

Couche-Tard 

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Quarterly Report

FOR THE 12-WEEK PERIOD ENDED JULY 20, 2008

Management's Discussion and Analysis

The purpose of this Management's Discussion and Analysis (MD&A) is, as required by regulators, to explain management's point of view on Alimentation Couche-Tard Inc.'s (Couche-Tard) financial condition and results of operations as well as the performance during the first quarter of the fiscal year ending April 26, 2009. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader's understanding of the quarterly consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By "we", "our", "us" and "the Company", 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 Canadian generally accepted accounting principles (Canadian GAAP). The interim consolidated financial statements have not been audited nor have they been subject to a review engagement by the Company's auditors.

We also use measures in this MD&A that do not comply with Canadian GAAP. When such measures are presented, they are defined and the reader is informed. You should read the following MD&A in conjunction with the annual consolidated financial statements and related notes included in Couche-Tard's 2008 Annual Report (2008 annual report), which, along with additional information relating to Couche-Tard, including the latest Annual Information Form, is available on SEDAR at www.sedar.com, on the SEC's website at www.sec.gov and on the Company's website at www.couche-tard.com.

Forward-Looking Statements

This MD&A includes certain statements that are "forward-looking statements" within the meaning of the U.S. *Private Securities Litigation Reform Act of 1995*. Any statement in this MD&A that is not a statement of historical fact may be deemed to be a forward-looking statement. When used in this MD&A, the words "believe", "intend", "expect", "estimate" and other similar expressions are generally intended to identify forward-looking statements. It is important to know that the forward-looking statements in this MD&A describe our expectations as at September 2, 2008, which are not guarantees of future performance of Couche-Tard or its industry, and involve known and unknown risks and uncertainties that may cause Couche-Tard's or the industry's outlook, actual results or performance to be materially different from any future results or performance expressed or implied by such statements. Our actual results could be materially different from our expectations if known or unknown risks affect our business, or if our estimates or assumptions turn out to be inaccurate. A change affecting an assumption can also have an impact on other interrelated assumptions, which could increase or diminish the effect of the change. As a result, we cannot guarantee that any forward-looking statement will materialize and, accordingly, the reader is cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements do not take into account the effect that transactions or special items announced or occurring after the statements are made may have on our business. For example, they do not include the effect of sales of assets, monetizations, mergers, acquisitions, other business combinations or transactions, asset write-downs or other charges announced or occurring after forward-looking statements are made.

Unless otherwise required by applicable securities laws, Couche-Tard disclaims 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" and "Other Risks" in our 2008 Annual Report as well as other risks detailed from time to time in reports filed by Couche-Tard with securities regulators in Canada and the United States.

Our Business

We are the leader in the Canadian convenience store industry. With respect to our positioning in North America, we are the second-largest independent convenience store operator (whether integrated with a petroleum company or not) in terms of number of stores.

Our network is comprised of 5,395 convenience stores throughout North America, including 3,556 stores with motor fuel dispensing. We are present in 11 North American markets, including eight in the United States covering 33 states and three in Canada covering ten provinces. More than 46,000 people are employed throughout our network and at the service offices. As we stated before, we privilege the operation of networks with a maximum of approximately 600 company-operated stores per business unit. Therefore, since the beginning of fiscal year 2009, we implemented two new business units in the U.S.: the Southwest division, which includes the states of Texas, Colorado, Oklahoma and New Mexico, and the Gulf division, which includes the states of Tennessee, Mississippi, Louisiana, Arkansas and the western Panhandle of Florida.

Our mission is to offer to our clients the best service on the market by developing a customized and friendly relationship while still finding ways to surprise them on a daily basis. In this regard, we strive to meet the demands and needs of our clientele based on their regional requirements. To do so, we offer consumers food and beverage items, motor fuel and other high-quality products and services designed to meet clients' demands in a clean and welcoming environment. Our positioning in the industry stems primarily from the success of our business model, which is based on a decentralized management

structure, an ongoing assessment of best practices and operational expertise that is enhanced by our experience in the various regions of our network. Our positioning is also a result of our focus on in-store merchandise, as well as our continued investments in our IMPACT program and the technological development of our stores.

The convenience store sector is fragmented. Our industry is in a consolidation and restructuring phase following the stiff competition and major fluctuations in motor fuel margins. Economies of scale are now essential to succeed in this business sector. We are participating in this process through our acquisitions and we believe that it is still possible for industry participants with a good financial position such as Couche-Tard to maintain sustained growth through mergers and acquisitions, especially in the current difficult economic conditions. However, these acquisitions would have to be concluded at reasonable conditions in order to create value for the Company and its shareholders. Therefore, we do not favor store count growth to the detriment of profitability.

Exchange Rate Data

The Company reports in US dollars given the predominance of its operations in the United States and its US dollar denominated debt.

The following table sets forth information about exchange rates based upon the Bank of Canada closing rates expressed as US dollars per Cdn\$1.00:

	12-week periods ended	
	July 20, 2008	July 22, 2007
Average for period ⁽¹⁾	0.9910	0.9313
Period end	0.9943	0.9537

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

Overview of the First Quarter of 2009

Partnership

During fiscal 2008, we announced the expansion of our existing partnership with Irving Oil Limited (Irving Oil) related to 252 convenience retail sites across Atlantic Canada and New England.

On July 16, 2008, this agreement took effect by through the integration with our network of 196 new convenience stores, 124 of which operate in the U.S. and 72 in Canada. We expect that the remaining stores included in the initial agreement will be integrated with our network before the end of fiscal year 2009. Pursuant to the agreement, Couche-Tard and Irving Oil will share net operating income.

In connection with this agreement, we have signed lease agreements with an initial term of 20 years which we account for as operating leases.

Business acquisitions

During the first quarter of fiscal 2009, we made the following business acquisitions:

- effective July 8, 2008, we acquired 70 company-operated stores from Spirit Energy LLC. The acquired stores operate under the Convenient Food Mart banner in the St. Louis Missouri area and nearby central Illinois area, United States;
- effective April 29, 2008, we acquired 15 company-operated stores from Speedway Superamerica LLC. The acquired stores operate under the Speedway banner in central Illinois area, United States.

New credit agreement

On June 13, 2008, we entered into a new credit agreement consisting of a revolving unsecured credit facility of a maximum amount of \$310.0 million with an initial maturity, terms and conditions similar to the those of the other facility we already had as at April 27, 2008 as described in Note 17a) of the consolidated financial statements included in the 2008 Annual Report.

Dividends

On September 2, 2008, the Board of Directors declared a quarterly dividend of Cdn\$0.035 per share for the first quarter of fiscal 2009 to shareholders on record as at September 11, 2008, and approved its payment for September 19, 2008. This is an eligible dividend within the meaning of the *Income Tax Act*.

Share repurchase program

Effective August 8, 2008, we implemented a new share repurchase program which allows us to purchase up to 2,693,860 Class A multiple voting shares (representing 5.0% of the 53,877,212 Class A multiple voting shares issued and outstanding

as at July 29, 2008) and 14,031,210 Class B subordinate voting shares (representing 10.0% of the 140,312,108 Class B subordinate voting shares of the public float as at July 29, 2008). By making such purchases, the number of issued Class A multiple voting shares and of Class B subordinate voting shares will be reduced and the proportionate interest of all remaining shareholders in the share capital of the Company will be increased on a pro rata basis. All shares repurchased under the share repurchase program will be cancelled. Security holders may obtain a copy of the notice filed with the Toronto Stock Exchange, without charge, by contacting the Corporate Secretary of Couche-Tard at 1600, St-Martin Blvd. East, Tower B, 2nd Floor, Laval, Québec, H7G 4S7.

Under our previous share repurchase program which expired on August 7, 2008, we have repurchased a total of 2,125,400 Class A multiple voting shares and a total of 5,949,706 Class B subordinate voting shares.

Outstanding shares and stock options

As at August 28, 2008, Couche-Tard had 53 872 412 Class A multiple voting shares and 140 732 836 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 8 995 215 outstanding stock options for the purchase of Class B subordinate voting shares.

Subsequent event

On August 22, 2008, the Company and Dunkin Brands have come to an agreement to terminate their relationship as master franchise for the Province of Québec with respect to the Dunkin Donuts brand entered into on August 28, 2003. Pursuant to the agreement between the parties, the termination process will occur during the next 12-18 months and will not result in any material impact on our financial results. We will remain franchisee and will operate our actual Dunkin Donuts corporate network of 22 sites. After evaluating our strategic development, we have decided to focus our food service offer through our proprietary brands and our existing QSR network.

Summary of changes in our stores during the first quarter of 2009

The following table presents certain information regarding changes in our stores over the 12-week period ended July 20, 2008:

	12-week period ended July 20, 2008		
	Company-operated stores	Affiliated stores	Total
Number of stores, beginning of period	4,068	1,051	5,119
Acquisitions	85	-	85
Openings / constructions / additions	201 ⁽¹⁾	19	220
Closures / withdrawals	(15)	(14)	(29)
Number of stores, end of period	4,339	1,056	5,395

(1) Includes stores added to our network through the partnership agreement with Irving Oil.

During the quarter, we also implemented our IMPACT program in 44 company-operated stores. As a result, 58.4% of our company-operated stores have now been converted to our IMPACT program, which gives us considerable opportunity for future internal growth.

Selected Consolidated Financial Information

The following table highlights certain information regarding our operations for the 12-week periods ended July 20, 2008, and July 22, 2007:

(In millions of US dollars, unless otherwise stated)

	12-week periods ended		
	July 20, 2008	July 22, 2007	Variation %
Statement of Operations Data:			
Merchandise and service revenues ⁽¹⁾ :			
United States	857.8	838.5	2.3
Canada	444.2	424.1	4.7
Total merchandise and service revenues	1,302.0	1,262.6	3.1
Motor fuel revenues:			
United States	2,622.5	2,022.3	29.7
Canada	394.5	288.6	36.7
Total motor fuel revenues	3,017.0	2,310.9	30.6
Total revenues	4,319.0	3,573.5	20.9
Merchandise and service gross profit ⁽¹⁾ :			
United States	277.9	273.8	1.5
Canada	157.5	147.5	6.8
Total merchandise and service gross profit	435.4	421.3	3.3
Motor fuel gross profit:			
United States	101.0	109.5	(7.8)
Canada	21.7	18.2	19.2
Total motor fuel gross profit	122.7	127.7	(3.9)
Total gross profit	558.1	549.0	1.7
Operating, selling, administrative and general expenses	423.1	393.9	7.4
Depreciation and amortization of property and equipment and other assets	42.9	37.7	13.8
Operating income	92.1	117.4	(21.6)
Net earnings	47.2	69.1	(31.7)
Other Operating Data:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	33.4%	33.4%	-
United States	32.4%	32.7%	(0.3)
Canada	35.5%	34.8%	0.7
Growth (decrease) of same-store merchandise revenues ^{(2) (3)} :			
United States	0.0%	3.5%	
Canada	(0.7)%	5.4%	
Motor fuel gross margin ⁽³⁾ :			
United States (cents per gallon):	15.55	16.73	(7.1)
Canada (Cdn cents per litre)	5.53	5.00	10.6
Volume of motor fuel sold ⁽⁴⁾ :			
United States (millions of gallons)	675.6	685.2	(1.4)
Canada (millions of litres)	395.9	390.6	1.4
Growth (decrease) of same-store motor fuel volume ⁽³⁾ :			
United States	(4.5)%	(1.8)%	
Canada	2.8%	7.6%	
Per Share Data:			
Basic net earnings per share (dollars per action)	0.24	0.34	(29.4)
Diluted net earnings per share (dollars per action)	0.24	0.33	(27.3)
	July 20, 2008	April 27, 2008	Variation \$
Balance Sheet Data:			
Total assets	3,493.1	3,320.6	172.5
Interest-bearing debt	871.1	842.2	28.9
Shareholders' equity	1,297.1	1,253.7	43.4
Ratios:			
Net interest-bearing debt/total capitalization ⁽⁵⁾	0.34:1	0.33:1	
Net interest-bearing debt/EBITDA ⁽⁶⁾	1.44:1 ⁽⁷⁾	1.29:1	

1. Includes other revenues derived from franchise fees, royalties and rebates on some purchases by franchisees and licensees.

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

3. For company-operated stores only.

4. Includes volume of franchisees and dealers.

5. This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments, divided by the addition of shareholders' equity and long-term debt, net of cash and cash equivalents and temporary investments. It does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

6. This ratio is presented for information purposes only and represents a measure of financial condition used especially in financial circles. It represents the following calculation: long-term interest-bearing debt, net of cash and cash equivalents and temporary investments, divided by EBITDA (Earnings Before Interest, Tax, Depreciation and Amortization). It does not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

7. This ratio was standardized over a period of one year. It includes the results of the first quarter of the year ending April 26, 2009 as well as the second, third and fourth quarters of the year ended April 27, 2008.

Analysis of consolidated results for the first quarter of 2009

Revenues

Our revenues amounted to \$4.3 billion in the first quarter of 2009, up \$745.5 million, for an increase of 20.9%, of which \$674.9 million is related to the increase in motor fuel retail prices, \$86.8 million is attributable to major acquisitions and \$49.5 million was generated by the 6.4% appreciation of the Canadian dollar against its U.S. counterpart. These positive factors were partially offset by the decrease in volume of motor fuel sold. The proportion of our business in the United States was 80.6% compared with 80.1% last year.

More specifically, the growth of merchandise and service revenues for the first quarter was \$39.4 million or 3.1%, of which \$16.5 million was generated by the major acquisitions and \$26.2 million was generated by the appreciation of the Canadian dollar against its U.S. counterpart. Regarding internal growth, as measured by the growth in same-store merchandise revenues, it remained stable in the United States and decreased by 0.7% in Canada. The absence of internal growth in the U.S. illustrates the economic slowdown in some regions, especially in the southern part of the country. The situation was magnified by a significant rise of 31.2% in the average retail price at the pump, leaving that much less margin on consumers' personal disposable income for in-store purchases. In the same manner, a tightened application of immigration laws in Arizona noticeably affected sales within the business unit whose stores had a strong concentration of Hispanic consumers. Lastly, in an effort to maintain and even improve our position, despite the negative effect of the unfavourable economic conditions, we continued to implement one of our key success factors: our IMPACT program. As for the Canadian market, our Western Canada business unit contributed positively to the growth by applying a strategy with regards to tobacco products, which differentiates it from competitors and allows it to be identified as the place to go to purchase tobacco products. In our Eastern and Central Canada business units, the decrease in internal growth was due to unfavourable weather conditions and the negative effect of smuggling on tobacco products.

Motor fuel revenues increased \$706.1 million or 30.6% in the first quarter, of which 95.6% stems from a higher average retail price at the pump in our U.S. and Canadian company-operated stores, as shown in the following table, beginning with the second quarter of the year ended April 27, 2008:

Quarter	2 nd	3 rd	4 th	1 st	Weighted average
52-week period ended July 20, 2008					
United States (US dollars per gallon)	2.73	2.96	3.22	3.91	3.18
Canada (Cdn cents per litre)	92.35	95.92	103.69	122.66	103.25
52-week period ended July 22, 2007					
United States (US dollars per gallon)	2.61	2.26	2.52	2.98	2.60
Canada (Cdn cents per litre)	89.87	80.27	90.11	98.49	89.22

The major acquisitions contributed 17.9 million additional gallons in the first quarter, or \$70.3 million in revenues. The appreciation of the Canadian dollar against its U.S. counterpart was also responsible for \$23.3 million of the increase. Same-store motor fuel volume fell 4.5% in the United States and rose 2.8% in Canada. In the United States, the negative performance is mainly due to poor economic conditions in the southern part of the country and to the overall decline in consumer demand resulting from the sharp increase in retail prices at the pump. Lately, a press release published by the U.S. Federal Highway Administration (FHA) reported that Americans drove 4.7% less in June 2008 compared with the same period last year. This represents the most important decline ever recorded. During this month, crude oil prices increased from approximately \$126 to \$143 per barrel. In Canada, the growth is considered to be excellent taking into account the 24.5% increase in motor fuel retail prices and the unfavourable weather conditions experienced during the quarter. The growth is therefore mainly due to a more focused pricing strategy in Ontario, combined with the popularity of the CAA program in Quebec. In addition, in Canada, these positive factors were partially offset by the slowdown in Alberta's economic growth.

Gross profit

The merchandise and service gross margin was 33.4% in the first quarter of 2009, identical to the corresponding period of 2008. In the United States, the gross margin was 32.4%, a slight decrease from 32.7% the previous year. Recently, the cost of certain products increased following the overall increase in the cost of certain commodities on the worldwide market. However, considering certain competitive aspects and the diminished buying power of our clients, we have not always been able to instantaneously and completely transfer the full price increase to the consumer. As a result, the gross margin of certain of our products was impacted. Major acquisitions that have a lower gross margin than the existing network also had a negative impact on the gross margin in the U.S., but it should improve following the implementation of our integration strategies. Finally, certain of our U.S. markets experienced cigarettes cost increases which were not transferred instantaneously and completely, given the factors stated previously. In Canada, the margin increased by 0.7% to 35.5%, resulting mainly from amounts pursuant to adjustments to obligations towards our dealers in the Western Canada division. Excluding this non-recurring benefit, the gross margin was 35.0%, an increase of 0.2% compared with the corresponding period of fiscal 2008.

The motor fuel gross margin for our company-operated stores in the United States decreased 1.18¢ per gallon, from 16.73¢ per gallon last year to 15.55¢ per gallon this year. In Canada, the margin rose, reaching Cdn5.53¢ per litre compared with Cdn5.00¢ per litre in fiscal 2008. The motor fuel gross margin of our company-operated stores in the United States as well as the impact of expenses related to electronic payment modes for the last eight quarters, beginning with the second quarter of the year ended April 27, 2008 were as follows:

(US cents per gallon)

Quarter	2 nd	3 rd	4 th	1 st	Weighted average
52-week period ended July 20, 2008					
Before deduction of expenses related to electronic payment modes	13.04	14.38	10.02	15.55	13.31
Expenses related to electronic payment modes	3.82	3.98	4.02	5.07	4.20
After deduction of expenses related to electronic payment modes	9.22	10.40	6.00	10.48	9.11
52-week period ended July 22, 2007					
Before deduction of expenses related to electronic payment modes	20.73	13.19	13.12	16.73	15.61
Expenses related to electronic payment modes	3.77	3.12	3.59	4.15	3.62
After deduction of expenses related to electronic payment modes	16.96	10.07	9.53	12.58	11.99

As we can observe in the table above, for the first quarter of fiscal 2009, motor fuel gross margin, net of expenses related to electronic payment modes is down by 2.10¢ per gallon compared with the same period last year, which represents a negative impact of approximately \$14.2 million before income taxes.

Operating, selling, administrative and general expenses

Operating, selling, administrative and general expenses rose 7.4% compared with last year. The increase in expenses related to electronic payment modes accounts for 1.8% and the increase in the average store count (excluding Irving Oil sites) accounts for 1.3%. The remaining difference, which is 4.3%, is attributable, in great part, to the normal increase of our operating expenses mainly caused by inflation.

Earnings before interests, taxes, depreciation and amortization [EBITDA] ¹

EBITDA was \$135.0 million, down 13.0% compared with last year. Major acquisitions contributed to EBITDA for an amount of \$2.5 million.

Depreciation and amortization of property and equipment and other assets

The increase in depreciation expense stems primarily from investments made in fiscal 2008 and in the first quarter of 2009 through acquisitions and the ongoing implementation of the IMPACT program in our network, partially offset by sale and leaseback transactions completed during fiscal 2008.

Financial expenses

Financial expenses decreased by \$5.2 million compared with last year. The decrease is primarily due to the combined decrease in our average borrowings and interest rates.

Income taxes

The income tax rate for the first quarter of 2009 is 42.6%, up from the 32.5% posted last year. In the first quarter of fiscal 2009, we elaborated a corporate reorganization which took effect on July 31, 2008. Accordingly, a \$8.3 million income tax expense has been recognized during the first quarter while the tax benefits should be recorded during the subsequent periods of the current fiscal year and unwind the effect of the first quarter. The reorganization should also have a positive effect on the upcoming fiscal years income tax rate. Excluding this non-recurring item, the income tax rate of the first quarter of fiscal 2009 is 32.6%.

Net earnings

We closed the first quarter of fiscal 2009 with net earnings of \$47.2 million, which equals \$0.24 per share (same on a diluted basis), compared with \$69.1 million last year, a decrease of \$21.9 million or 31.7%.

¹ Earnings before interests, taxes, depreciation and amortization is not a performance measure defined by Canadian GAAP, but management, investors and analysts use this measure to evaluate our operating and financial performance. Note that our definition of this measure may differ from the ones used by other public companies.

Liquidity and Capital Resources

Our sources of liquidity remain unchanged compared with the fiscal year ended April 27, 2008, with the exception of our new term revolving unsecured operating credit of a maximum amount of \$310.0 million described above. For further information, please consult the 2008 Annual Report.

We have interest rate swap agreements, which we entered into in 2004 with three banks. The terms of the agreements remain unchanged compared with the information provided in our 2008 Annual Report.

With respect to our capital expenditures and the acquisitions that we carried out in the first quarter, they were financed using available cash flow. We expect that our cash available from operations together with borrowings available under our revolving unsecured credit facilities, as well as potential sale and leaseback transactions, will meet our liquidity needs in the foreseeable future.

Our credit facilities have not changed with respect to their terms of use since April 27, 2008. As at July 20, 2008, \$529.9 million of the Company's term revolving unsecured operating credits had been used (\$515.0 million for the US dollars portion and \$14.9 million for the Canadian dollars portion) and the weighted average effective interest rate was 3.10% for the US dollar portion and 3.75% for the Canadian dollars portion. We also have a \$330.7 million subordinated unsecured debt (nominal value amounting to \$350.0 million, net of attributable financing costs of \$11.1 million, adjusted for the fair value of the interest rate swaps designated as a fair value hedge of the debt) bearing interest at an effective rate of 8.23% (6.98% taking into account the effect of the interest rate swaps described above) and maturing in 2013. In addition, standby letters of credit in the amount of Cdn\$0.8 million and \$17.9 million were outstanding as at July 20, 2008.

Selected Consolidated Cash Flow Information

(In millions of US dollars)

	12-week periods ended		Variation \$
	July 20, 2008	July 22, 2007	
Operating activities			
Cash flows ⁽¹⁾			
Other	95.8	106.3	(10.5)
Other	(37.6)	(18.5)	(19.1)
Net cash provided by operating activities	58.2	87.8	(29.6)
Investing activities			
Business acquisitions	(65.1)	(53.8)	(11.3)
Purchase of property and equipment, net of proceeds from the disposal of property and equipment	(32.6)	(34.7)	2.1
Proceeds from sale and leaseback transactions	-	10.7	(10.7)
Other	(2.9)	(1.0)	(1.9)
Net cash used in investing activities	(100.6)	(78.8)	(21.8)
Financing activities			
Net increase in long-term debt	29.1	11.7	17.4
Issuance of shares	-	4.1	(4.1)
Net cash provided by financing activities	29.1	15.8	13.3
Company credit rating			
Standard and Poor's	BB	BB	
Moody's	Ba1	Ba1	

1. These cash flows are presented for information purposes only and represent a performance measure used especially in financial circles. They represent cash flows from net earnings, plus depreciation and amortization, loss on disposal of assets and future income taxes. They do not have a standardized meaning prescribed by Canadian GAAP and therefore may not be comparable to similar measures presented by other public companies.

Operating activities

During the first quarter of fiscal 2009, net cash from operating activities reached \$58.2 million, down \$29.6 million from the first quarter of fiscal 2008. This decrease is mainly due to the increase in motor fuel inventory costs and increased credit and debit cards accounts receivables driven by higher motor fuel cost and retail prices, growing popularity of electronic payment modes and by inventories acquired from Irving Oil. These elements were partially offset by the increase in accounts payable and income taxes payable.

Investing activities

Our major investments during the first quarter were the acquisition of the Convenient Food Mart and Speedway stores. Capital expenditures are primarily related to the ongoing implementation of our IMPACT program throughout our network, as well as the replacement of equipment in some of our stores to enhance our offering of products and services as well as the addition of new stores. Also to mention is the acquisition of Irving Oil's in-store equipment for an amount of approximately \$8.0 million.

Financing activities

During the first quarter of 2009, our long-term debt increased by \$29.1 million to finance the acquisition of the Speedway and Convenient Food Mart stores.

Financial Position as at July 20, 2008

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

Our total consolidated assets of \$3.5 billion as at July 20, 2008, increased by \$172.5 million compared with April 27, 2008. The growth is primarily a result of the increase of:

- \$56.0 million in accounts receivable chiefly explained by an increase in credit and debit cards receivable as well as stores added to our network during the quarter;
- \$51.8 million in property and equipment, largely due to capital investments and acquisitions of the quarter;
- \$47.6 million in inventory, largely due to a jump in cost price of motor fuel, to acquisitions and to inventories acquired from Irving Oil.

Shareholders' equity amounted to \$1,297.1 million as at July 20, 2008, up \$43.4 million compared to April 27, 2008.

Contractual Obligations and Commercial Commitments

Other than our new leases related to the Irving Oil partnership mentioned previously, there were no major changes during the quarter ended July 20, 2008, with respect to our contractual obligations and commercial commitments. For more information, please refer to our 2008 Annual Report.

Selected Quarterly Financial Information (Unaudited)

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

	12-week period ended July 20, 2008	52-week period ended April 27, 2008					Extract from the 52-week period ended April 29, 2007		
		1st	4th	3rd	2nd	1st	4th	3rd	2nd
Quarter	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks	13 weeks	16 weeks	12 weeks	
Revenues	4,319.0	3,705.8	4,590.9	3,499.8	3,573.5	2,972.6	3,498.0	2,759.7	
Income before depreciation and amortization of property and equipment and other assets, financial expenses and income taxes	135.0	63.7	130.6	135.2	155.1	99.0	125.0	149.2	
Depreciation and amortization of property and equipment and other assets	42.9	39.9	53.8	41.1	37.7	34.4	43.3	28.3	
Operating income	92.1	23.8	76.8	94.1	117.4	64.6	81.7	120.9	
Financial expenses	9.8	9.1	16.7	13.8	15.0	14.4	16.6	8.5	
Net earnings	47.2	15.5	50.5	54.2	69.1	33.4	43.7	74.7	
Net earnings per share									
Basic	\$0.24	\$0.08	\$0.25	\$0.27	\$0.34	\$0.17	\$0.22	\$0.37	
Diluted	\$0.24	\$0.08	\$0.24	\$0.26	\$0.33	\$0.16	\$0.21	\$0.36	

Outlook

In the course of fiscal 2009, we will pursue our investments in order to, amongst other things, deploy our IMPACT program in approximately 350 stores. Excluding major acquisitions, these investments will reach approximately \$275.0 million, which we plan to finance with our net cash provided by operating activities. We expect to add 200 to 300 company-operated stores through acquisitions.

While we are aware that our results depend on several external factors, including the exchange rate effect and the motor fuel net margin, we believe that our profitability should increase during the current fiscal year.

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

September 2, 2008

CONSOLIDATED STATEMENTS OF EARNINGS

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

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Revenues	4,319.0	3,573.5
Cost of sales	3,760.9	3,024.5
Gross profit	558.1	549.0
Operating, selling, administrative and general expenses	423.1	393.9
Depreciation and amortization of property and equipment and other assets	42.9	37.7
	466.0	431.6
Operating income	92.1	117.4
Financial expenses	9.8	15.0
Earnings before income taxes	82.3	102.4
Income taxes (Note 9)	35.1	33.3
Net earnings	47.2	69.1
Net earnings per share (Note 5)		
Basic	0.24	0.34
Diluted	0.24	0.33
Weighted average number of shares (in thousands)	196,727	202,599
Weighted average number of shares – diluted (in thousands)	200,684	208,169
Number of shares outstanding at end of period (in thousands)	196,731	202,817

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Net earnings	47.2	69.1
Other comprehensive income		
Changes in cumulative translation adjustments ⁽¹⁾	2.2	40.3
Net change in unrealized gains on available-for-sale financial assets	-	0.1
Other comprehensive income	2.2	40.4
Comprehensive income	49.4	109.5

(1) Includes net gain of \$8.7 (\$54.5 in 2008) arising from the translation of US dollar denominated long-term debt designated as a foreign exchange hedge of the Company's net investment in its U.S. self-sustaining operations.

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

CONSOLIDATED STATEMENTS OF CAPITAL STOCK

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Balance, beginning of period	348.8	352.3
Stock options exercised for cash	-	4.1
Fair value of stock options exercised	-	1.5
Balance, end of period	348.8	357.9

CONSOLIDATED STATEMENTS OF CONTRIBUTED SURPLUS

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Balance, beginning of period	15.6	13.4
Stock-based compensation expense (Note 7)	0.8	1.1
Fair value of stock options exercised	-	(1.5)
Balance, end of period	16.4	13.0

CONSOLIDATED STATEMENTS OF RETAINED EARNINGS

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Balance, beginning of period	775.0	681.9
Impact of changes in accounting policies (Note 2)	-	0.9
Balance, beginning of period, as restated	775.0	682.8
Net earnings	47.2	69.1
	822.2	751.9
Dividends	(6.8)	(5.8)
Balance, end of period	815.4	746.1

CONSOLIDATED STATEMENTS OF ACCUMULATED OTHER COMPREHENSIVE INCOME

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Balance, beginning of period	114.3	97.8
Impact of changes in accounting policies (Note 2)	-	0.4
Balance, beginning of period, as restated	114.3	98.2
Other comprehensive income	2.2	40.4
Balance, end of period	116.5	138.6

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in millions of US dollars, unaudited)

For the 12-week periods ended	July 20, 2008	July 22, 2007
	\$	\$
Operating activities		
Net earnings	47.2	69.1
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization of property and equipment and other assets, net of amortization of deferred credits	38.1	33.0
Future income taxes	9.6	5.4
Loss (gain) on disposal of property and equipment and other assets	0.9	(1.2)
Deferred credits	2.3	4.9
Other	4.4	3.4
Changes in non-cash working capital	(44.3)	(26.8)
Net cash provided by operating activities	58.2	87.8
Investing activities		
Business acquisitions (Note 4)	(65.1)	(53.8)
Purchase of property and equipment	(35.0)	(39.6)
Increase in other assets	(2.9)	(0.1)
Proceeds from disposal of property and equipment and other assets	2.4	4.9
Proceeds from sale and leaseback transactions	-	10.7
Net cash used in investing activities	(100.6)	(78.8)
Financing activities		
Net increase in long-term debt	29.1	11.7
Issuance of shares	-	4.1
Net cash provided by financing activities	29.1	15.8
Effect of exchange rate fluctuations on cash and cash equivalents	0.8	4.8
Net (decrease) increase in cash and cash equivalents	(12.5)	29.6
Cash and cash equivalents, beginning of period	216.0	141.7
Cash and cash equivalents, end of period	203.5	171.3
Supplemental information:		
Interest paid	14.3	22.9
Income taxes paid	24.9	12.0

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

CONSOLIDATED BALANCE SHEETS
(in millions of US dollars)

	As at July 20, 2008 (unaudited)	As at April 27, 2008
	\$	\$
Assets		
Current assets		
Cash and cash equivalents	203.5	216.0
Accounts receivable	307.7	251.7
Inventories	492.1	444.5
Prepaid expenses	16.7	8.3
Future income taxes	23.1	24.7
	1,043.1	945.2
Property and equipment	1,800.1	1,748.3
Goodwill	405.2	402.6
Trademarks and licenses	170.8	170.3
Deferred charges	14.6	13.8
Other assets	42.4	39.5
Future income taxes	16.9	0.9
	3,493.1	3,320.6
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	904.9	842.7
Income taxes payable	36.7	18.6
Current portion of long-term debt	1.5	1.2
	943.1	862.5
Long-term debt	869.6	841.0
Deferred credits and other liabilities	264.6	253.8
Future income taxes	118.7	109.6
	2,196.0	2,066.9
Shareholders' equity		
Capital stock	348.8	348.8
Contributed surplus	16.4	15.6
Retained earnings	815.4	775.0
Accumulated other comprehensive income	116.5	114.3
	1,297.1	1,253.7
	3,493.1	3,320.6

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars, except per share and stock option data, unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS PRESENTATION

The unaudited interim consolidated financial statements have been prepared by the Company in accordance with Canadian generally accepted accounting principles (Canadian GAAP) and have not been subject to a review engagement by the Company's external auditors. These consolidated financial statements were prepared in accordance with the same accounting policies and methods as the audited annual consolidated financial statements for the year ended April 27, 2008, with the exception of the accounting changes described in Note 2 below. The unaudited interim consolidated financial statements do not include all the information for complete financial statements and should be read in conjunction with the audited annual consolidated financial statements and notes thereto in the Company's 2008 Annual Report (the 2008 Annual Report). The results of operations for the interim periods presented do not necessarily reflect results expected for the full year.

The Company's business follows a seasonal pattern. The busiest period is the first half-year of each fiscal year, which includes summer's sales.

2. ACCOUNTING CHANGES

2009

Inventories

On April 28, 2008, the Company adopted the Canadian Institute of Chartered Accountants (CICA) Handbook Section 3031, "Inventories", which replaces Section 3030 of the same name. The new section provides guidance on the basis and method of measurement of inventories and allows for reversal of previous write-downs. The section also establishes new standards on disclosure of accounting policies used, carrying amounts, amounts recognized as an expense, write-downs and the amount of any reversal of any write-downs. This new standard aligns accounting for inventories under Canadian GAAP with International Financial Reporting Standards (IFRS).

The adoption of this new Section had no material impact on the Company's consolidated financial results.

2008

Financial Instruments – Recognition and Measurement

On April 30, 2007, the Company adopted CICA Handbook Section 3855 "Financial Instruments – Recognition and Measurement", which establishes standards for recognition and measurement of financial assets, financial liabilities and non-financial derivatives. This new standard must be implemented retroactively without restatement of prior periods financial statements.

The Company made the following classifications:

Financial assets and liabilities	Classification	Subsequent measurement ⁽¹⁾	Classification of gains and losses
Cash and cash equivalents	Held-for-trading	Fair value	Net earnings
Accounts receivable	Loans and receivables	Amortized cost	Net earnings
Investments in publicly-traded securities	Available-for-sale	Fair value	Other comprehensive income
Bank indebtedness and long-term debt	Other financial liabilities	Amortized cost	Net earnings
Accounts payable and accrued liabilities	Other financial liabilities	Amortized cost	Net earnings

⁽¹⁾ Initial measurement of all financial assets and liabilities is at fair value.

As of April 30, 2007, the impact of the implementation of the classifications described above is a \$0.5 increase in Other assets, a \$0.1 increase in the long-term Future income tax liability and a \$0.4 increase in Accumulated other comprehensive income. These adjustments relate to an investment in publicly-traded securities held by the Company. For the 12-week period ended July 22, 2007, the impact is an increase of \$0.1 in Other comprehensive income.

Section 3855 also requires that transaction costs be i) recognized in income when incurred or ii) added to or deducted from the amount of the financial asset or liability to which they are directly attributable when the asset or liability is not classified as held-for-trading. The Company has deferred financing costs attributable to its Subordinated unsecured debt which were previously deferred and amortized over the term of the debt. Consequently, the Company elected to apply the accounting policy that consists of deducting financing costs from the amount of the financial liability to which they are directly attributable. As of April 30, 2007, this change resulted in a decrease of \$11.6 in Deferred charges, of \$13.1 in Long-term debt, in an increase of \$0.6 in the long-term Future income tax liability and of \$0.9 in Retained earnings. For the 12-week period ended July 22, 2007, the impact is not significant.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars, except per share and stock option data, unaudited)

Hedges

Effective April 30, 2007, the Company adopted CICA Handbook Section 3865 "Hedges", which establishes circumstances under which hedge accounting may be applied. The purpose of hedge accounting is to ensure that gains, losses, revenues and expenses related to a hedging item and to the hedged item are recognized in net income in the same period.

As described in Note 4 and Note 23 of the consolidated financial statements included in the 2008 Annual Report, the Company uses interest rate swaps as part of its program for managing the interest rate of its Subordinated unsecured debt. These interest rate swaps have been designated and documented as an effective fair value hedge of the Subordinated unsecured debt. Under the new standard, changes in the fair value of the swaps and the debt are recognized in net income, counterbalancing each other, with the exception of any ineffective portion of the hedging relationship. On the balance sheet, the fair value of the interest swaps is recorded in Other assets if it is favourable for the Company or in Deferred credits and other liabilities if it is unfavourable for the Company.

The Company also designates its entire US dollars denominated long-term debt as a foreign exchange hedge of its net investment in its U.S. self-sustaining subsidiaries. Accordingly, corresponding foreign exchange gains and losses are recorded in Accumulated other comprehensive income in the Shareholders' equity to offset the foreign currency translation adjustments on the investments.

As of April 30, 2007, these changes resulted in an increase of \$14.9 in Deferred credits other long-term liabilities and in a decrease of \$14.9 in Long-term debt.

Comprehensive Income

On April 30, 2007, the Company adopted CICA Handbook Section 1530 "Comprehensive Income". This Section introduces a new financial statement which presents the change in equity of an enterprise from transactions and other events and circumstances from non-owner sources. These transactions include net changes in unrealized gains and losses on translating Canadian and corporate operations into the reporting currency as well as unrealized gains and losses related to changes in the fair value of certain financial instruments that are not recorded in net earnings. These two types of transactions are recorded in Other comprehensive income.

The result of the implementation of this new standard is that, beginning in the first quarter of fiscal 2008, the Company includes, in its consolidated financial statements, a consolidated statement of comprehensive income while the cumulative net changes in other comprehensive income are included in Accumulated other comprehensive income, which is presented as a new category of Shareholders' equity. Consequently, an amount of \$97.8 presented in cumulative translation adjustments as at April 29, 2007 has been reclassified to Accumulated other comprehensive income.

Disclosure and presentation

On April 30, 2007, the Company adopted CICA Handbook Section 3861 "Financial Instruments – Disclosure and Presentation", which replaces Section 3860, of the same name. Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them.

Equity

Effective April 30, 2007, the Company adopted CICA Handbook Section 3251 "Equity", which replaces Section 3250 "Surplus". This new section establishes standards for the presentation of equity and changes in equity during the reporting period and requires the Company to present separately equity components and changes in equity arising from i) net earnings; ii) other comprehensive income; iii) other changes in retained earnings; iv) changes in contributed surplus; v) changes in share capital; and vi) changes in reserves.

3. LONG TERM DEBT

On June 13, 2008, the Company entered into a new credit agreement consisting of a revolving unsecured credit facility of a maximum amount of \$310.0 with an initial maturity, terms and conditions similar to those of the other facility the Company already had as at April 27, 2008 as described in Note 17a) presented in the 2008 Annual Report.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars, except per share and stock option data, unaudited)

4. BUSINESS ACQUISITIONS

Effective April 29, 2008, the Company purchased 15 company-operated stores from Speedway Superamerica LLC. The acquired stores operate under the Speedway banner in central Illinois, United States.

Effective July 8, 2008, the Company purchased 70 company-operated stores from Spirit Energy. The acquired stores operate under the Convenient Food Mart banner in the St. Louis Missouri area and nearby central Illinois area.

These acquisitions were settled for a total cash consideration of \$65.1, including direct acquisition costs. The preliminary allocations of the purchase price of the acquisitions were established based on available information and on the basis of preliminary evaluations and assumptions management believes to be reasonable. Since the Company has not completed its fair value assessment of the net assets acquired for all transactions, the preliminary allocations are subject to adjustments to the fair value of the assets and liabilities until the process is completed. The preliminary allocations are based on the estimated fair values on the dates of acquisition:

	\$
Tangible assets acquired	
Inventories	11.1
Property and equipment	55.6
Other assets	0.4
<u>Total tangible assets</u>	<u>67.1</u>
Liabilities assumed	
Accounts payable and accrued liabilities	1.2
Deferred credits and other liabilities	1.3
<u>Total liabilities</u>	<u>2.5</u>
<u>Net tangible assets acquired</u>	<u>64.6</u>
<u>Goodwill</u>	<u>0.5</u>
<u>Total consideration paid, including direct acquisition costs</u>	<u>65.1</u>

The Company expects that the goodwill related to these transactions will be deductible for tax purposes.

5. NET EARNINGS PER SHARE

	12-week period ended July 20, 2008			12-week period ended July 22, 2007		
	Net earnings \$	Weighted average number of shares (in thousands)	Net earnings per share \$	Net earnings \$	Weighted average number of shares (in thousands)	Net earnings per share \$
Basic net earnings attributable to Class A and B shareholders	47.2	196,727	0.24	69.1	202,599	0.34
Dilutive effect of stock options		3,957	-		5,570	(0.01)
Diluted net earnings available for Class A and B shareholders	<u>47.2</u>	<u>200,684</u>	<u>0.24</u>	69.1	208,169	0.33

A total of 1,599,839 stock options are excluded from the calculation of the diluted net earnings per share due to their antidilutive effect for the 12-week period ended July 20, 2008. There are 610,645 stocks options excluded from the calculation for the 12-week period ended July 22, 2007.

6. CAPITAL STOCK

As at July 20, 2008, the Company has 53,881,212 (56,175,312 as at July 22, 2007) issued and outstanding Class A multiple voting shares each comprising ten votes per share and 142,849,776 (146,641,334 as at July 22, 2007) outstanding Class B subordinate voting shares each comprising one vote per share.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars, except per share and stock option data, unaudited)

7. STOCK-BASED COMPENSATION AND OTHER STOCK-BASED PAYMENTS

As at July 20, 2008, 9,002,239 stock options for the purchase of Class B subordinate voting shares are outstanding (8,820,715 as at July 22, 2007). These stock options can be gradually exercised at various dates until May 15, 2018, at an exercise price varying from Cdn\$2.38 to Cdn\$25.71. Four series of stock options totaling 99,500 stock options at exercise prices ranging from Cdn\$13.88 to Cdn\$15.44 were granted since the beginning of the fiscal year.

For the 12-week period ended July 20, 2008, the stock-based compensation costs amount to \$0.8. For the 12-week period ended July 22, 2007, the stock-based compensation costs amount to \$1.1.

The fair value of stock options granted is estimated at the grant date using the Black & Scholes option pricing model on the basis of the following weighted average assumptions for the stock options granted during the period:

- risk-free interest rate of 3.42%;
- expected life of 8 years;
- expected volatility of 32.0%;
- expected quarterly dividend of Cdn\$0.035 per share.

The weighted average fair value of stock options granted since the beginning of the year is Cdn\$5.63 (Cdn\$10.06 as at July 22, 2007). A description of the Company's stock-based compensation plan is included in Note 20 of the consolidated financial statements presented in the 2008 Annual Report.

8. EMPLOYEE FUTURE BENEFITS

For the 12-week period ended July 20, 2008, the Company's total net pension expense included in its consolidated statement of earnings amounts to \$1.5. For the corresponding 12-week period ended July 22, 2007, the expense is \$1.4. The Company's pension plans are described in Note 21 of the consolidated financial statements presented in the 2008 Annual Report.

9. INCOME TAXES

In the first quarter of fiscal 2009, the Company elaborated a corporate reorganization which took effect on July 31, 2008. Accordingly, a \$8.3 million income tax expense has been recognized during the first quarter while the tax benefits should be recorded during the subsequent periods of the current fiscal year and unwind the effect of the first quarter. The reorganization should also have a positive effect on the upcoming fiscal years income tax rate.

10. SEGMENTED INFORMATION

The Company operates convenience stores in the United States and in Canada. It essentially operates in one reportable segment, the sale of goods for immediate consumption and motor fuel through corporate stores or franchise operations. It operates a convenience store chain under several banners, including Couche-Tard, Mac's and Circle K. Revenues from outside sources mainly fall into two categories: merchandise and services and motor fuel.

The following table provides the information on the principal revenue classes as well as geographic information:

	12-week period ended July 20, 2008			12-week period ended July 22, 2007		
	United States	Canada	Total	United States	Canada	Total
	\$	\$	\$	\$	\$	\$
External customer revenues^(a)						
Merchandise and services	857.8	444.2	1,302.0	838.5	424.1	1,262.6
Motor fuel	2,622.5	394.5	3,017.0	2,022.3	288.6	2,310.9
	3,480.3	838.7	4,319.0	2,860.8	712.7	3,573.5
Gross Profit						
Merchandise and services	277.9	157.5	435.4	273.8	147.5	421.3
Motor fuel	101.0	21.7	122.7	109.5	18.2	127.7
	378.9	179.2	558.1	383.3	165.7	549.0
Property and equipment and goodwill^(a)						
	1,688.1	517.2	2,205.3	1,619.0	497.5	2,116.5

- (a) Geographic areas are determined according to where the Company generates operating income (where the sale takes place) and according to the location of the property and equipment and goodwill.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(in millions of US dollars, except per share and stock option data, unaudited)

11. RECENTLY ISSUED ACCOUNTING STANDARDS NOT YET IMPLEMENTED

Goodwill and Intangible Assets

In February 2008, the CICA issued Handbook Section 3064, "Goodwill and intangible assets", replacing Section 3062, "Goodwill and other intangible assets" and Section 3450, "Research and development costs". Various changes have been made to other sections of the CICA Handbook for consistency purposes. The new Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards relating to goodwill are unchanged from the standards included in the previous Section 3062.

This new standard is applicable to fiscal years beginning on or after October 1, 2008. The Company will implement this standard in its first quarter of fiscal year 2010 but does not expect it will have a material impact on its consolidated financial statements.

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