disposal of our interests in CAPL.

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

Our credit facility is detailed as follows:

### *Term revolving unsecured operating credit, maturing in December 2024 (“operating credit D”)*

Credit agreement consisting of a revolving unsecured facility of a maximum amount of \$2,525.0 million. As at April 26, 2020, \$1.5 billion of the term revolving unsecured operating credit D has been used. As at the same date, the weighted average effective interest rate was 2.110% and standby letters of credit in the amount of \$11.9 million were outstanding.

During fiscal 2020, this operating credit's maturity was extended to December 2024.

During the month of May 2020, subsequent to the end of fiscal 2020, we fully repaid the \$1.5 billion borrowed on our operating credit D.

### *Available liquidities*

As at April 26, 2020, a total of approximately \$1.0 billion was available under our operating credit D 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, we had access to approximately \$4.7 billion through our available cash and our operating credit D.

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<sup>1</sup> Please refer to the section “Summary Analysis of Consolidated Results of Fiscal 2020” of this MD&A for additional information on this performance measure not defined by IFRS.

## Selected Consolidated Cash Flow Information

(in millions of US dollars)

### Operating activities

Net cash provided by operating activities

### Investing activities

Purchase of property and equipment, intangible assets and other assets

Proceeds from the disposal of the Corporation's interests in CAPL, net of transaction costs and cash and cash equivalent disposed

Proceeds from disposal of property and equipment and other assets

Business acquisitions

Change in restricted cash

Investment in Fire & Flower

Proceeds from disposal of marine fuel business

### Net cash used in investing activities

### Financing Activities

Issuance of US-dollar-denominated senior unsecured notes, net of financing costs

Net increase (decrease) in term revolving unsecured operating credit D

Repayment of senior unsecured notes

Share repurchases

Principal elements of lease payments and net decrease in other debts

Cash dividends paid

Settlement of derivative financial instruments

Distributions paid to non-controlling interests

Repurchase of non-controlling interests in CST Fuel Supply LP

Net increase in CAPL senior secured revolving credit facility

Decrease in acquisition facility

Exercise of stock options

### Net cash provided by (used in) financing activities

### Credit ratings

S&P Global Ratings – Corporate credit rating

Moody's - Senior unsecured notes credit rating

	52-week periods ended		
	April 26, 2020	April 28, 2019	Variation
<b>Operating activities</b>			
Net cash provided by operating activities	<b>3,720.7</b>	3,083.6	637.1
<b>Investing activities</b>			
Purchase of property and equipment, intangible assets and other assets	<b>(1,408.2)</b>	(1,145.1)	(263.1)
Proceeds from the disposal of the Corporation's interests in CAPL, net of transaction costs and cash and cash equivalent disposed	<b>185.2</b>	—	185.2
Proceeds from disposal of property and equipment and other assets	<b>89.7</b>	215.6	(125.9)
Business acquisitions	<b>(89.5)</b>	(13.1)	(76.4)
Change in restricted cash	<b>28.5</b>	(16.9)	45.4
Investment in Fire & Flower	<b>(19.5)</b>	—	(19.5)
Proceeds from disposal of marine fuel business	<b>—</b>	24.3	(24.3)
<b>Net cash used in investing activities</b>	<b>(1,213.8)</b>	(935.2)	(278.6)
<b>Financing Activities</b>			
Issuance of US-dollar-denominated senior unsecured notes, net of financing costs	<b>1,484.1</b>	—	1,484.1
Net increase (decrease) in term revolving unsecured operating credit D	<b>1,460.0</b>	(1,357.4)	2,817.4
Repayment of senior unsecured notes	<b>(1,241.4)</b>	—	(1,241.4)
Share repurchases	<b>(470.8)</b>	—	(470.8)
Principal elements of lease payments and net decrease in other debts	<b>(380.0)</b>	(52.2)	(327.8)
Cash dividends paid	<b>(215.7)</b>	(181.3)	(34.4)
Settlement of derivative financial instruments	<b>(100.6)</b>	3.0	(103.6)
Distributions paid to non-controlling interests	<b>(47.5)</b>	(56.5)	9.0
Repurchase of non-controlling interests in CST Fuel Supply LP	<b>(13.4)</b>	—	(13.4)
Net increase in CAPL senior secured revolving credit facility	<b>6.0</b>	3.9	2.1
Decrease in acquisition facility	<b>—</b>	(413.5)	413.5
Exercise of stock options	<b>—</b>	0.2	(0.2)
<b>Net cash provided by (used in) financing activities</b>	<b>480.7</b>	(2,053.8)	2,534.5
<b>Credit ratings</b>			
S&P Global Ratings – Corporate credit rating	<b>BBB</b>	BBB	
Moody's - Senior unsecured notes credit rating	<b>Baa2</b>	Baa2	

## Operating activities

During fiscal 2020, net cash from our operations reached \$3.7 billion, up \$637.1 million compared with fiscal 2019, mainly due to higher net earnings as well as to the impact of the payment on principal elements of leases, now classified as financing activities.

## Investing activities

During fiscal 2020, net investments in property and equipment, intangible assets and other assets amounted to \$1.3 billion, and business acquisitions amounted to \$89.5 million. Those cash outflows were partly offset by the net proceeds from the disposal of our interests in CAPL, which amounted to \$185.2 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 2020, we issued US-dollar-denominated senior unsecured notes in the amount of \$1.5 billion, borrowed a net amount of \$1.5 billion on our operating credit D, repaid \$1.2 billion on our senior unsecured notes, repurchased Class B subordinate voting shares for a net amount of \$470.8 million and repaid \$380.0 million on the principal element of our lease liabilities and other debts. We also paid dividends in the amount of \$215.7 million.

## Contractual Obligations and Commercial Commitments

Set out below is a summary of our material contractual obligations as at April 26, 2020<sup>(1)</sup>:

(in millions of US dollars)	2021	2022	2023	2024	2025	Thereafter	Total
<b>Contractual obligations</b>							
Long-term debt	1,915.5	195.0	1,359.3	159.5	650.2	5,831.3	<b>10,110.8</b>
Lease liabilities	454.3	416.1	352.3	319.5	270.0	1,382.1	<b>3,194.3</b>
Total	<b>2,369.8</b>	<b>611.1</b>	<b>1,711.6</b>	<b>479.0</b>	<b>920.2</b>	<b>7,213.4</b>	<b>13,305.1</b>

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

	2021	2022	2023	2024	2025	Thereafter	Total
<b>Fuel Purchase Obligations</b>							
United States (in millions of gallons)	1,904.5	1,467.4	1,209.0	1,206.9	1,204.0	3,762.0	<b>10,753.8</b>
Europe (in millions of liters)	6,416.2	121.2	121.2	80.8	—	—	<b>6,739.4</b>
Canada (in millions of liters)	3,956.7	3,904.2	3,641.7	3,009.7	3,009.7	28,163.1	<b>45,685.1</b>

**Long-term debt.** As at April 26, 2020, our long-term debt totaled \$7.7 billion, detailed as follows:

- i. US-dollar-denominated senior unsecured notes totaling \$4.0 billion, Canadian-dollar-denominated senior unsecured notes totaling \$1.4 billion (CA \$2.0 billion), Euro-denominated senior unsecured notes totaling \$806.8 million (€750.0 million) and NOK-denominated senior unsecured notes totaling \$63.3 million (NOK 675.0 million), divided as follows:
  - a. Notional amount of CA \$250.0 million, maturing on November 1, 2022, bearing interest at 3.899%.
  - b. Notional amount of CA \$300.0 million, maturing on August 21, 2020, bearing interest at 4.214%.
  - c. Notional amount of CA \$700.0 million, maturing on June 2, 2025, bearing interest at 3.600%.
  - d. Notional amount of NOK 675.0 million, maturing on February 18, 2026, bearing interest at 3.850%.
  - e. Notional amount of €750.0 million, maturing on May 6, 2026, bearing interest at 1.875%.
  - f. Notional amount of \$1.0 billion, maturing on July 26, 2022, bearing interest at 2.700%.
  - g. Notional amount of CA \$700.0 million, maturing on July 26, 2024, bearing interest at 3.056%.
  - h. Notional amount of \$1.0 billion, maturing on July 26, 2027, bearing interest at 3.550%.
  - i. Notional amount of \$500.0 million, maturing on July 26, 2047, bearing interest at 4.500%.
  - j. Notional amount of \$750.0 million, maturing on January 25, 2030, bearing interest at 2.950%.
  - k. Notional amount of \$750.0 million, maturing on January 25, 2050, bearing interest at 3.800%.
- ii. Borrowings of \$1.5 billion under our term revolving unsecured operating credit facility denominated in US dollar, maturing in December 2024. The weighted average effective interest rate was 2.110% as at April 26, 2020.
- iii. Other long-term debts of \$4.9 million, including various notes payable.

**Leases liabilities.** We lease an important portion of our assets 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, which include the initial base term and renewal option(s) when applicable. In Europe, the lease terms range from less than 12 months contracts to contracts with maturities up to more than 50 years and also include options to renew at market prices when applicable. When contracts are determined to contain a lease, lease liabilities and related right-of-use assets are 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.

**Fuel purchase obligations.** We have entered into various fuel purchase agreements, which require us to purchase minimum volume of road transportation fuel annually. Failure to satisfy the minimum purchase requirements could result in termination of the contract, penalties for shortfall volumes, change in the pricing of the products, payment to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received. We have generally exceeded such minimum requirements in the past and do not expect that any potential failure to meet those in the foreseeable future could lead to the materialization of any of the outcomes described above. As at April 26, 2020, our fuel purchase obligation consisted of multiple contracts under which we have 10.8 billion of gallons and 52.4 billion 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 our 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 26, 2020, the total future lease payments under such agreements are approximately \$14.1 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 and we do not expect to make any in the foreseeable future. We have also issued guarantees to third parties, and on behalf of third parties, for maximum undiscounted future payments totaling \$12.9 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 26, 2020 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. Failure to satisfy the minimum purchase requirements could result in termination of the contract, penalties for shortfall volumes, change in the pricing of the products, payment to the applicable providers of a predetermined percentage of the commitments and repayments of a portion of rebates received. We have generally exceeded such minimum requirements in the past and do not expect that any potential failure to meet those in the foreseeable future could lead to the materialization of any of the outcomes described above.

## Off-Balance Sheet Arrangements

In the normal course of business, we had outstanding letters of credit for an amount of \$83.5 million. Other than those letters of credit, we have no other off-balance sheet activities. Our future commitments are included under "Long term debt" 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 2023, 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.

We have adopted IFRS 16 retrospectively from April 29, 2019, but have not restated comparatives for fiscal year 2019, as permitted under the specific transition provisions in the standard. Therefore, the cumulative effect of initially applying the new standard was recognized in the opening balance sheet on April 29, 2019 and comparatives for the 2019 fiscal year continue to be reported under IAS 17.

(in millions of US dollars, except per share data)	52-week period ended April 26, 2020				52-week period ended April 28, 2019			
	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>	1 <sup>st</sup>
Quarter								
Weeks	<b>12 weeks</b>	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks
<b>Revenues</b>	<b>9,687.2</b>	16,604.2	13,678.0	14,163.0	13,113.3	16,515.0	14,702.8	14,786.5
Operating income before depreciation, amortization and impairment	<b>1,077.0</b>	1,274.6	1,088.9	1,058.8	651.7	1,140.2	864.8	902.9
Depreciation, amortization and impairment	<b>307.4</b>	406.1	316.2	307.1	241.5	305.2	222.5	301.5
Operating income	<b>769.6</b>	868.5	772.7	751.7	410.2	835.0	642.3	601.4
Share of earnings of joint ventures and associated companies	<b>7.3</b>	5.1	6.5	6.6	3.6	7.3	5.4	7.1
Net financial expenses	<b>53.2</b>	84.2	60.1	87.0	78.6	90.1	73.7	77.7
<b>Net earnings including non-controlling interests</b>	<b>578.3</b>	663.9	579.4	536.0	289.9	611.8	477.0	442.6
Net (earnings) loss attributable to non-controlling interests	<b>(2.0)</b>	(4.0)	(0.8)	2.8	3.2	0.3	(3.9)	13.0
<b>Net earnings attributable to shareholders of the Corporation</b>	<b>576.3</b>	659.9	578.6	538.8	293.1	612.1	473.1	455.6
<b>Net earnings per share</b>								
Basic	<b>\$0.52</b>	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40
Diluted	<b>\$0.52</b>	\$0.59	\$0.51	\$0.48	\$0.26	\$0.54	\$0.42	\$0.40

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 28, 2019

## 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 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	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)	1 <sup>st</sup>	2 <sup>nd</sup>	3 <sup>rd</sup>	4 <sup>th</sup>	Weighted
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 <sup>(1)</sup>	4.67	4.55	4.31	4.40	4.50
After deduction of expenses related to electronic payment modes	18.03	17.33	25.11	14.11	19.10
52-week period ended April 29, 2018					
Before deduction of expenses related to electronic payment modes	20.75	24.7	15.66	17.29	19.39
Expenses related to electronic payment modes <sup>(1)</sup>	3.79	4.31	4.06	3.86	4.02
After deduction of expenses related to electronic payment modes	16.96	20.39	11.60	13.43	15.38

(1) Please note that this information has been restated to reflect the cost of electronic payment expenses per corporate-store road transportation fuel gallons instead of per total road transportation fuel gallons.

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
<b>Total variance, as reported</b>	<b>10.2%</b>
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	(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%)
<b>Remaining variance</b>	<b>3.7%</b>

(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	1,070.7	910.6
<b>EBITDA</b>	<b>3,583.0</b>	<b>2,979.5</b>
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)
<b>Adjusted EBITDA</b>	<b>3,520.0</b>	<b>2,980.0</b>

## Depreciation, amortization and impairment (“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)
<b>Net financial expenses excluding items above</b>	<b>296.1</b>	<b>267.5</b>

## 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 \$1.62, compared with \$1.47 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 \$1.66 for fiscal 2019, compared with \$1.30 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.

## 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 26, 2020, our management, following its assessment, certifies the design and operating effectiveness of the Corporation's disclosure controls and procedures.

As a result of the adoption of IFRS 16, we adjusted our internal controls and implemented processes to enable the adoption of the new standard.

We undertake ongoing evaluations of the effectiveness of our internal controls over financial reporting and implement control enhancements, when appropriate. As at April 26, 2020, 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, employee future benefits, provisions, impairment of tangible and intangible assets, lease terms and business combinations.

As at April 26, 2020, we performed an assessment of the impact of the uncertainties around the outbreak of the novel strain of the coronavirus, specifically identified as COVID-19 pandemic, on the carrying amount of our assets and liabilities. This assessment, which required the use of significant judgments and estimates, had no material impact on our consolidated financial statements for the fiscal year ended April 26, 2020. We assessed that the uncertainties around the impact of COVID-19 could generate, in future reporting periods, a significant risk of material adjustment to the carrying amounts of the following assets and liabilities: property and equipment, intangible assets with finite useful lives, goodwill and intangible assets with indefinite useful lives, deferred income tax assets, right-of-use assets, net pension benefit plans and contractual obligations. As an emerging risk, the duration and full financial effect of the COVID-19 pandemic are unknown, and accordingly estimates of the extent to which the COVID-19 may materially and adversely affect us are subject to significant uncertainties.

**Inventory.** Our inventory is comprised mainly of products purchased for resale including tobacco products and alternative tobacco products, fresh goods, beer, wine, beverage, grocery items, candy and snacks, other and road transportation fuel. Inventories are valued at the lesser of cost and net realizable value. The 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 cash-generating 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 road transportation fuel storage tanks and are based on our prior experience in removing these tanks, estimated tank useful life, remaining 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 a storage tank is installed. To determine the initial recorded 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 costs.* 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 (loss) 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.

*Obligations related to general liability and workers' compensation.* In the United States 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 standard adopted during the current year

### *Leases*

On April 29, 2019, we adopted IFRS 16 *Leases* which replaces IAS 17, *Leases*. This new standard requires lessees to recognize and record on the balance sheet a lease liability reflecting future lease payments and a right-of-use asset for virtually all lease contracts except with respect to lease contracts that meet limited exception criteria

We have adopted IFRS 16 retrospectively from April 29, 2019, but have not restated comparative figures for fiscal year 2019, as permitted under the specific transition provisions in the standard. Therefore, the cumulative effect of initially applying the new standard was recognized in the opening balance sheet on April 29, 2019 and comparative figures for fiscal year 2019 continue to be reported under IAS 17 and related interpretations, including IFRIC 4 *Determining Whether an Arrangement Contains a Lease*.

IFRS 16 introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirement for lessor accounting have remained largely unchanged.

Refer to Note 3, 14 and 18 of our consolidated financial statements of the year ended April 26, 2020 for further details on these changes.

## 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.

*Pandemic, epidemic or outbreak of an infectious disease.* The widespread outbreak of an illness including the COVID-19 pandemic or any other communicable disease, or any other public health crisis, could adversely affect our business, results of operations and financial condition. Changes in operations in response to such outbreak, whether self-imposed or due to governmental or other authority, could materially impact financial results and may include temporary closures of facilities, temporary or long-term labor shortages or disruptions, temporary or long-term impacts on supply chains and distribution channels, temporary or long-term restrictions on cross-border commerce and travel, greater currency volatility, and increased risks to IT systems, networks and digital services.

Uncertain economic conditions resulting from a pandemic, epidemic or outbreak may, in the short or long term, adversely impact operations and the financial performance of the Corporation and each of its operating segments. These could include the loss of consumer confidence and spend, greater currency volatility, consequences on the financial condition of our customers, suppliers and other counterparties.

*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 2020, road transportation fuel revenues accounted for approximately 71.0% of our total revenues, yet the road transportation fuel gross margin represented about only 46.0% of our overall gross profits.

*Tobacco products.* Tobacco products represent our largest product category of merchandise and service revenues. For fiscal 2020, tobacco products represented approximately 40.0% and 21.0% 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 alternatives 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.

*Legislative and regulatory requirements.* Our operations are subject to extensive regulations, including regulations relating to the sale and labeling of alcohol, tobacco and nicotine products, products containing cannabis (through a licensed store), and products containing cannabidiol (CBD), various food preparation, packaging, safety and product quality requirements, lottery and related products and other age-restricted products laws and regulations, minimum wage laws, overtime and other employment laws and regulations, data privacy laws, compliance with the Payment Card Industry Data Security Standards, securities laws, and tax laws and regulations. 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. Such laws and regulations 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.

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 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.

*Sensitive information – data protection.* In the normal course of our business as a fuel and merchandise retailer, we are in receipt 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 appropriate 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 obligations 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.

*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.

*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.

*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.

*Recruitment and retention of 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.

*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 2020, a variation of 10.0% in our expenses associated with electronic payment modes would have had an impact of approximately \$0.04 on earnings per share on a diluted basis.

*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.

*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 disruption to our suppliers' supply chain, this can have a significant effect on our ability to receive refined oil products for resale, or results in us paying 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.

*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 \$6.2 billion of bonds with an average effective interest rate of 3.316% with the latest maturity date being January 25, 2050. 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-krone and Euro-denominated senior unsecured notes and cross-currency interest rate swaps. As at April 26, 2020, all else being equal, a hypothetical variation of 5.0% of the US dollar would have had a net impact of \$19.0 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 26, 2020 and with all other variables held constant, a hypothetical variation of 5.0% of the various foreign currencies would have had a net impact of \$152.1 million on Net earnings attributable to shareholders of the Corporation, which would be partially offset by a net impact of \$112.5 million from the long-term debts denominated in US dollars not designated as net investment hedges of foreign operations.

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 26, 2020, we carried a variable rate debt of approximately \$1.5 billion. Based on the amount of our variable rate debt as at April 26, 2020, a one percentage point increase in interest rates would not have a significant impact on our earnings per share 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 can enter into derivative instruments 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 liabilities. 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 26, 2020, we had outstanding accounts receivable totaling \$1.3 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, pandemics, 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 foreign 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 2021, we are adapting from the impact of the pandemic to better serve our customers and make their lives a little easier every day. At the same time, we are progressing with our strategic vision by developing a differentiated customer experience both inside our stores and at our fuel courts, adapting and innovating our offering to meet changing customer needs, driving operational excellence and scale, growing the network, enhancing our people's talent base, and putting sustainability at the forefront of our priorities. These actions bring us closer to reaching our five-year ambition of doubling the business.

It is because of our solid foundation that we are in a robust position to face the headwinds of the pandemic. We will continue, as always, to look for and seize opportunities to grow the business, always focusing on creating value for our employees, partners and shareholders.

June 29, 2020