

FISCAL YEAR 2010

ALIMENTATION COUCHE-TARD INC.
MANAGEMENT DISCUSSION & ANALYSIS
52-week period ended April 25, 2010

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 for fiscal year ended April 25, 2010. More specifically, it aims to let the reader better understand our development strategy, performance in relation to objectives, future expectations and how we address risk and manage our financial resources. This MD&A also provides information to improve the reader's understanding of the consolidated financial statements and related notes. It should therefore be read in conjunction with those documents. By "we", "our", "us" and "the 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). 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 2010 Annual Report (2010 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/corporatif.

Forward-Looking Statements

This MD&A includes certain statements that are "forward-looking statements" within the meaning of the securities laws of Canada and the United States. 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 July 13, 2010, 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" 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. In North America, we are the largest independent convenience store operator (whether integrated with a petroleum company or not) in terms of number of company-operated stores.

Our network is comprised of 5,878 convenience stores throughout North America, including 4,146 stores with motor fuel dispensing. We are present in 11 North American markets, including eight in the United States covering 43 states and the District of Columbia and three in Canada covering all ten provinces. More than 53,000 people are employed throughout our network and at the service offices.

Our mission is to offer our clients outstanding service by developing a customized and friendly relationship while still finding ways to surprise them on a daily basis. In this regard, we strive to meet the demands and needs of our clientele based on their regional requirements. To do so, we offer consumers food and beverage items, 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 comparison of best practices and operational expertise that is enhanced by our experience in the various regions of our network. Our positioning is also a result of our focus on in-store merchandise, as well as our continued investments in our stores.

The convenience store sector is fragmented and in a consolidation phase. Economies of scale are now essential to succeed in this business sector. We are participating in this process through our acquisitions and the market shares we gain when competitors close sites and when we improve our offering. We also believe that it is still possible for industry participants with a good financial position such as ours to maintain sustained growth, especially in the current difficult economic and financing conditions. However, as for acquisitions, they have to be concluded at reasonable conditions in order to create value for our Company and its shareholders. Therefore, we do not favour store count growth to the detriment of profitability. As an example, during the last few years, it has often been more advantageous for the Company to repurchase back its own shares at a lower multiple than some networks that were offered to us.

Fiscal 2010 Overview

Net earnings amounted to \$302.9 million for fiscal 2010, up 19.3% over fiscal 2009 chiefly due to growth of same-store merchandise sales and increased same-store motor fuel volume, acquired stores, sound management of our expenses, a decrease in financial expenses, a non recurring gain on the disposal of shares in Casey's General Stores, Inc. ("Casey's"), the reversal of certain provisions following our final analysis and a lower tax rate. The impact of these elements contributing to the increase in net earnings was partially offset by a 3.09 cent per gallon drop of the motor fuel margin in the US which represents a negative impact of approximately \$75.0 million on fiscal 2010 net earnings, by the drop in our consolidated merchandise and service percent gross margin, and by the difficult economic conditions in some of our markets.

With respect to the gain on disposal of Casey's shares, it amounted to \$11.4 million, net of taxes, an impact of \$0.06 per share on a diluted basis, while the above-mentioned reversal of provisions reached \$3.6 million, net of taxes, or \$0.02 per share on a diluted basis.

Joint venture

On January 6, 2010, we created along with Shell Oil Products US ("Shell"), a joint venture, RDK Ventures LLC ("RDK"), to operate convenience stores in the greater Chicago metropolitan area of the United States. Shell contributed \$40.1 million in property and equipment to the joint venture, while we contributed \$40.1 million in cash. Our interest in the joint venture stands at 50.01%. Company-operated stores are operated by our Midwest Division under the Circle K banner and Shell branded products are sold. Line items from RDK's statement of earnings and balance sheet are reflected in our consolidated financial statements using the proportionate consolidation method.

Business acquisitions

During fiscal 2010, we made the following business acquisitions:

- On May 28, 2009, we purchased 43 company-operated stores in the Phoenix, Arizona region, United-States from ExxonMobil Corporation. We lease the land and buildings related to nine sites, own the building and lease the land for one site, while we own both these assets for the other sites. Under the same transaction, ExxonMobil also transferred to us the "On the Run" trademark rights in the United States as well as 444 franchised stores network operating under this trademark in the United States;
- On January 6, 2010, through RDK, we participated in the acquisition of 100 stores owned by Shell of which 69 stores are company-operated and 31 stores are operated by third party operators. As our interest in RDK is 50.01%, the transaction added 35 company-operated stores to our store count, of which we already operated 32 but did not own the goodwill. RDK leases the land and buildings related to 55 sites, it owns the buildings and leases the land for five sites and it owns both these assets for the other sites;
- On February 16, 2010, we acquired from BP West Coast Products LLC their terminal facilities located in Phoenix, Arizona in the United States. The terminal facilities include 16 storage tanks with a storage capacity of 220,000 barrels. The terminal is approved for 44,000 barrels per day and has access to petroleum products from refineries on the West Coast and in the Gulf Coast region of the United States. Strategically, this acquisition should add efficiencies in Couche-Tard's fuel supply chain servicing its retail network in the region of Phoenix;
- On April 6, 2010, we acquired eight company-operated stores in central North Carolina, United States, from Accel marketing LLC. We own the buildings and land for all eight sites.
- During the fiscal year, we also acquired 16 stores through 12 distinct transactions. We own the land and buildings for eight sites while we lease both these assets for the other eight sites.

From September 24, 2009 to April 8, 2010, we purchased a total of 1,975,362 common shares of Casey's. The weighted average purchase price of these shares was \$31.36 per share, for a total consideration of \$62.0 million, including transaction costs. On April 9, 2010, we publicly submitted a proposal to Casey's Board of Directors to

acquire all of the outstanding shares of common stock (including the associated preferred stock purchase rights) of Casey's for \$36.00 per share, payable in cash. On that same date, we sold 1,975,000 Casey's shares, at a price of \$38.43 per share, for a consideration of \$75.9 million, net of transaction charges, thereby generating a gain of approximately \$13.9 million (net of expenses). On June 2, 2010, we commenced our tender offer to acquire all of the outstanding shares of common stock (including the associated preferred stock purchase rights) of Casey's for \$36.00 per share, payable in cash.

Our offer to acquire Casey's shares represents a 14.0% premium over Casey's closing price of \$31.59 per share on April 8, 2010, the last trading day prior to the public disclosure of our proposal, a 17.0% premium over Casey's 90-calendar day average closing price as of April 8 2010, and a 24.0% premium over Casey's one-year average closing price as of April 8, 2010. The offer also implies a last twelve months (as of January 31, 2010) EBITDA multiple of 7.4x and a price of \$1.3 million per store, which compares favourably to corresponding metrics of publicly-traded companies and previous transactions in the convenience store industry. The transaction has a total enterprise value of approximately \$1.9 billion on a fully diluted basis, including Casey's net debt of approximately \$29.0 million.

Interest swap agreement

During fiscal 2010, the interest rate swap agreement we held as at April 26, 2009 was terminated by the counterparty in exchange for the payment of an amount on their part corresponding to the value of the swap. Following the termination of the agreement, we discontinued hedge accounting. The fair value of the terminated swap that was recorded as part of the Subordinated unsecured debt is amortized using the effective rate method over the remaining portion of the initial term of the hedging relationship. Based on current interest rates, we expect that the termination of the swap will increase our financial expenses by approximately \$3.0 million on an annual basis.

Phantom Stock Units

On May 1, 2009, in replacement of a large portion of the stock option plan program already in place for many years, we adopted a Phantom Stock Unit Plan (the "Plan") for the benefit of our officers and key employees. The new Plan's objective is to better align officers' and key employees' compensation with the Company's performance against its peers. The Plan is antidilutive since it can only be settled in cash. Payment to beneficiaries of the Plan is namely conditional to the achievement by the Company of certain performance objectives compared to certain of its competitors. We do not believe that the new Plan will have a significant impact on our net earnings compared to the replaced portion of the stock option plan program.

Moreover, in order to reduce the risk associated with fluctuations of the fair value of our shares created by the implementation of the new Plan, we entered into a financial agreement with a bank which includes a derivative instrument.

For more details on the new Plan and the financial agreement, please refer to Note 21 of the consolidated financial statements included in the 2010 annual report.

Share repurchase programs

1) Program effective August 8, 2008, which expired August 7, 2009

During fiscal 2010, under this program, we repurchased 3,700 Class A multiple voting shares at an average cost of Cdn\$14.49 and 4,296,000 Class B subordinate voting shares at an average cost of Cdn\$14.63. On a cumulative basis since the implementation of this program, we have repurchased a total of 19,000 Class A multiple voting shares at an average cost of Cdn\$13.43 and 11,779,400 Class B subordinate voting shares at an average cost of Cdn\$13.61.

2) Program effective August 10, 2009, expiring at the latest on August 9, 2010

On August 10, 2009, we implemented a new share repurchase program, to replace the previous program, which allows us to repurchase up to 2,685,370 Class A multiple voting shares (representing 5.0% of the 53,707,412 Class A multiple voting shares issued and outstanding as at July 24, 2009) and up to 12,857,284 Class B subordinate voting shares (representing 10.0% of the 128,572,846 Class B subordinate voting shares of the public float, as defined by applicable rules, as at July 24, 2009). When making such repurchases, the number of issued and outstanding Class A multiple voting shares and Class B subordinate voting shares is reduced and the proportionate interest of the shareholders in the share capital of the Company is increased on a pro rata basis.

We have not repurchased shares since the implementation of this new program. 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 4204 Industrial Boulevard, Laval, Québec, H7L 0E3.

Dividends

During its March 9, 2010 meeting, considering Couche-Tard's good results and strong balance sheet, the Company's Board of Directors (the "Board") decided it was appropriate to amend the quarterly dividend by increasing it by Cdn\$0.005 per share, which thereby corresponds to Cdn\$0.04 per share.

Therefore, during fiscal 2010, the Board approved and declared average dividends of Cdn\$0.036 per share. Additionally, on July 13, 2010, the Board declared, for the fourth quarter of fiscal 2010, a quarterly dividend of Cdn\$0.04 per share to shareholders on record as at July 22, 2010, and approved its payment for July 30, 2010. These are eligible dividends within the meaning of the *Income Tax Act* of Canada.

Outstanding shares and stock options

As at July 9, 2010, Couche-Tard had 53,706,712 Class A multiple voting shares and 131,711,661 Class B subordinate voting shares issued and outstanding. In addition, as at the same date, Couche-Tard had 6,927,650 outstanding stock options for the purchase of Class B subordinate voting shares.

Exchange rate data

The Company's US dollar reporting provides more relevant information given the predominance of its operations in the United States and its debt largely dominated in US dollars.

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		52-week periods ended		
	April 25, 2010	April 26, 2009	April 25, 2010	April 26, 2009	April 27, 2008
Average for period ^(a)	0.9718	0.8020	0.9296	0.8760	0.9773
Period end	1.0009	0.8267	1.0009	0.8267	0.9840

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

As we use the US dollar as our reporting currency, in our consolidated financial statements and in the present document, unless indicated otherwise, results from our Canadian and corporate operations are translated into US dollars using the average rate for the period. Variances and explanations related to variations in the foreign exchange rate and the volatility of the Canadian dollar which we discuss in the present document are therefore related to the translation in US dollars of our Canadian and corporate operations results and do not have a true economic impact on our performance since most of the Company's consolidated revenues and expenses are received or denominated in the functional currency of the markets in which it does business. Accordingly, our sensitivity to variations in foreign exchange rates is economically limited.

Accounting changes

Goodwill and Intangible Assets. On April 27, 2009, the Company adopted Canadian Institute of Chartered Accountants (CICA) Handbook Section 3064 "Goodwill and Intangible Assets", replacing Section 3062 "Goodwill and Other Intangible Assets" and Section 3450 "Research and Development Costs". 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. The adoption of this new Section resulted in the reclassification to Intangibles of certain software previously presented in Property and Equipment.

Accounting Changes. On October 12, 2009, the Company adopted amendments to CICA Section 1506 "Accounting Changes", which exclude from the scope of this Section, changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. The adoption of this new Section had no impact on the Company's consolidated financial statements.

Financial Instruments – Disclosures. On October 12, 2009, the Company adopted amendments to CICA Section 3862 "Financial Instruments - Disclosures" which enhance disclosure requirements about liquidity risk of financial instruments. The amendment also includes new disclosure requirements about fair value measurement of financial instruments. The result of the implementation of this new standard is included in Note 24 of the consolidated financial statements included in the 2010 annual report and had no impact on the Company's consolidated financial statements.

Income Statement Categories

Merchandise and Service Revenues. In-store merchandise revenues are comprised primarily of the sale of tobacco products, beer/wine, grocery items, candy, snacks, various beverages and fresh food offerings, including quick service restaurants (QSRs). Service revenues include fees from automatic teller machines, sales of calling cards and gift cards, revenues from car washes, the commission on sale of lottery tickets and issuance of money orders, fees for cashing cheques as well as sales of postage stamps and bus tickets. Service revenues also include franchise fees, license fees from affiliates and royalties from franchisees.

Motor Fuel Revenues. We include in our revenues the total dollar amount of motor fuel sales, including any imbedded taxes, if we take ownership of the motor fuel inventory. In the United States, in some instances, we purchase motor 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 motor fuel revenues. Where we act as a selling agent for a petroleum distributor, only the commission we earn is recorded as revenue.

Gross Profit. Gross profit consists mainly of revenues less the cost of merchandise and motor fuel sold. Cost of sales is mainly comprised of the specific cost of merchandise and motor 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 motor fuel, it is determined using the average cost method. The gross motor fuel margin for stores generating commissions corresponds to the sales commission.

Operating, Selling, Administrative and General Expenses. The primary components of operating, selling, administrative and general expenses are labour, occupancy costs, electronic payment modes fees, commissions to dealers and overhead and include advertising expenses that are charged to earnings as incurred.

Key performance indicators used by management, which can be found under “Selected Consolidated Financial Information - Other Operating Data”, are merchandise and service gross margin, growth of same-store merchandise revenues, motor fuel gross margin and growth of same-store motor fuel volume.

Summary of changes in our stores during the fourth quarter and fiscal year ended April 25, 2010

The following table presents certain information regarding changes in our stores over the 12-week and 52-week periods ended April 25, 2010:

	12-week period ended April 25, 2010			52-week period ended April 25, 2010		
	Company-operated stores	Affiliated stores	Total	Company-operated stores	Affiliated stores	Total
Number of stores, beginning of period	4,396	1,487	5,883	4,395	1,048	5,443
Acquisitions ⁽¹⁾	15	-	15	70	444	514
Openings / constructions / additions	14	12	26	29	73	102
Closures / withdrawals	(17)	(29)	(46)	(84)	(97)	(181)
Conversions to affiliated stores	-	-	-	(2)	2	-
Number of stores, end of period	4,408	1,470	5,878	4,408	1,470	5,878

(1) Includes our share of the company-operated stores operated by the joint venture created with Shell (50% of the 69 company-operated stores) on January 6, 2010, net of the 32 stores which were already part of our network and which are now operated by the joint venture.

Summary analysis of consolidated results for the fourth quarter of fiscal 2010

The following table highlights certain information regarding our operations for the 12-week periods ended April 25, 2010 and April 26, 2009:

(In millions of US dollars, unless otherwise stated, unaudited)

	12-week period ended	12-week period ended	Change %
	April 25, 2010	April 26, 2009	
Revenues	4,003.5	2,994.0	33.7
Operating income	101.1	62.4	62.0
Net earnings	68.8	38.0	81.1
Selected Operating Data:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	33.0%	33.6%	(0.6)
United States	33.0%	33.6%	(0.6)
Canada	32.9%	33.8%	(0.9)
Growth of same-store merchandise revenues ^{(2) (3)} :			
United States	3.2%	3.3%	
Canada	6.9%	2.8%	
(Decrease) growth of same-store motor fuel volume ⁽³⁾ :			
United States	(0.7%)	(4.1%)	
Canada	4.2%	2.2%	
Motor fuel gross margin ⁽³⁾ :			
United States (cents per gallon)	14.21	11.38	24.9
Canada (Cdn cents per litre)	4.85	5.62	(13.7)

(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.

Revenues

Revenues amounted to \$4.0 billion in the fourth quarter of fiscal 2010, up \$1.0 billion, an increase of 33.7% compared to the fourth quarter of fiscal 2009. The increase is mainly the result of a \$623.0 million rise in motor fuel revenues resulting from a higher average retail price, the \$129.0 million positive impact from a stronger Canadian dollar, a \$61.0 million increase generated by acquisitions as well as the growth of same-store merchandise revenues in the United States and Canada and same-store motor fuel volume in Canada.

Regarding internal growth, as measured by same-store merchandise revenues, it rose by 3.2% in the United States, partly due to the increase in tobacco products retail prices following the increases in taxes on these products. As for the Canadian market, the increase in same-store merchandise revenues was 6.9%. This performance is quite satisfactory considering the difficult economic context. As for the same-store motor fuel volume, it dropped slightly by 0.7% in the United States and increased by 4.2% in Canada.

Gross profit

During the fourth quarter of fiscal 2010, the consolidated merchandise and service gross margin stood at 33.0%, a decrease of 0.6%. In the United States, gross margin was 33.0%, a decrease compared with 33.6% in fiscal 2009. During the fourth quarter of fiscal 2009, our business units in the United States raised tobacco products prices before the tax increase on these products which increased the gross margin. In Canada, the margin fell to 32.9%, a decrease of 0.9% due to a less profitable product mix from a higher proportion of cigarette sales over total sales, which put downward pressure on the percent margin while remaining positive in absolute dollars given the increase in terms of units sold. In both the United States and Canada, revenues and gross margin reflect our merchandising strategy in tune with market competitiveness and economic conditions within each market as well as improved supply terms.

During the fourth quarter of fiscal 2010, the motor fuel gross margin for our company-operated stores in the United States rose 2.83¢ per gallon, from 11.38¢ per gallon in the fourth quarter of fiscal 2009 to 14.21¢ per gallon this quarter. In Canada, the margin fell, reaching Cdn4.85¢ per litre compared with Cdn5.62¢ per litre for the fourth quarter in fiscal 2009.

Operating, selling, administrative and general expenses

For the fourth quarter of fiscal 2010, operating, selling, administrative and general expenses increased by 6.3% compared with the corresponding period the previous fiscal year. These expenses increased by 5.5% because of the appreciation of the Canadian dollar while they increased by 2.4% and 1.9%, respectively due to the increase in electronic payment modes expenses and acquisitions, and decreased by 3.6% due to the non recurring gain on disposal of Casey's shares and by 0.9% due to the reversal of provisions following our final analysis. Excluding these items, expenses increased only by 1.0%. Moreover, excluding expenses related to electronic payment modes for both comparable periods as well as the non recurring gain related to Casey's and the reversal of certain provisions posted

in the fourth quarter of 2010, expenses in proportion to merchandise and services sales represented 30.5% of sales during the fourth quarter of 2010, compared to 31.4% for the same period last fiscal year.

Income taxes

The income tax rate for the fourth quarter of fiscal 2010 is 26.6% compared to a rate of 31.7% for the same quarter of fiscal 2009. The decrease in the rate chiefly reflects the impact of the corporate reorganization put in place during last fiscal year.

Net earnings

We closed the fourth quarter of 2010 with net earnings of \$68.8 million or \$0.37 per share (same on a diluted basis), compared with \$38.0 million for the corresponding period of fiscal 2009, or \$0.20 per share (same on a diluted basis), an increase of \$30.8 million, or 81.1%. The increase mainly reflects a 2.83¢ per gallon increase in the motor fuel gross margin in the United States, higher same-store merchandise sales in Canada and the United States, the contribution of stores acquired, our sound management of operating expenses, the non recurring gain on disposal of Casey's shares, the reversal of certain provisions following our final analysis, as well as a lower income tax rate. These items contributing positively to net earnings were partially offset by a decrease in the consolidated merchandise and service percentage gross margin due to a change in product mix from cigarette sales and an increase in expenses related to electronic payment modes resulting from higher average motor fuel retail prices. The stronger Canadian dollar had a favourable impact on net earnings of \$1.9 million.

The gain on disposal of Casey's shares and the reversal of certain provisions represent an increase of \$0.06 and \$0.02 net earnings per share on a diluted basis, respectively. Excluding these elements, net earnings would have been \$53.8 million or \$0.29 per share on a diluted basis, which represents an increase of \$15.8 million or 41.6%.

Selected Consolidated Financial Information

The following table highlights certain information regarding our operations for the 52-week periods ended April 25, 2010, April 26, 2009 and April 27, 2008:

(In millions of US dollars, unless otherwise stated)

	52-week periods ended		
	April 25, 2010	April 26, 2009	April 27, 2008
Statement of Operations Data:			
Merchandise and service revenues ⁽¹⁾ :			
United States	3,986.0	3,742.6	3,476.3
Canada	1,895.5	1,673.8	1,724.4
Total merchandise and service revenues	5,881.5	5,416.4	5,200.7
Motor fuel revenues:			
United States	8,819.8	8,865.2	8,891.6
Canada	1,738.3	1,499.5	1,277.7
Total motor fuel revenues	10,558.1	10,364.7	10,169.3
Total revenues	16,439.6	15,781.1	15,370.0
Merchandise and service gross profit ⁽¹⁾ :			
United States	1,308.1	1,226.2	1,146.5
Canada	638.3	574.9	601.1
Total merchandise and service gross profit	1,946.4	1,801.1	1,747.6
Motor fuel gross profit:			
United States	488.7	545.6	393.9
Canada	118.2	89.9	82.0
Total motor fuel gross profit	606.9	635.5	475.9
Total gross profit	2,553.3	2,436.6	2,223.5
Operating, selling, administrative and general expenses	1,906.7	1,848.8	1,738.9
Depreciation and amortization of property and equipment and other assets	204.5	183.0	172.5
Operating income	442.1	404.8	312.1
Net earnings	302.9	253.9	189.3
Other Operating Data:			
Merchandise and service gross margin ⁽¹⁾ :			
Consolidated	33.1%	33.3%	33.6%
United States	32.8%	32.8%	33.0%
Canada	33.7%	34.3%	34.9%
Growth of same-store merchandise revenues ^{(2) (3)} :			
United States	2.9%	0.6%	2.5%
Canada	4.8%	2.2%	4.0%
Motor fuel gross margin ⁽³⁾ :			
United States (cents per gallon)	14.46	17.55	13.58
Canada (Cdn cents per litre)	5.31	4.97	5.08
Volume of motor fuel sold ⁽⁴⁾ :			
United States (millions of gallons)	3,484.8	3,214.9	3,019.9
Canada (millions of litres)	2,395.5	2,059.0	1,655.0
Growth (decrease) of same-store motor fuel volume ⁽³⁾ :			
United States	1.0%	(6.4%)	(0.2%)
Canada	3.0%	3.7%	6.3%
Per Share Data:			
Basic net earnings per share (dollars per share)	1.64	1.31	0.94
Diluted net earnings per share (dollars per share)	1.60	1.29	0.92
Balance Sheet Data:			
Total assets	3,696.7	3,255.9	3,320.6
Interest-bearing debt	741.2	749.2	842.2
Shareholders' equity	1,614.3	1,326.0	1,253.7
Ratios			
Net interest-bearing debt/total capitalization ⁽⁵⁾	0.24:1	0.30:1	0.33:1
Net interest-bearing debt/EBITDA ⁽⁶⁾	0.80:1	0.98:1	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.

Analysis of consolidated results for the fiscal year ended April 25, 2010

Revenues

Our revenues amounted to \$16.4 billion in fiscal 2010, up \$658.5 million, an increase of 4.2%, chiefly attributable to a \$796.0 million increase in sales due to acquisitions, the \$194.0 million positive impact of the stronger Canadian dollar and the growth of merchandise revenues and motor fuel volume in both the United States and Canada. The factors contributing to the increase were partially offset by a decrease of \$763.0 million in motor fuel sales due to lower average retail prices.

More specifically, the growth of merchandise and service revenues for fiscal 2010 was \$465.1 million or 8.6%, of which \$206.0 million was generated by acquisitions and \$102.0 million by a stronger Canadian dollar. Internal growth, as measured by the growth in same-store merchandise revenues, was 2.9% in the United States partly due to the higher retail price of tobacco products as a result of higher taxes on these products, while it stood at 4.8% in Canada. These performances were satisfactory considering the difficult economic context and reflect our business units' ability to put forward a product mix allowing them to maintain revenues despite such economic conditions.

Motor fuel revenues increased by \$193.4 million or 1.9% in fiscal 2010, of which \$589.0 million or 220.8 million gallons stem from acquisitions, which further adds to the \$92.0 million increase in revenues from the appreciation of the Canadian dollar against its US counterpart. Same-store motor fuel volume grew by 1.0% in the United States and 3.0% in Canada. Revenues dropped by \$763.0 million due to a lower average retail price at the pump, as shown in the following table:

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 25, 2010					
United States (US dollars per gallon)	2.41	2.48	2.59	2.71	2.55
Canada (Cdn cents per litre)	88.80	89.24	90.00	92.36	90.07
52-week period ended April 26, 2009					
United States (US dollars per gallon)	3.91	3.67	2.00	1.95	2.78
Canada (Cdn cents per litre)	122.66	114.37	78.05	78.67	95.63

Gross profit

The consolidated merchandise and service gross margin was 33.1% in fiscal 2010. In the United States, the gross margin was 32.8%, the same as fiscal 2009. In Canada, the margin fell 0.6% to 33.7% due to a larger portion of cigarette sales in the product mix, which put downward pressure on the percent margin while remaining positive in absolute dollars given the increase in terms of units sold. Additionally, the margin for fiscal 2010 in Canada compares to that of fiscal 2009 which benefited from non recurring adjustments related to obligations towards dealers in the Western Canada division as well as from retroactive adjustments to certain suppliers rebates. Finally, in both the United States and Canada, revenues and gross margin reflect Couche-Tard's merchandising strategy in tune with market competitiveness and economic conditions within each market as well as improved supply terms.

The motor fuel gross margin for our company-operated stores in the United States dropped by 3.09¢ per gallon, from 17.55¢ per gallon last year to 14.46¢ per gallon this year, a 17.6% decrease. In Canada, the gross margin rose to Cdn5.31¢ per litre compared with Cdn4.97¢ per litre in fiscal 2009. Contrary to the average motor fuel margin in fiscal 2009 which was unusually high in the United States, the margin for fiscal 2010 is closer to expectations based on historical margins. 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, starting with the first quarter of fiscal year ending April 26, 2009, were as follows:

(US cents per gallon)

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 25, 2010					
Before deduction of expenses related to electronic payment modes	15.43	15.78	12.88	14.21	14.46
Expenses related to electronic payment modes	3.56	3.79	3.85	4.14	3.83
After deduction of expenses related to electronic payment modes	11.87	11.99	9.03	10.07	10.63
52-week period ended April 26, 2009					
Before deduction of expenses related to electronic payment modes	15.55	24.88	18.21	11.38	17.55
Expenses related to electronic payment modes	5.07	4.94	3.15	3.10	3.96
After deduction of expenses related to electronic payment modes	10.48	19.94	15.06	8.28	13.59

Operating, selling, administrative and general expenses

For fiscal 2010, operating, selling, administrative and general expenses increased by 3.1% compared with fiscal 2009. These expenses increased by 4.8% and 1.6%, respectively because of acquisitions and the appreciation of the Canadian dollar, while they decreased by 0.8% due to the non recurring gain on disposal of Casey's shares and by 0.2% due to the reversal of provisions following our final analysis. Excluding these items, expenses decreased by 2.1%. Moreover, excluding expenses related to electronic payment modes for both comparable periods as well as the non recurring gain related to Casey's and the reversal of certain provisions posted in fiscal 2010, expenses in proportion to merchandise and services sales represented 29.8% of sales during fiscal 2010, compared to 31.1% in fiscal 2009.

This excellent performance reflects our prudent management of controllable expenses as well as sustainable cost reduction measures we have put in place. This performance is quite satisfactory, especially considering that expenses, in proportion of merchandise and service revenues, have decreased for a fifth consecutive quarter, without affecting the service we offer our clients.

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

EBITDA was \$646.6 million, up 10.0% compared with fiscal 2009. Acquisitions account for \$28.1 million of this amount.

It should be noted that EBITDA is not a performance measure defined by Canadian GAAP, but we, as well as investors and analysts, use this measure to evaluate the Company's financial and operating performance. Note that our definition of this measure may differ from the one used by other public companies:

(in millions of US dollars)	52-week periods ended	
	April 25, 2010	April 26, 2009
Net earnings, as reported	302.9	253.9
Add:		
Income taxes	109.3	114.7
Financial expenses	29.9	36.2
Depreciation and amortization of property and equipment and other assets	204.5	183.0
EBITDA	646.6	587.8

Depreciation and amortization of property and equipment and other assets

For fiscal year 2010, the depreciation expense increased due to the investments made through acquisitions, replacement of equipment and the ongoing improvement of our network.

Financial expenses

Financial expenses were down \$6.3 million compared with fiscal 2009. This decrease is chiefly the result of the reduction in our average interest rates.

Income taxes

The income tax rate for fiscal year 2010 is 26.5% compared to 31.1% for fiscal 2009. The rate decrease reflects the corporate reorganization put in place during last fiscal year as well as rate adjustments from the comparison of estimated income tax expense to the actual income tax expense following preparation of income tax returns for fiscal 2009.

Net earnings

We closed fiscal 2010 with net earnings of \$302.9 million, which equals \$1.64 per share or \$1.60 per share on a diluted basis compared with \$253.9 million last year (\$1.29 per share on a diluted basis), an increase of \$49.0 million or 19.3%, despite the impact of the 3.09¢ per gallon decrease in the motor fuel gross margin in the United States which corresponds to a drop of approximately \$75.0 million (\$0.40 per share on a diluted basis) in net earnings. With respect to the gain of disposal of Casey's shares and the reversal of non recurring provisions, they respectively account for an increase of net earnings of \$0.06 and \$0.02 per share on a diluted basis. Excluding these items, net earnings would have been \$287.9 million or \$1.52 per share on a diluted basis, which corresponds to an increase of \$34.0 million or 13.4%. As for the stronger Canadian dollar, it had a favourable impact on net earnings of \$1.5 million.

Financial Position as at April 25, 2010

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

Our total consolidated assets stood at \$3.7 billion as at April 25, 2010, up \$440.8 million compared with April 26, 2009. This increase is chiefly the result of five factors:

1. The increase in property and equipment mainly resulting from the acquisition of stores;
2. The increase of in-store merchandise inventory due to a greater number of stores;
3. The increase in motor fuel inventory due to a higher product cost as compared to that at the end of fiscal 2009 and a greater number of stores selling motor fuel;
4. The increase in credit and debit cards receivables driven by higher motor fuel retail price as compared to that at the end of fiscal 2009 as well as the increase in supplier rebates receivable following the increase in merchandise inventories; and
5. An overall increase in Canadian and corporate operations assets once translated in US dollars due to a stronger Canadian dollar as at the balance sheet date.

Shareholders' equity was \$1.6 billion as at April 25, 2010, up \$288.3 million resulting mainly from net earnings of \$302.9 million and the \$62.4 increase in accumulated other comprehensive income largely due to exchange rate fluctuations, partially offset by the repurchase and cancellation of shares totalling \$56.4 million and \$25.1 million in dividends paid. The net interest-bearing debt to total capitalization ratio stood at 0.24:1 versus 0.30:1 as at April 26, 2009.

Liquidity and Capital Resources

Our principal sources of liquidity are net cash provided by operating activities and our credit facilities. Our principal uses of cash are to finance our acquisitions and capital expenditures, pay dividends, meet debt service requirements and provide for working capital. We expect that cash available from operations together with borrowings available under our revolving unsecured credit facilities as well as potential sale and leaseback transactions will be adequate to meet our liquidity needs in the foreseeable future, barring potential large acquisitions that may require additional sources of financing.

We have three credit agreements consisting of revolving unsecured credit facilities, each having a maximum amount of \$650.0 million, \$310.0 million and \$40.0 million. The credit facilities will mature September 22, 2012 and are available in the following forms:

- term revolving unsecured operating credits, available i) in Canadian dollars, ii) in US dollars, iii) in the form of Canadian dollars bankers' acceptances, with stamping fees and iv) in the form of standby letters of credit not exceeding \$50.0 million or the equivalent in Canadian dollars, with applicable fees. Depending on the form and the currency of the loan, the amounts borrowed bear interest at variable rates based on the Canadian prime rate, the banker's acceptance rate, the US base rate or the LIBOR rate plus a variable margin; and
- unsecured lines of credit in the maximum amount of \$50.0 million, available in Canadian or US dollars, bearing interest at variable rates based, depending on the form and the currency of the loan, on the Canadian prime rate, the US prime rate or the US base rate plus a variable margin.

Under these credit agreements, we must maintain certain financial ratios and comply with certain restrictive covenants.

As at April 25, 2010, approximately \$622.0 million were available under the terms of the credit agreements and we were in compliance with the restrictive covenants and ratios imposed by the credit agreements at that date.

Selected Consolidated Cash Flow Information

(in millions of US dollars)

	52-week period ended	52-week period ended	Change
	April 25, 2010	April 26, 2009	
Operating activities			
Cash flows ⁽¹⁾	\$	\$	\$
Cash flows ⁽¹⁾	504.0	450.1	53.9
Other	(13.2)	52.7	(65.9)
Net cash provided by operating activities	490.8	502.8	(12.0)
Investing activities			
Purchase of property and equipment and other assets, net of proceeds from the disposal of property and equipment	(202.4)	(235.6)	33.2
Business acquisitions	(156.1)	(80.8)	(75.3)
Disposal of an investment in publicly-traded securities	75.9	-	75.9
Investment in publicly-traded securities	(62.0)	-	(62.0)
Proceeds from sale and leaseback transactions	11.1	19.8	(8.7)
Net cash used in investing activities	(333.5)	(296.6)	(36.9)
Financing activities			
Share repurchase	(56.4)	(99.5)	43.1
Net decrease in long-term debt	(46.7)	(116.5)	69.8
Cash dividends paid	(25.1)	(24.1)	(1.0)
Interest rate swap early termination fees received	2.5	9.4	(6.9)
Issuance of shares	2.5	1.8	0.7
Net cash used in financing activities	(123.2)	(228.9)	105.7
Company credit rating			
Standard and Poor's	BB+	BB+	
Moody's ⁽²⁾	Ba1	Ba1	

(1) These cash flows are presented for information purposes only and represent a performance measure used especially in financial circles. They represent net earnings plus depreciation and amortization, loss (gain) on disposal of property and equipment 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.

(2) Represents the last published corporate credit rating as attributed to Couche-Tard by Moody's. During the third quarter of fiscal 2010, Moody's indicated that it would cease to attribute corporate credit ratings to Couche-Tard given the fact that it no longer considers the Company as a speculative grade issuer.

Operating activities

During fiscal 2010, net cash from store operations reached \$490.8 million, down \$12.0 million from fiscal year 2009 mainly due to changes in working capital, partially offset by higher net earnings. The negative variance in the working capital is partly due to an increase in debit and credit card receivables and higher motor fuel inventory, resulting respectively from increased retail price and cost of motor fuel.

Investing activities

During fiscal 2010, our investing activities were primarily for capital expenditures and acquisition, including acquisition of company-operated stores, our investments in RDK and in a fuel terminal facilities in Phoenix, Arizona. Capital expenditures were primarily for the replacement of equipment in some of our company-operated stores to enhance their offering of products and services and to comply with regulations, the addition of new stores as well as the ongoing improvement of our network. In addition, we paid out \$62.0 million for the purchase of Casey's shares and cashed \$75.9 million following the disposal of these shares.

Financing activities

During fiscal year 2010, the decrease in long term debt amounted to \$46.7 million, while we repurchased shares for a total amount of \$56.4 million. In addition, we paid out \$25.1 million in dividends and cashed \$2.5 million from a bank pursuant to their early termination of an interest rate swap agreement.

Contractual Obligations and Commercial Commitments

Set out below is a summary of our material contractual cash obligations as at April 25, 2010 ⁽¹⁾:

	2011	2012	2013	2014	2015	Thereafter	Total
	(in millions of US dollars US)						
Long-term debt ⁽²⁾	0.3	0.3	350.4	350.4	0.4	2.5	704.3
Capital lease obligations	6.3	4.2	27.7	1.7	1.2	0.5	41.6
Operating lease obligations	242.8	228.4	211.8	188.5	175.4	1,474.8	2,521.7
Purchase commitments	0.8	-	-	-	-	-	0.8
Total	250.2	232.9	589.9	540.6	177.0	1,477.8	3,268.4

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

(2) Does not include future interest payments.

Long-Term Debt. As at April 25, 2010, our long-term debt reached \$741.2 million, the details of which are as follows:

- i) Term revolving unsecured operating credits of \$350.0 million (\$273.0 million for the US dollar portion and \$77.0 million for the Canadian dollar portion). The weighted average effective interest rate was 0.86% for the US dollar portion and 1.05% for the Canadian dollar portion. Standby letters of credit in the amount of Cdn\$0.9 million and \$26.6 million were outstanding as at April 25, 2010.
- ii) Subordinated unsecured debt of \$351.7 million (nominal value amounting to \$350.0), net of attributable financing costs of \$8.0 million, adjusted of amounts received for the early termination of interest rate swap agreements which are amortized over the remaining term of the debt using the effective rate method), bearing interest at the effective rate of 7.35% and maturing December 15, 2013;
- iii) Other long-term debts of \$39.5 million, including some obligations under capital leases.

Capital Lease Obligations. Some capital leases were assumed in connection with certain acquisitions and we had to assume some more capital leases during the previous fiscal years. These obligations and related assets are included in our consolidated balance sheets.

Operating Lease Obligations. We lease an important portion of our real estate using conventional operating leases. Generally our real estate leases in Canada are for primary terms of five to ten years and in the United States, they are for ten to 20 years, in both cases, with options to renew. These obligations and related assets are not included in our consolidated balance sheets. Under certain of the store leases, we are subject to additional rentals based on store revenues as well as future escalations in the minimum lease amount.

Contingencies. In the normal course of business, we are involved in many legal disputes and claims regarding the manner in which we conduct our business. We believe that such claims and disputes are unfounded. It is our opinion that any disbursement resulting from such proceedings will not significantly impact the Company's results and financial position.

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, are 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.

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

Off-Balance Sheet Arrangements

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

Selected Quarterly Financial Information

The Company's 52-week reporting cycle is divided into quarters of 12 weeks each except for the third quarter, which comprises 16 weeks. When a fiscal year, such as 2006, contains 53 weeks, the fourth quarter comprises 13 weeks. The following is a summary of selected consolidated financial information derived from the Company's unaudited interim consolidated financial statements for each of the eight most recently completed quarters. This information was prepared in accordance with Canadian GAAP and is reported in US dollars.

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

Quarter	52-week period ended April 25, 2010				52-week period ended April 26, 2009			
	4 th	3 rd	2 nd	1 st	4 th	3 rd	2 nd	1 st
Weeks	12 weeks	16 weeks	12 weeks	12 weeks	12 weeks	16 weeks	12 weeks	12 weeks
Revenues	4,003.5	4,935.2	3,825.8	3,675.1	2,994.0	3,911.7	4,556.4	4,319.0
Earnings before depreciation and amortization of property and equipment and other assets, financial expenses and income taxes	150.5	141.3	176.4	178.4	105.0	168.1	179.7	135.0
Depreciation and amortization of property and equipment and other assets	49.4	63.2	46.9	45.0	42.6	56.4	41.1	42.9
Operating income	101.1	78.1	129.5	133.4	62.4	111.7	138.6	92.1
Financial expenses	7.4	8.6	7.0	6.9	6.8	10.3	9.3	9.8
Net earnings	68.8	54.8	88.2	91.1	38.0	71.1	97.6	47.2
Net earnings per share								
Basic	\$0.37	\$0.30	\$0.48	\$0.49	\$0.20	\$0.37	\$0.50	\$0.24
Diluted	\$0.37	\$0.29	\$0.47	\$0.48	\$0.20	\$0.36	\$0.49	\$0.24

The influences of the volatility of motor fuel gross margin and seasonality have an impact on the variability of our quarterly net earnings. Given the acquisitions in recent years and higher retail prices at the pump, motor fuel revenues have become a more significant segment of our business and therefore our results are more sensitive to the volatility of motor fuel gross margins. However, the majority of our operating income is still derived from merchandise and service sales.

Analysis of consolidated results for the fiscal year ended April 26, 2009

Revenues

Our revenues amounted to \$15.8 billion in fiscal 2009, up \$411.1 million, an increase of 2.7%, of which \$1.6 billion was attributable to acquisitions, further complemented by the growth of same-store merchandise revenues in the United States and Canada, as well as the growth in same-store motor fuel volume in Canada. These positive items were partially offset by a drop in same-store motor fuel volumes in the United States, a \$411.0 million decrease in revenues related to the drop in motor fuel retail price as compared to fiscal 2008, and the \$310.6 million decrease created by the weakening Canadian dollar. The proportion of our business in the United States was 79.9% compared with 80.5% in fiscal 2008.

More specifically, the growth of merchandise and service revenues for fiscal 2009 was \$215.7 million or 4.1%, of which \$335.3 million was generated by acquisitions, partially offset by the \$170.5 million decrease related to the depreciation of the Canadian dollar against its US counterpart. Internal growth, as measured by the growth in same-store merchandise revenues, was 0.6% in the United States and 2.2% in Canada. Growth in the United States was chiefly due to the positive effect of the federal tax increase on tobacco products during the fourth quarter of fiscal 2009, as well as the ability of our business units to put forward a product mix allowing them to maintain revenues as well as gross margin. These growth factors were partially offset by the impact of poor economic conditions in certain US markets. As for the Canadian market, the internal growth was mainly due to our merchandising strategy.

Motor fuel revenues increased \$195.4 million or 1.9% in fiscal 2009, of which \$1.2 billion or 463.1 million of gallons stemmed from acquisitions. This increase was partially offset by a \$411.0 million drop in motor fuel revenues due to a higher average retail price at the pump in our US and Canadian company-operated stores, as shown in the following table:

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 26, 2009					
United States (US dollars per gallon)	3.91	3.67	2.00	1.95	2.78
Canada (Cdn cents per litre)	122.66	114.37	78.05	78.67	95.63
52-week period ended April 27, 2008					
United States (US dollars per gallon)	2.98	2.73	2.96	3.22	2.97
Canada (Cdn cents per litre)	98.49	92.35	95.92	103.69	97.43

The same-store motor fuel volume fell 6.4% in the United States and rose 3.7% in Canada. In the United States, the decrease was not only due to poor economic conditions affecting some business units but also to the overall decline in consumer demand resulting from the sharp increase in retail prices at the pump during the first half of fiscal 2009. The depreciation of the Canadian dollar against its US counterpart accounted for a decrease in revenues of \$140.1 million.

Gross profit

The merchandise and service gross margin was 33.3% in fiscal 2009, down 0.3% compared with 33.6% in fiscal 2008. In the United States, the gross margin was 32.8%, a slight decrease from 33.0% in fiscal 2008. In Canada, the margin fell 0.6% to 34.3%. This drop in the consolidated gross margin was due to three factors: 1) some recent acquisitions posted a lower gross margin than the existing network thereby lowering the overall gross margin; 2) a merchandising strategy in tune with market competitiveness and economic conditions within each market; 3) a normal increase in inventory spoilage resulting from our strategy to boost our offer of fresh products in stores. In addition to these factors, the gross margin in the United States benefited from non recurring stock gains due to the retail price increase of tobacco products in anticipation of the federal tax increase on these products at the end of fiscal 2009.

The motor fuel gross margin for our company-operated stores in the United States increased 3.97¢ per gallon, from 13.58¢ per gallon in fiscal 2008 to 17.55¢ per gallon in 2009. In Canada, the gross margin dropped slightly, reaching Cdn4.97¢ per litre compared with Cdn5.08¢ 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 before the end of fiscal 2009 were as follows:

(US cents per gallon)

Quarter	1 st	2 nd	3 rd	4 th	Weighted average
52-week period ended April 26, 2009					
Before deduction of expenses related to electronic payment modes	15.55	24.88	18.21	11.38	17.55
Expenses related to electronic payment modes	5.07	4.94	3.15	3.10	3.96
After deduction of expenses related to electronic payment modes	10.48	19.94	15.06	8.28	13.59
52-week period ended April 27, 2008					
Before deduction of expenses related to electronic payment modes	16.73	13.04	14.38	10.02	13.58
Expenses related to electronic payment modes	4.15	3.82	3.98	4.02	3.99
After deduction of expenses related to electronic payment modes	12.58	9.22	10.40	6.00	9.59

Operating, selling, administrative and general expenses

For fiscal 2009, operating, selling, administrative and general expenses rose by 6.3% compared with fiscal 2008. Expenses increased by 8.0% because of acquisitions while they decreased by 2.9% because of the weakening Canadian dollar and 0.4% because of the decrease in electronic payment modes expenses. The remaining variance of 1.6% was mainly due to a normal increase in operating expenses caused by inflation, partially offset by our management of other controllable expenses.

Depreciation and amortization of property and equipment and other assets

For fiscal year 2009, the depreciation expense increased because of the investments made through acquisitions and the ongoing improvement of our network, partially offset by the impact of sale and leaseback transactions completed during fiscal 2008.

Financial expenses

Financial expenses were down \$18.4 million compared with fiscal 2008. This decrease was due to the combined reduction in our average borrowings and interest rates.

Income taxes

The income tax rate for fiscal year 2009 was 31.1% compared to 26.5% for fiscal 2008 which was positively impacted by the reversal of the unusual income tax expense related to Bill 15. Excluding this unusual item, the income tax rate for fiscal year 2008 would have been 30.3%. As for the fiscal 2009 income tax rate, it was negatively affected by a non recurring income tax expense related to a corporate reorganization undertaken in the second quarter as well as a less advantageous apportionment of taxable income among the various jurisdictions that have different income tax rates.

Net earnings

We closed fiscal 2009 with net earnings of \$253.9 million, which equals \$1.31 per share or \$1.29 per share on a diluted basis compared with \$189.3 million in fiscal 2008 (\$0.92 per share on a diluted basis), an increase of \$64.6 million or 34.1%.

Internal Controls

We maintain a system of internal controls over financial reporting designed to safeguard assets and ensure that financial information is reliable. We undertake ongoing evaluations of the effectiveness of internal controls over financial reporting and implement control enhancements, when appropriate. As at April 25, 2010, our management and our external auditors reported that these internal controls were effective.

We also maintain a system of disclosure controls and procedures designed to ensure the reliability, completeness and timeliness of the information we disclose in this MD&A and other public disclosure documents, by taking into account materiality. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company 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 the Company's management, including its Chief Executive Officer and its Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Critical Accounting Policies and Estimates

Estimates. This MD&A is based on Couche-Tard's consolidated financial statements, which have been prepared in accordance with Canadian GAAP. These principles require us to make certain estimates and assumptions that affect our financial position and results of operations as reflected in our financial statements. On an ongoing basis, we review our estimates, including those relating to supplier rebates, environmental costs, income taxes, lease accounting and asset retirement obligations based on available information. These estimates are based on our best knowledge of current events and actions that the Company may undertake in the future. Actual results may differ from the estimates.

Inventory. Our inventory is comprised mainly of products purchased for resale including tobacco products, grocery items, beverages, packaged and fresh food products, other products and services and motor fuel. Inventories are valued at the lesser of cost and net realizable value. Cost of merchandise - distribution centres is determined according to the first-in first-out method, the cost of merchandise - retail is valued based on the retail price less a normal margin and the cost of motor fuel inventory is 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 the estimated undiscounted future cash flows generated by their use and eventual disposal. Should the carrying amount of long-lived assets exceed their fair value, 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 Intangibles 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, we use estimates and assumptions to establish the fair value of our reporting units and intangible assets. If these assumptions and estimates prove to be incorrect, the carrying value of our goodwill or intangibles may be overstated. Our annual impairment test is performed in the first quarter of each fiscal year.

Environmental Matters. We provide for estimated future site remediation costs to meet government standards for known site contamination 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 contamination, location of sites and the experience of the contractors that perform the environmental assessments and remediation work.

In each of the US states in which we operate, with the exception of Michigan, Iowa, Florida, Arizona, Texas and Washington State, there is a state fund to cover the cost of certain environmental remediation activities after 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 contamination to the environment caused by the usage of underground motor fuel equipment. Underground motor fuel storage tank registration fees and/or a motor fuel tax in each of the states finance the trust funds. We pay the annual registration fees and remit the sales taxes to the applicable states where we are a member of the trust fund. Insurance coverage is different in the various states.

Income Taxes. Future income tax assets and liabilities are recognized for the future income tax consequences attributable to temporary differences between the financial statement carrying values of assets and liabilities and their respective income tax bases. Future income tax assets or liabilities are measured using enacted or substantively enacted income tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The calculation of current and future income taxes requires management to make estimates and assumptions and to exercise a certain amount of judgment regarding the financial statement carrying values of assets and liabilities which are subject to accounting estimates inherent in those balances, the interpretation of income tax legislation across various jurisdictions, expectations about future operating results and the timing of reversal of temporary differences and possible audits of tax filings by the regulatory authorities. Management believes it has adequately provided for income taxes based on current available information.

Changes or differences in these estimates or assumptions may result in changes to the current or future income tax balances on the consolidated balance sheets, a charge or credit to income tax expense in the consolidated statement of earnings and may result in cash payments or receipts.

Insurance and Workers' Compensation. We use a combination of insurance, self-insured retention, and self-insurance for a number of risks including workers' compensation (in certain states), property damages, and general liability claims. Accruals for loss incidences are made based on our claims experience and actuarial assumptions followed in the insurance industry. A material revision to our liability could result from a significant change to our claims experience or the actuarial assumptions of our insurers. Actual losses could differ from accrued amounts. Workers' compensation is covered by government-imposed insurance in Canada and by third-party insurance in our United States operations, except in certain states where we are self-insured. With respect to the third-party insurance in the United States, independent actuarial estimates of the aggregate liabilities for claims incurred serve as a basis for our share of workers' compensation losses.

Recently Issued Accounting Standards

On February 13, 2008, the Accounting Standards Board ("AcSB") issued a news release confirming that publicly accountable enterprises will be required to apply International Financial Reporting Standards ("IFRS") in 2011. We will therefore adopt IFRS on April 25, 2011.

Since we will adopt IFRS on April 25, 2011, new Canadian GAAP standards that will be effective on or after that date are not disclosed as future accounting changes because we don't expect to apply them.

Business Risks

Couche-Tard is constantly looking to control and improve its 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 the Company's objectives and its ensuing performance.

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

Motor fuel. We are sensitive to the changes in the motor fuel retail price and gross margin. Factors beyond our control such as changing supply terms, motor fuel price fluctuations due, among other things, to general political and economic conditions, as well as the market's limited ability to absorb motor fuel retail price fluctuations are all factors that could influence the motor fuel retail price and related gross margin. During fiscal 2010, motor fuel sales accounted for approximately 64.0% of our total revenue, yet the motor fuel gross margin represented only about 24.0% of our overall gross profits. In fiscal 2010, a change of one cent per gallon would have resulted in a change of approximately \$41.0 million in the motor fuel gross profit, with a corresponding impact on net earnings of \$0.16 per share on a diluted basis for company-operated stores. To react as promptly as possible to motor fuel retail price fluctuations, we implemented a price management policy and entered into commercial agreements that guarantee supply consistency to a certain extent.

Electronic payment modes. We are exposed to significant fluctuations in expenses related to electronic payment modes resulting from large increases in motor fuel retail prices particularly in our US markets because the majority of this expense is based on a percentage of the retail prices of motor fuel. For example, for fiscal 2010, for each ten-cent increase in the retail price of a gallon of motor fuel, the expense associated with electronic payment modes would have increased by approximately \$5.3 million, with a corresponding impact on net earnings of \$0.02 per share on a diluted basis. We regularly analyze various opportunities that would allow us to mitigate the risks associated with expenses related to electronic payment modes.

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. Accordingly, we keep apprised of client needs and maintain an innovative approach to marketing and promotional campaigns. We have operations in the Southeast and Westcoast regions of the United States and although these regions are generally known for their mild weather, these regions are susceptible to severe storms including hurricanes as well as earthquakes in the Westcoast region and other natural disasters.

Economic conditions. Our revenues may be negatively influenced by changes in regional 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. While it is not feasible to determine the breadth or length of recessions, we adjust our merchandising strategies to economic conditions and promote constant innovation in commercial practices while maintaining tight control over our expenses and balance sheet.

Tobacco products. Tobacco products represent our largest product category of merchandise and service revenues. For fiscal 2010, revenues of tobacco products were approximately 41.0% of total merchandise and service revenues. Significant increases in wholesale cigarette costs and a tax increase on tobacco products, as well as current and future legislation and national and local campaigns to discourage smoking in the United States and Canada, may have an adverse effect on the demand for tobacco products, and therefore reduce our revenues and profits in light of the competitive landscape and consumer sensitivity to the price of such products.

In addition, we sell brands of cigarettes that are manufactured to be sold by the Company on an exclusive basis and we could be sued for health problems caused by the use of tobacco products. In fact, various health-related legal actions, proceedings and claims arising out of the sale, distribution, manufacture, development, advertising and marketing of cigarettes have been brought against vendors of tobacco products. Any unfavourable verdict against us in an health-related suit could adversely affect our financial condition and ability to pay interest and principal on our debts. As per accounting standards, we have not established any reserves for the payment of expenses or adverse results related to any potential health-related litigation.

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, local pharmacies and pharmacy chains. Over the years, we expanded our network by selecting choice locations while developing an expertise in our market niche, namely by investing in the improvement of our stores, further supported by merchandising strategies tailored to our various markets. These strategies are driven by a diversified selection of proprietary brand products, loyalty programs for clients as well as special focus on customer service in order to secure a competitive advantage. Accordingly, we keep a close eye on competitors, changes in market trends and our market share towards reacting in a timely manner and maintaining our competitive position. We believe the choice location of our stores make it more difficult for new competitors to penetrate our market.

Environment. Our operations are subject to a variety of environmental laws and regulations, including those relating to emissions to the air, discharges into water, releases of hazardous and toxic substances and remediation of contaminated sites. Under various federal, 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 stores or our former stores, whether or not we knew of, or were responsible for, the presence of such contamination. In this respect, we proactively seek means to limit the environmental impact of our activities and adopt sustainable processes. We regularly monitor our facilities for environmental contamination and take reserves on our financial statements to cover potential environmental remediation and compliance costs, as we consider appropriate.

In each of the US states in which we operate, except Michigan, Iowa, Florida, Arizona, Texas and Washington State, there is a state fund to cover the cost of certain rehabilitation and removing of motor fuel tanks. These state funds provide insurance for motor fuel facilities operations to cover the cost of cleaning up contamination to the environment caused by the usage of underground motor fuel equipment. Underground motor fuel storage tank registration fees and a motor fuel tax in each of the states finance the trust funds. We pay the registration fees and remit the sales taxes to the states where we are a member of the trust fund. Insurance coverage is different in the various states.

Acquisitions. Acquisitions have been a significant part of our growth strategy. We expect to continue to selectively seek strategic acquisitions in the future. Our ability to consummate and to integrate effectively any future acquisitions on terms that are favourable to us may be limited by the number of attractive acquisition targets, internal demands on our resources and, to the extent necessary, our ability to obtain financing on satisfactory terms for larger acquisitions, if at all. Although we have historically performed a due diligence investigation of the businesses or assets that we acquire and anticipate continuing to do so for future acquisitions, there may be liabilities of the acquired business or assets that we fail to uncover during our due diligence investigation and for which we, as a successor

owner, may be responsible. When feasible, we seek to minimize the impact of these types of potential liabilities by obtaining indemnities and warranties from the seller, which may in some instances be supported by deferring payment of a portion of the purchase price.

Legislative and regulatory requirements. Our business and properties are subject to governmental laws and regulations including, but not limited to, employment laws and regulations, regulations governing the sale of alcohol and tobacco, minimum wage requirements and other laws and regulations such as applicable tax laws and regulations. Any change in the legislation or regulations described above that is adverse to our properties and us could affect our operating and financial performance.

Interest rates. The Company is exposed to interest rate fluctuations associated with changes in the short-term interest rate. We carry a debt, \$350.0 million of which bears interest at floating rates. By applying interest rates as they were in effect on April 25, 2010 to our current debt, our total interest expense would be approximately \$32.5 million. A one-percentage point increase in interest rates would increase our total annual interest expense by \$3.5 million or \$0.01 per share on a diluted basis. We do not currently use derivative instruments to mitigate this risk. However, we regularly analyze our interest rate exposure. Various scenarios are simulated, including refinancing, the renewal of existing positions, alternative loans and hedges as well as our ability to deal with interest rate fluctuations.

Liquidity. Liquidity risk is the risk that we will encounter difficulties in meeting our obligations associated with financial liabilities and lease commitments. We are exposed to this risk mainly through our long-term debt, accounts payable and accrued expenses and our lease agreements. Our liquidities are provided mainly by cash flows from operating activities, borrowings available under our revolving credit facilities as well as potential sale and leaseback transactions.

On an ongoing basis, we monitor rolling forecasts of our liquidity reserve on the basis of expected cash flows taking into account operating needs, tax situation and capital requirements and ensure that we have sufficient flexibility under our available liquidity resources to meet our obligations. As at April 25, 2010, \$1.0 billion are available under our credit facilities of which \$622.0 million were unused. These credit facilities will mature only in September 2012.

Lawsuits. In the ordinary course of business, Couche-Tard is a defendant in a number of legal proceedings, suits, and claims common to companies engaged in retail business. We mitigate this risk through available insurance coverage, among others. We regularly monitor lawsuits and create reserves, as needed, in our financial results to cover potential estimated cost.

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. Some types of losses, such as losses resulting from wars, acts of terrorism, or natural disasters, generally are not insured because they are either uninsurable or not economically practical. To cover the potential cost of this risk, we provide reserves, as needed, in our financial statements for the portion of losses that is uninsured or whose deductible is very high.

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 impact our revenues, operating results and financial situation.

Exchange rate. Most of our consolidated revenues and expenses are received or denominated in the functional currency of the markets in which we do business. Accordingly, our sensitivity to variations in foreign exchange rates is economically limited.

We are also exposed to foreign currency risk with respect to a portion of our long-term debt denominated in US dollars. As at April 25, 2010, everything else being equal, a hypothetical strengthening (weakening) of 5.0% of the US dollar against the Canadian dollar would have had a favourable (unfavourable) net impact of \$21.3 million on Other comprehensive income.

International Standards

In February 2008, Canadian Accounting Standards Board (AcSB) of the Canadian Institute of Chartered Accountants announced that the use of International Financial Reporting Standards (IFRS) established by the International Accounting Standards Board (IASB) will be required for publicly accountable profit-oriented enterprises starting in 2011. For those enterprises, IFRS will replace General Accepted Accounting Principles currently in effect in Canada (GAAP). IFRS uses a conceptual framework similar to GAAP, but there are differences in recognition, measurement and presentation standards. In the period leading up to the changeover, the AcSB is expected to continue to issue accounting standards that are converged with IFRS, thus mitigating the impact of adopting IFRS at the transition date.

These new standards are applicable to fiscal years beginning on or after January 1st, 2011. Companies will be required to provide comparative IFRS information for the previous fiscal year. Starting in the first quarter of our fiscal year 2012, we will publish consolidated financial statements prepared in accordance with IFRS.

We have developed a plan to convert our Consolidated Financial Statements to IFRS. We have a dedicated project manager to lead the conversion to IFRS. Our external auditors are notified of our choices and consulted on them. Our Audit Committee ensures that management fulfills its responsibilities and successfully accomplishes the changeover to IFRS while we continue to provide training to key employees. Changes in accounting policies are likely and could impact our consolidated financial statements.

The principal phases, actions, timetables and progress of our transition plan are outlined in the following table:

Phase 1: Preliminary Analysis and Diagnostic

Action	<ul style="list-style-type: none"> o Identification of the IFRS standards that will require accounting and disclosure changes in consolidated financial statements. o Rank of standards based on their anticipated impact on our consolidated financial statements and the required efforts for their implementation.
Timetable	End of fiscal 2008
Progress	Completed

Phase 2: Analysis of Standards

Action	<ul style="list-style-type: none"> o Analysis of the differences between Canadian GAAP and IFRS. o Selection of the accounting policies that the Company will apply on an ongoing basis. o Company's selection of IFRS 1 exemptions at the date of transition. o Calculation of the quantitative impacts on the consolidated financial statements. o Disclosure analysis. o Preparation of draft consolidated financial statements and notes. o Preparation of the opening balance sheet at the date of transition. o Identification of the collateral impacts in the following areas: <ul style="list-style-type: none"> ▪ information technology; ▪ internal control over financial reporting; ▪ disclosure controls and procedures; ▪ contracts; ▪ compensation; ▪ taxation; ▪ training.
Timetable	We have prepared a detailed timetable which contemplates the bulk of the analysis that will be completed by the end of July 2010. We prioritized standards, based on their ranking in the diagnostic, the time needed to complete the analysis and implementation, working group members' availability, as well as the timing of discussion papers, exposure drafts and new standards that may be issued by the IASB.
Progress	At the end of fiscal 2010, all actions had been completed, except for the following which have begun but are not yet completed: <ul style="list-style-type: none"> o Preparation of draft consolidated financial statements and notes. o Preparation of the opening balance sheet at the date of transition. o Auditors' formal review of our conclusions

Phase 3: Implementation

Action	<ul style="list-style-type: none"> o Compilation of the comparative financial data. o Production of the interim consolidated financial statements and the associated disclosure. o Production of the annual consolidated financial statements and the associated disclosure. o Implementation of changes regarding collateral impacts.
Timetable	<ul style="list-style-type: none"> o At the end of fiscal 2011, our opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed. o During fiscal 2012, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.
Progress	Not applicable.

There are many differences between Canadian GAAP and IFRS. The IASB is actually in the process of revising multiple IFRS standards. Our analysis of the changes and decisions to be made concerning our accounting policies was done using accounting standards presently in effect. We are still quantifying the impact of the differences between these new standards on our accounting policies. The following table presents a summary of the most important differences, as at July 13, 2010, considering their impact for us:

IFRS standard	Comparison between Canadian GAAP and IFRS	Findings
Property, Plant and Equipment (IAS 16)	<p>Canadian GAAP: Property and equipment are to be recorded at cost upon initial acquisition and are to be depreciated over their useful lives.</p> <p>IFRS: An entity may choose between using the cost model (identical to Canadian GAAP) or the revaluation model for subsequent measurement.</p>	<p>We will continue to use the cost method. We expect that this standard will have no significant impact on our consolidated financial statements.</p>
Leases (IAS 17)	<p>Canadian GAAP: Canadian GAAP include quantitative guidelines for distinguishing between capital leases and operating leases.</p> <p>According to Canadian GAAP, gains or losses resulting from a sale and leaseback transaction must be deferred and recognized to income over the lease term.</p> <p>IFRS: IFRS do not offer quantitative guidance for making the distinction. Lease agreements must be assessed qualitatively.</p> <p>According to IFRS, gains resulting from a sale and leaseback transaction done at fair value which leads to an agreement classified as an operating lease must be immediately recognized to income.</p>	<p>Our current lease agreements have been analysed from a qualitative standpoint. We expect that this standard will have no significant impact on our consolidated financial statements.</p> <p>Gains resulting from a sale and leaseback transaction done at fair value which leads to an operating lease will be immediately recognized to income. Deferred gains on previous transactions with similar conditions will be reversed and taken to retained earnings in the consolidated opening balance sheet under IFRS.</p>

IFRS standard	Comparison between Canadian GAAP and IFRS	Findings
Compensation and Benefits (IAS 19)	<p>Canadian GAAP: An entity must use the corridor approach and recognize amortization of actuarial gains and losses in a period in which, as of the beginning of the period, the unamortized net actuarial gain or loss exceeds 10 percent of the greater of:</p> <ul style="list-style-type: none"> a) the accrued benefit obligation at the beginning of the year; b) the fair value, or market-related value, of plan assets at the beginning of the year. <p>IFRS: According to IFRS, it is permitted:</p> <ul style="list-style-type: none"> - to use the corridor approach; - to immediately record actuarial gains and losses to shareholders' equity. 	<p>We will continue to use the corridor approach. We expect that this standard will have no significant impact on our consolidated financial statements.</p> <p>For the impact on the consolidated opening balance sheet under IFRS, refer to the next section which discusses optional exemptions</p>
Borrowing Costs (IAS 23)	<p>Canadian GAAP: Borrowing costs may be capitalized for certain projects.</p> <p>IFRS: Borrowing costs for qualifying assets must be capitalized.</p>	<p>We will capitalize borrowing costs for qualifying assets. However, we expect that this standard will have no impact significant on the consolidated opening balance sheet under IFRS.</p>
Joint Ventures (IAS 31)	<p>Canadian GAAP: According to Canadian GAAP, a joint venture must be accounted for using the proportionate consolidation method.</p> <p>IFRS: The proportionate consolidation method and the equity method are acceptable.</p>	<p>Under IFRS, the company will record its investment in RDK according to the equity method. Therefore, on the balance sheet, we will present an equity-accounted investment in RDK on a distinct line and in the consolidated statement of earnings we will present our proportionate interest of RDK's income on a distinct line. However, there will be no impact on our consolidated net earnings.</p> <p>The opening consolidated balance sheet under IFRS will be restated with no impact to retained earnings.</p>
Impairment of assets (IAS 36)	<p>Canadian GAAP: Long-lived assets tested using a two-step approach are grouped at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. Cash flows used for the purpose of the first step of impairment testing are not discounted and impairment resulting from this test cannot be subsequently reversed.</p> <p>IFRS: Long-lived assets tested using a one-step approach are grouped at the level of cash generating units, which are defined as the lowest level of assets that generate largely independent cash inflows. Cash flows used for the purpose of impairment testing are discounted and impairment resulting from this test can be subsequently reversed.</p>	<p>The application of the new standard should result in discounted cash flow testing being applied to smaller groups of assets. This could result in additional expenses for asset depreciation. These additional expenses could however be reversed subsequently. We expect that this standard will have no significant impact on our consolidated opening balance sheet under IFRS.</p>

IFRS standard	Comparison between Canadian GAAP and IFRS	Findings
Provisions, Contingent Liabilities and Contingent Assets (IAS 37)	<p>Canadian GAAP: Asset retirement obligations are discounted at a risk-free rate adjusted for the Company's credit rating at the time of the estimation and revision of costs.</p> <p>A provision for onerous contracts is only taken in specific situations.</p> <p>Discounting is only required for certain specific provisions.</p> <p>IFRS: Asset retirement obligations are discounted at a risk-free rate adjusted for the Company's credit rating at the time of the revaluation of costs.</p> <p>A contract is onerous when the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. This type of contract requires the recognition of a liability under IFRS.</p> <p>A long-term provision must be recorded at its discounted value.</p>	<p>Asset retirement obligations will be discounted at a risk-free rate adjusted for the Company's credit rating at the time of the revaluation of costs. We expect that this standard will have no significant impact on our consolidated financial statements.</p> <p>Onerous contracts will be recorded and valued as provisions. We expect that this standard will have no significant impact on our consolidated financial statements.</p> <p>Liabilities for which value is estimated using future cash flows will be recorded at a discounted value. This will reduce the amount of certain liabilities and their corresponding expenses while increasing the accretion expense. The liabilities involved included in the consolidated opening balance sheet under IFRS will be adjusted accordingly and this adjustment will be taken to retained earnings.</p>
Intangible Assets (IAS 38)	<p>Canadian GAAP: Intangible assets must be recorded at their acquisition cost.</p> <p>IFRS: An entity may choose between using the cost model (identical to Canadian GAAP) or the revaluation for subsequent measurement.</p>	<p>We will continue to use the cost method. We expect that this standard will have no significant impact on our consolidated financial statements.</p>
Financial Instruments: Recognition and Measurement (IAS 39)	<p>Canadian GAAP: For assessing and measuring the effectiveness of a hedging relationship, the critical terms match method is permitted if certain conditions are met.</p> <p>IFRS: The critical terms match method is not permitted. Ineffectiveness must be measured each period throughout the life of the hedging relationship.</p>	<p>Based on our current situation, we expect that this standard will have no significant impact on our consolidated financial statements on the date of transition.</p>

IFRS standard	Comparison between Canadian GAAP and IFRS	Findings
Share-based Payment (IFRS 2)	<p>Canadian GAAP: It is possible to use the straight-line method to record the compensation expense when a different method than graded vesting is used to determine the expected life used in the fair value calculation of options.</p> <p>The compensation expense related to a stock-based compensation award must be recorded as an expense over the period during which the corresponding services are performed if the award relates to future services. In the case of cancellations or settlements, an entity must cease to record the expense.</p> <p>IFRS: When options granted vest gradually, an entity must consider each portion as a distinct grant and amortize the corresponding expense distinctly.</p> <p>If an equity instrument is cancelled or settled during the vesting period, the amount that would have otherwise been recorded during the remainder of the vesting period for services performed is recorded immediately.</p>	<p>The Company will need to modify its model for amortizing the expense to take into account the different vesting periods and cease its use of the straight-line amortization method. The expense will be recognized faster in the case of new awards. For options already outstanding at the transition date, the expense will be reduced in the future due to completely vested portions having been entirely recorded to retained earnings on the consolidated balance sheet at the transition date.</p> <p>If an option is cancelled or settled during the vesting period, we will need to record immediately the amount that would have otherwise been recorded during the remainder of the vesting period for services performed. We will also need to take into account the impact of previous cancellations which had not been considered in establishing the compensation cost. This change should have an impact on retained earnings in the consolidated opening balance sheet under IFRS.</p>
Business combinations (IFRS 3)	<p>Canadian GAAP: Direct acquisition costs can be capitalized.</p> <p>It is possible to record a liability for restructuring activities.</p> <p>Assets acquired and liabilities assumed must be measured at their acquisition-date fair values.</p> <p>The excess of the value of assets acquired and liabilities assumed over the consideration transferred (negative goodwill) must be eliminated, by proportionally reducing values which would otherwise be attributed to all acquired assets, barring a few exceptions.</p> <p>IFRS: Transaction costs from an acquisition are recorded to income.</p> <p>A liability for restructuring activities may only be recorded if such a liability is recorded by the acquired business at the acquisition date.</p> <p>Assets acquired and liabilities assumed must be measured at fair value determined in accordance with its use by other market participants.</p> <p>Negative goodwill is recorded to income.</p>	<p>Transaction costs from an acquisition will be recorded to income. This change could have an impact on the consolidated statements of earnings when acquisitions occur.</p> <p>The only liabilities for restructuring activities that will be recorded will be those recorded by the acquired business at the acquisition date. This change could have an impact on the consolidated statements of earnings when acquisitions occur.</p> <p>We will need to review our evaluation model for assets acquired and liabilities assumed to take into account use by other market participants. This change could have an impact on the consolidated financial statements when acquisitions occur.</p> <p>Negative goodwill will be recorded to income. This change could have an impact on the consolidated statements of earnings if acquisitions generating a negative variance occur.</p> <p>For the impact on the consolidated opening balance sheet under IFRS, refer to the next section which discusses optional exemptions.</p>

Initial adoption of IFRS requires the application of IFRS 1, "First Time Adoption of IFRS". This standard generally requires retrospective application of all IFRS effective at the reporting date, with the exception of certain mandatory exceptions and limited optional exemptions provided in the standard. The significant optional exemptions available under IFRS 1 that we will apply in preparing our opening balance sheet in accordance with IFRS are included in the following table:

Optional exemption	Company's choice
Business Combinations	<p>Under this exemption we may elect not to apply IFRS 3 retrospectively to past business combinations. The standard may be applied prospectively.</p> <p>We intend to use this exemption.</p>
Compensation and Benefits	<p>This exemption allows us to reset the cumulative unrecognised actuarial gains and losses to zero by recognizing the full amount in the retained earnings.</p> <p>We intend to use this exemption.</p>
Fair value as deemed cost	<p>This exemption allows us to adopt a fair value method for any elements of property and equipment and designate fair value as deemed cost as at the transition date. It is also possible to use original cost previously determined under Canadian GAAP.</p> <p>We intend to keep property and equipment at original cost.</p>

Outlook

In the course of fiscal year 2011, we expect to pursue our investments with caution in order to, amongst other things, improve our network. Given the economic climate and its attractive access to capital, we believe to be well positioned to realize acquisitions and create value. However, we will continue to exercise patience in order to benefit from a fair price in view of current market conditions. We also intend to keep an ongoing focus on supply terms and operating expenses.

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

July 13, 2010