

**Parkland Fuel Corporation**

Interim Condensed Consolidated Financial Statements (Unaudited)  
For the three and six months ended June 30, 2018



**Parkland Fuel Corporation**  
Consolidated Balance Sheets  
(Unaudited)

| (\$ millions)                                  | Note | <b>June 30, 2018</b> | December 31, 2017 <sup>(1)</sup> |
|--|------|----------------------|----------------------------------|
| <b>Assets</b>                                  |      |                      |                                  |
| <b>Current assets</b>                          |      |                      |                                  |
| Cash and cash equivalents                      |      | <b>74</b>            | 23                               |
| Accounts receivable                            |      | <b>750</b>           | 699                              |
| Inventories                                    |      | <b>427</b>           | 398                              |
| Income taxes receivable                        |      | <b>27</b>            | 19                               |
| Risk management and other derivatives          | 7    | <b>28</b>            | 19                               |
| Prepaid expenses and other                     |      | <b>36</b>            | 33                               |
|  |      | <b>1,342</b>         | 1,191                            |
| Property, plant and equipment                  | 5    | <b>2,142</b>         | 2,110                            |
| Intangible assets                              |      | <b>685</b>           | 719                              |
| Goodwill                                       |      | <b>1,225</b>         | 1,221                            |
| Long-term receivables                          |      | <b>56</b>            | 38                               |
| Other long-term assets                         | 7    | <b>52</b>            | 40                               |
| Deferred tax assets                            |      | <b>90</b>            | 93                               |
|  |      | <b>5,592</b>         | 5,412                            |
| <b>Liabilities</b>                             |      |                      |                                  |
| <b>Current liabilities</b>                     |      |                      |                                  |
| Accounts payable and accrued liabilities       |      | <b>982</b>           | 942                              |
| Dividends declared and payable                 |      | <b>13</b>            | 13                               |
| Deferred revenue                               |      | <b>18</b>            | 15                               |
| Long-term debt - current portion               | 6    | <b>4</b>             | 4                                |
| Asset retirement obligations - current portion | 9    | <b>7</b>             | 5                                |
| Risk management and other derivatives          | 7    | <b>19</b>            | 9                                |
| Other liabilities - current portion            | 10   | <b>333</b>           | 310                              |
|  |      | <b>1,376</b>         | 1,298                            |
| Long-term debt                                 | 6    | <b>2,045</b>         | 2,010                            |
| Asset retirement obligations                   | 9    | <b>270</b>           | 238                              |
| Other liabilities                              | 10   | <b>62</b>            | 51                               |
| Deferred tax liabilities                       |      | <b>156</b>           | 170                              |
|  |      | <b>3,909</b>         | 3,767                            |
| <b>Shareholders' equity</b>                    |      |                      |                                  |
| Shareholders' capital                          | 11   | <b>1,849</b>         | 1,816                            |
| Contributed surplus                            |      | <b>20</b>            | 21                               |
| Accumulated other comprehensive income         |      | <b>12</b>            | 7                                |
| Deficit  |      | <b>(198)</b>         | (199)                            |
|  |      | <b>1,683</b>         | 1,645                            |
|  |      | <b>5,592</b>         | 5,412                            |

<sup>(1)</sup> Certain comparative figures have been revised. See Note 12 - Business Combinations. See accompanying notes to the interim condensed consolidated financial statements.

## Parkland Fuel Corporation

### Consolidated Statements of Income (Loss) (Unaudited)

| (\$ millions, unless otherwise stated)                        | Note | Three months ended June 30, |         | Six months ended June 30, |         |
|---|------|-----------------------------|---------|---------------------------|---------|
|   |      | 2018                        | 2017    | 2018                      | 2017    |
| Sales and operating revenue                                   | 14   | <b>3,783</b>                | 1,806   | <b>7,125</b>              | 3,591   |
| Expenses  |      |                             |         |                           |         |
| Cost of purchases   | 14   | <b>3,291</b>                | 1,640   | <b>6,192</b>              | 3,230   |
| Operating costs   |      | <b>194</b>                  | 77      | <b>401</b>                | 163     |
| Marketing, general and administrative                         |      | <b>70</b>                   | 37      | <b>140</b>                | 72      |
| Acquisition, integration and other costs                      | 12   | <b>12</b>                   | 16      | <b>29</b>                 | 24      |
| Depreciation and amortization                                 |      | <b>76</b>                   | 24      | <b>145</b>                | 50      |
| Finance costs   | 13   | <b>40</b>                   | 14      | <b>81</b>                 | 28      |
| Foreign exchange loss   |      | <b>21</b>                   | —       | <b>19</b>                 | —       |
| Loss on asset disposals                                       |      | <b>23</b>                   | 1       | <b>23</b>                 | 1       |
| Gain on risk management and other derivatives                 | 7    | <b>(14)</b>                 | (2)     | <b>(4)</b>                | (6)     |
| Earnings (loss) before income taxes                           |      | <b>70</b>                   | (1)     | <b>99</b>                 | 29      |
| Income tax expense  |      | <b>10</b>                   | —       | <b>19</b>                 | 8       |
| Net earnings (loss)   |      | <b>60</b>                   | (1)     | <b>80</b>                 | 21      |
| Net earnings (loss) per share (\$ per share)                  | 4    |                             |         |                           |         |
| - Basic   |      | <b>0.45</b>                 | (0.01)  | <b>0.61</b>               | 0.20    |
| - Diluted   |      | <b>0.45</b>                 | (0.01)  | <b>0.60</b>               | 0.20    |
| Weighted average number of common shares<br>(000's of shares) | 4    | <b>132,071</b>              | 110,837 | <b>131,755</b>            | 103,623 |

See accompanying notes to the interim condensed consolidated financial statements.

## Parkland Fuel Corporation

### Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

| (\$ millions)   | Three months ended June 30, |      | Six months ended June 30, |      |
|---|-----------------------------|------|---------------------------|------|
|   | 2018                        | 2017 | 2018                      | 2017 |
| Net earnings (loss)   | <b>60</b>                   | (1)  | <b>80</b>                 | 21   |
| Other comprehensive income (loss):  |                             |      |                           |      |
| Items that may be reclassified to consolidated statements of income (loss) in subsequent periods: |                             |      |                           |      |
| Exchange differences on translation of foreign operations   | <b>2</b>                    | (3)  | <b>5</b>                  | (4)  |
| Net loss on Chevron Acquisition Hedge   | –                           | (49) | –                         | (49) |
| Other comprehensive income (loss), net of tax   | <b>2</b>                    | (52) | <b>5</b>                  | (53) |
| Total comprehensive income (loss), net of tax   | <b>62</b>                   | (53) | <b>85</b>                 | (32) |

See accompanying notes to the interim condensed consolidated financial statements.

## Parkland Fuel Corporation

### Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

| (\$ millions)   | Note | Shareholders'<br>capital | Contributed<br>surplus | Accumulated<br>other<br>comprehensive<br>income (loss) | Deficit      | Total<br>shareholders'<br>equity |
|---|------|--------------------------|------------------------|--|--------------|----------------------------------|
| As at January 1, 2018                                 |      | 1,816                    | 21                     | 7  | (199)        | 1,645                            |
| Net earnings  |      | –                        | –                      | –  | 80           | 80                               |
| Other comprehensive income, net of tax                |      | –                        | –                      | 5  | –            | 5                                |
| Dividends   |      | –                        | –                      | –  | (79)         | (79)                             |
| Share incentive compensation                          | 11   | –                        | 3                      | –  | –            | 3                                |
| Issued under dividend reinvestment plan, net of costs | 11   | 27                       | –                      | –  | –            | 27                               |
| Issued under share option plan                        | 11   | 7                        | (1)                    | –  | –            | 6                                |
| Issued on vesting of restricted share units           | 11   | 1                        | (3)                    | –  | –            | (2)                              |
| Share cancellation                                    | 11   | (2)                      | –                      | –  | –            | (2)                              |
| <b>As at June 30, 2018</b>                            |      | <b>1,849</b>             | <b>20</b>              | <b>12</b>  | <b>(198)</b> | <b>1,683</b>                     |
| As at January 1, 2017                                 |      | 910                      | 22                     | 15   | (143)        | 804                              |
| Net earnings  |      | –                        | –                      | –  | 21           | 21                               |
| Other comprehensive loss, net of tax                  |      | –                        | –                      | (53)   | –            | (53)                             |
| Issued on equity offering                             |      | 662                      | –                      | –  | –            | 662                              |
| Issued on conversion of subscription receipts         |      | 222                      | –                      | –  | –            | 222                              |
| Share issuance costs, net of tax recovery of \$10     | 11   | (27)                     | –                      | –  | –            | (27)                             |
| Dividends   |      | –                        | –                      | –  | (61)         | (61)                             |
| Share incentive compensation                          | 11   | –                        | 2                      | –  | –            | 2                                |
| Issued under dividend reinvestment plan, net of costs | 11   | 15                       | –                      | –  | –            | 15                               |
| Issued under share option plan                        | 11   | 4                        | –                      | –  | –            | 4                                |
| Issued on vesting of restricted share units           | 11   | 1                        | (3)                    | –  | –            | (2)                              |
| <b>As at June 30, 2017</b>                            |      | <b>1,787</b>             | <b>21</b>              | <b>(38)</b>  | <b>(183)</b> | <b>1,587</b>                     |

See accompanying notes to the interim condensed consolidated financial statements.

## Parkland Fuel Corporation

### Consolidated Statements of Cash Flows (Unaudited)

| (\$ millions)   | Note | Three months ended June 30, |         | Six months ended June 30, |         |
|---|------|-----------------------------|---------|---------------------------|---------|
|   |      | 2018                        | 2017    | 2018                      | 2017    |
| <b>Operating activities</b>   |      |                             |         |                           |         |
| Net earnings (loss)   |      | 60                          | (1)     | 80                        | 21      |
| Adjustments for:  |      |                             |         |                           |         |
| Depreciation and amortization                                       |      | 76                          | 24      | 145                       | 50      |
| Loss on asset disposals   |      | 23                          | 1       | 23                        | 1       |
| Share incentive compensation  | 11   | 4                           | 1       | 4                         | 3       |
| Accretion on asset retirement obligations                           |      | 2                           | 1       | 5                         | 2       |
| Change in risk management and other derivatives                     |      | (8)                         | —       | 1                         | (9)     |
| Change in other liabilities and other long-term assets              |      | (7)                         | —       | (13)                      | 2       |
| Amortization of deferred financing costs and debt premium           |      | —                           | —       | 5                         | 1       |
| Change in fair value of Redemption Options                          |      | 7                           | —       | 11                        | —       |
| Deferred taxes  |      | (11)                        | 5       | (12)                      | 7       |
| Cash expenditures on asset retirement obligations                   |      | (1)                         | (1)     | (2)                       | (2)     |
| Share cancellation  | 11   | —                           | —       | (2)                       | —       |
| Net change in non-cash working capital                              | 8    | (54)                        | 2       | (61)                      | (4)     |
| Cash generated from operating activities                            |      | 91                          | 32      | 184                       | 72      |
| <b>Financing activities</b>   |      |                             |         |                           |         |
| Long-term debt repayments   |      | (1)                         | (55)    | (699)                     | (93)    |
| Proceeds from long-term debt, net of financing costs                |      | 3                           | 992     | 718                       | 1,017   |
| Proceeds from cash held in escrow                                   |      | —                           | 528     | —                         | 528     |
| Change in other liabilities   |      | 57                          | —       | 28                        | —       |
| Dividends paid to shareholders, net of dividend reinvestment plan   |      | (26)                        | (23)    | (52)                      | (43)    |
| Shares issued for cash  |      | —                           | 662     | —                         | 662     |
| Share issuance costs  |      | —                           | (32)    | —                         | (32)    |
| Cash generated from (used in) financing activities                  |      | 33                          | 2,072   | (5)                       | 2,039   |
| <b>Investing activities</b>   |      |                             |         |                           |         |
| Ultramar Acquisition  |      | —                           | (988)   | —                         | (988)   |
| Chevron Acquisition   | 12   | —                           | —       | 26                        | —       |
| Other acquisitions  |      | (2)                         | (2)     | (2)                       | (2)     |
| Change in long-term receivables and other long-term assets          |      | (13)                        | —       | (14)                      | —       |
| Change in prepaid expenses and other                                |      | —                           | (73)    | —                         | (73)    |
| Change in cash reserved for acquisition                             |      | —                           | (1,049) | —                         | (1,049) |
| Additions to cash held in escrow                                    |      | —                           | (1)     | —                         | (2)     |
| Expenditures on property, plant and equipment and intangible assets |      | (67)                        | (15)    | (139)                     | (30)    |
| Proceeds on asset disposals   |      | —                           | 2       | 1                         | 3       |
| Cash used in investing activities                                   |      | (82)                        | (2,126) | (128)                     | (2,141) |
| Increase (decrease) in net cash                                     |      | 42                          | (22)    | 51                        | (30)    |
| Net cash at beginning of period                                     |      | 32                          | 18      | 23                        | 26      |
| Net cash (indebtedness) at end of period                            |      | 74                          | (4)     | 74                        | (4)     |
| <b>Represented by:</b>  |      |                             |         |                           |         |
| Cash and cash equivalents   |      | 74                          | 6       | 74                        | 6       |
| Bank indebtedness   |      | —                           | (10)    | —                         | (10)    |
| Net cash (indebtedness)   |      | 74                          | (4)     | 74                        | (4)     |
| <b>Supplementary cash flow information:</b>                         |      |                             |         |                           |         |
| Interest paid   |      | 33                          | 11      | 50                        | 22      |
| Interest received   |      | —                           | 1       | (1)                       | 1       |
| Income taxes paid   |      | 22                          | 3       | 40                        | 10      |

See accompanying notes to the interim condensed consolidated financial statements.

# Parkland Fuel Corporation

## Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

### 1. CORPORATE INFORMATION

Parkland Fuel Corporation ("Parkland") is an independent marketer, distributor and refiner of fuel and petroleum products and a convenience retailer. Parkland delivers refined fuels, propane and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. Parkland exists under the Business Corporations Act (Alberta) in Canada and its corporate office is located at Suite 6302, 333 96 Avenue NE, Calgary, Alberta, T3K 0S3, Canada. The interim condensed consolidated financial statements include the accounts of Parkland and its wholly-owned subsidiaries as at June 30, 2018.

### 2. BASIS OF PREPARATION

#### (a) Statement of compliance

Parkland's interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with Parkland's annual consolidated financial statements for the year ended December 31, 2017 (the "Annual Consolidated Financial Statements").

The consolidated statements of income (loss) for the three and six months ended June 30, 2017 were reclassified to conform to current period's presentation and the presentation used in the Annual Consolidated Financial Statements as follows:

- (i) customer finance income, which was formerly presented separately, is now included in operating costs; and
- (ii) cost of goods sold, excluding depreciation was renamed cost of purchases.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on August 2, 2018.

#### (b) Basis of measurement

Parkland's interim condensed consolidated financial statements are prepared on a historical cost basis, except for certain items recorded at fair value as detailed in the Annual Consolidated Financial Statements.

#### (c) Presentation and functional currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is Parkland's functional currency.

#### (d) Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except for: (i) income taxes for interim periods, which are calculated using estimated annual effective income tax rates, and (ii) adoption of IFRS 9 – Financial Instruments ("IFRS 9") and IFRS 15 – Revenue from Contracts with Customers ("IFRS 15") as disclosed in Note 3.

#### (e) Recently adopted accounting pronouncements

##### IFRS 9 – Financial Instruments

On January 1, 2018, Parkland adopted IFRS 9 using the modified retrospective approach. The cumulative effect of initially adopting IFRS 9 did not result in a material impact on prior period financial information. Comparative information is not restated and continues to be reported under the previous financial instrument standards in effect during those periods. Refer to Note 3 for further details.

##### IFRS 15 – Revenue from Contracts with Customers

On January 1, 2018, Parkland adopted IFRS 15 using the modified retrospective approach on contracts that were not completed as of January 1, 2017. The cumulative effect of initially adopting IFRS 15 did not result in a material impact on prior period financial information. Comparative information is not restated and continues to be reported under the previous revenue standards in effect during those periods. Refer to Note 3 for further details.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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#### (f) Standard issued but not yet effective

In January 2016, the IASB issued IFRS 16 - Leases ("IFRS 16"), which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. Parkland plans to adopt IFRS 16 using the modified retrospective approach on January 1, 2019 and is currently assessing the impact of this standard.

#### (g) Use of estimates and judgments

The timely preparation of Parkland's financial statements requires management to make estimates and use judgment that affect the reported amounts of revenue, expenses, assets, liabilities and accompanying disclosures. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are described in Parkland's Annual Consolidated Financial Statements.

## 3. RECENTLY ADOPTED ACCOUNTING PRONOUNCEMENTS

#### (a) IFRS 9 - Financial Instruments

IFRS 9 introduces new requirements for: (i) the classification and measurement of financial assets and financial liabilities and (ii) the recognition and measurement of impairment for financial assets. IFRS 9 introduces a simplified hedge accounting model that aligns more closely with risk management. Parkland's existing financial instruments as at January 1, 2018 were reviewed and assessed as follows:

| Financial instrument  | Classification   |   | Carrying Amount |        |
|---|--|---|-----------------|--------|
|   | Previous - IAS 39  | New - IFRS 9                                | IAS 39          | IFRS 9 |
| Risk management and other derivatives                       | Financial instruments at fair value through profit or loss | Fair value through profit or loss ("FVTPL") | 10              | 10     |
| Redemption Options  |  |   | 20              | 20     |
| Intermediation Facility Derivatives in other liabilities    |  |   | (9)             | (9)    |
| Cash and cash equivalents                                   | Loans and receivables                                      | Amortized cost                              | 23              | 23     |
| Accounts receivable   |  |   | 699             | 699    |
| Long-term receivables                                       |  |   | 38              | 38     |
| Accounts payable and accrued liabilities                    | Financial liabilities measured at amortized cost           | Amortized cost                              | 942             | 942    |
| Dividends declared and payable                              |  |   | 13              | 13     |
| Long-term debt  |  |   | 2,014           | 2,014  |
| Other liabilities, excluding deferred share units liability |  |   | 46              | 46     |

The reclassifications of financial assets do not impact Parkland's interim condensed consolidated balance sheets, interim condensed consolidated statements of income (loss), or interim condensed consolidated statements of comprehensive income (loss) after the date of initial application.

#### Classification and measurement of financial assets and liabilities

IFRS 9 requires Parkland to classify and measure financial assets based on their contractual cash flow characteristics and Parkland's business model for managing the financial asset. All financial assets and financial liabilities, including derivatives, are recognized on the interim condensed consolidated balance sheets when Parkland becomes party to the contractual provisions of a financial instrument or non-financial derivative contract.

Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) assets held for the collection of contractual cash flows and (ii) contractual cash flows that consist solely of principal and interest payments on the principal amount outstanding. All other financial assets and equity investments are subsequently measured at fair value through profit or loss ("FVTPL"). Financial liabilities are classified as FVTPL when the financial liability is held for trading. All other financial liabilities are subsequently measured at amortized cost.



## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

#### **Financial instruments at fair value through profit or loss**

Financial instruments at FVTPL are initially recognized at fair value on the date that Parkland commits to purchase or sell the asset (trade date), with changes in fair value recognized in gain on risk management and other derivatives, cost of purchases or finance costs in the consolidated statements of income (loss) in the period they arise.

Certain physical commodity contracts, when "held for trading", are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered for receipt or delivery in accordance with Parkland's expected purchase, sale or usage requirements are not considered derivative financial instruments. Intermediation Facility Derivatives (see Note 7) and risk management and other derivatives are derivative financial instruments measured at FVTPL.

Risk management and other derivative assets and liabilities include outstanding commodities swaps and forward contracts, commodities and futures contracts, emission credits and allowances, and US dollar forward exchange contracts. Parkland periodically enters into derivative contracts to manage exposure to movements in commodity prices and US dollar exchange rates.

Derivative instruments embedded in financial or non-financial contracts are liabilities that are accounted for as separate derivatives if their risks and characteristics are not closely related to their host contracts, and the contracts are not measured at fair value. Parkland's Senior Unsecured Notes contain Redemption Options (see Note 7) that are accounted for as embedded derivative financial instruments. Changes in the fair values of the Redemption Options are recognized in finance costs. Changes in fair values of other derivative instruments are recognized in gain or loss on risk management and other derivatives. Changes in fair value of Intermediation Facility Derivatives are recognized in cost of purchases.

The best evidence of a financial instrument's fair value on initial recognition is normally the transaction price (i.e. fair value of the consideration given or received). If Parkland determines that the fair value on initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in the active market for an identical asset or liability nor based on a valuation technique that only uses data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between fair value on initial recognition and the transaction price (day one profit or loss). Subsequently the day one difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the transaction is closed out.

#### **Financial assets and liabilities measured at amortized cost**

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Financial liabilities measured at amortized cost are initially recognized at fair value net of transaction costs and subsequently measured at amortized cost using the effective interest rate method. The effective interest rate amortization and gains or losses on derecognition of the financial liabilities are recognized in finance costs.

#### **Impairment of financial assets**

IFRS 9 requires Parkland to account for expected credit losses ("ECLs") and any changes at each reporting date to reflect changes in credit risk since initial recognition of the financial assets. Parkland measures its loss allowance for trade accounts and lease receivables at an amount equal to the lifetime ECL. Lifetime ECLs are the probability-weighted estimate of all possible default over the expected life of a financial asset. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that Parkland expects to receive). The loss allowance for ECL is presented as a deduction from the gross carrying amount for financial assets carried at amortized cost.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, Parkland considers both qualitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information, relevant industry-specific economic outlooks, external sources of actual and forecasted economic factors related to Parkland's core operations, such as fuel commodity prices, unemployment rates and interest rates. The methodologies and assumptions, including any forecasts of future economic conditions, are reviewed regularly.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

All individually significant trade or lease receivables are assessed for impairment. Any trade or lease receivable that is not individually significant are assessed for impairment by grouping together receivables with similar credit risk characteristics that are considered most relevant to Parkland's operations.

#### (b) IFRS 15 - Revenue from Contracts with Customers

IFRS 15 replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, IFRS 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

Parkland disaggregates revenue by fuel and non-fuel sources as well as geography (see Note 14).

#### Fuel and petroleum product revenue

Parkland generally recognizes revenue at the point of sale, which is the time control of the goods has passed to the purchaser, when physical delivery has occurred, and when collection is reasonably assured.

Revenue is measured on the stand-alone sales price specified in sales contracts, which may be based on independently published rack prices, net of discounts at the time of sale. Volume discounts are assessed using anticipated annual volumes. Historical experience is used to estimate and provide for discounts and revenue is reduced accordingly.

#### Non-fuel revenue

##### Convenience store

Revenue is recognized when a retail customer purchases an item at the convenience store, which is at the point of sale.

##### Lubricants

Revenue is recognized when control of the goods has passed to the purchaser, when physical delivery has occurred, and when collection is reasonably assured.

##### Other revenue

Parkland's other revenue consists of revenue from rent, freight, tanks and parts installation, cylinder exchanges, and other products and services. Rent includes percentage rent collected from independent retailers on their convenience store sales or gross margin. Revenue on services is recognized in the accounting period in which the services are rendered.

When Parkland delivers third-party branded fuel and petroleum products as an exclusive reseller, Parkland evaluates whether it acts as a principal or agent. Where Parkland acts as an agent, revenue is reported on a net basis and recorded as transportation services are provided.

## 4. NET EARNINGS (LOSS) PER SHARE

|   | Three months ended June 30, |         | Six months ended June 30, |         |
|---|-----------------------------|---------|---------------------------|---------|
|   | 2018                        | 2017    | 2018                      | 2017    |
| Net earnings (loss) - basic and diluted   | 60                          | (1)     | 80                        | 21      |
| Weighted average number of common shares (000's of shares)                                      | 132,071                     | 110,837 | 131,755                   | 103,623 |
| Effect of dilutive securities (000's of shares)   | 2,585                       | —       | 2,523                     | 1,871   |
| Weighted average number of common shares adjusted for the effects of dilution (000's of shares) | 134,656                     | 110,837 | 134,278                   | 105,494 |
| Net earnings (loss) per share (\$ per share)  |                             |         |                           |         |
| - Basic   | 0.45                        | (0.01)  | 0.61                      | 0.20    |
| - Diluted   | 0.45                        | (0.01)  | 0.60                      | 0.20    |

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

## 5. PROPERTY, PLANT AND EQUIPMENT

| Note                    | Land | Land improvements | Buildings and structures | Plant and equipment | Assets under finance lease | Total |
|-------------------------|------|-------------------|--------------------------|---------------------|----------------------------|-------|
| <b>Cost</b>             |      |                   |                          |                     |                            |       |
| As at January 1, 2018   | 646  | 104               | 347                      | 1,477               | 7                          | 2,581 |
| Additions               | —    | 4                 | 4                        | 120                 | —                          | 128   |
| Change in ARO costs     | —    | —                 | —                        | 30                  | —                          | 30    |
| Other acquisitions      | 12   | —                 | —                        | 1                   | —                          | 1     |
| Disposals               | —    | —                 | —                        | (29)                | —                          | (29)  |
| Exchange differences    | —    | 1                 | 1                        | 3                   | —                          | 5     |
| As at June 30, 2018     | 646  | 109               | 352                      | 1,602               | 7                          | 2,716 |
| <b>Depreciation</b>     |      |                   |                          |                     |                            |       |
| As at January 1, 2018   | —    | 16                | 64                       | 389                 | 2                          | 471   |
| Depreciation            | —    | 4                 | 10                       | 92                  | —                          | 106   |
| Disposals               | —    | —                 | —                        | (5)                 | —                          | (5)   |
| Exchange differences    | —    | —                 | —                        | 2                   | —                          | 2     |
| As at June 30, 2018     | —    | 20                | 74                       | 478                 | 2                          | 574   |
| <b>Net book value</b>   |      |                   |                          |                     |                            |       |
| As at June 30, 2018     | 646  | 89                | 278                      | 1,124               | 5                          | 2,142 |
| Note                    | Land | Land improvements | Buildings and structures | Plant and equipment | Assets under finance lease | Total |
| <b>Cost</b>             |      |                   |                          |                     |                            |       |
| As at January 1, 2017   | 94   | 58                | 165                      | 608                 | 2                          | 927   |
| Additions               | 2    | 4                 | 8                        | 83                  | 5                          | 102   |
| Change in ARO costs     | —    | —                 | —                        | (41)                | —                          | (41)  |
| Ultramar Acquisition    | 12   | 139               | 19                       | 144                 | —                          | 382   |
| Chevron Acquisition     | 12   | 414               | 26                       | 699                 | —                          | 1,236 |
| Other acquisitions      | 12   | —                 | 1                        | 1                   | —                          | 2     |
| Disposals               | (2)  | (2)               | (2)                      | (13)                | —                          | (19)  |
| Exchange differences    | (1)  | (1)               | (2)                      | (4)                 | —                          | (8)   |
| As at December 31, 2017 | 646  | 104               | 347                      | 1,477               | 7                          | 2,581 |
| <b>Depreciation</b>     |      |                   |                          |                     |                            |       |
| As at January 1, 2017   | —    | 11                | 49                       | 312                 | 1                          | 373   |
| Depreciation            | —    | 5                 | 17                       | 89                  | 1                          | 112   |
| Disposals               | —    | —                 | (1)                      | (9)                 | —                          | (10)  |
| Exchange differences    | —    | —                 | (1)                      | (3)                 | —                          | (4)   |
| As at December 31, 2017 | —    | 16                | 64                       | 389                 | 2                          | 471   |
| <b>Net book value</b>   |      |                   |                          |                     |                            |       |
| As at December 31, 2017 | 646  | 88                | 283                      | 1,088               | 5                          | 2,110 |

Included in property, plant and equipment as at June 30, 2018 are assets under construction of \$46 (December 31, 2017 - \$77) consisting primarily of construction and upgrades for the refinery within the Supply segment and retail stations within the Retail and Parkland USA segments. Contractual commitments for the acquisition of property, plant and equipment as at June 30, 2018 were \$82 (December 31, 2017 - \$58).

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(\$ millions, unless otherwise stated)

## 6. LONG-TERM DEBT AND CREDIT FACILITY

|  | June 30, 2018 | December 31, 2017 |
|--|---------------|-------------------|
| Credit Facility (a)                            | 200           | 823               |
| Unamortized discount: deferred financing costs | (7)           | (9)               |
|  | 193           | 814               |
| Senior Unsecured Notes (b)                     |               |                   |
| 5.50% Senior Notes, due 2021                   | 200           | 200               |
| Unamortized premium: Redemption Options        | 1             | 2                 |
| Unamortized discount: deferred financing costs | (2)           | (3)               |
| 6.00% Senior Notes, due 2022                   | 200           | 200               |
| Unamortized premium: Redemption Options        | 3             | 3                 |
| Unamortized discount: deferred financing costs | (3)           | (3)               |
| 5.75% Senior Notes, due 2024                   | 300           | 300               |
| Unamortized premium: Redemption Options        | 3             | 3                 |
| Unamortized discount: deferred financing costs | (5)           | (6)               |
| 5.625% Senior Notes, due 2025                  | 500           | 500               |
| Unamortized premium: Redemption Options        | 1             | 2                 |
| Unamortized discount: deferred financing costs | (10)          | (10)              |
| 6.00% US Senior Notes, due 2026                | 657           | —                 |
| Unamortized premium: Redemption Options        | 9             | —                 |
| Unamortized discount: deferred financing costs | (9)           | —                 |
|  | 1,845         | 1,188             |
| Finance lease obligations                      | 4             | 5                 |
| Collateralized notes                           | 7             | 7                 |
|  | 11            | 12                |
| Total long-term debt                           | 2,049         | 2,014             |
| Less: current portion                          | (4)           | (4)               |
| Long-term debt                                 | 2,045         | 2,010             |

Estimated principal repayments of long-term debt are as follows:

|                                 | 2018 | 2019 | 2020 | 2021 | 2022 | Thereafter | Interest included in minimum lease payments | Total |
|---------------------------------|------|------|------|------|------|------------|---|-------|
| Credit Facility (a)             | —    | —    | —    | 200  | —    | —          | —   | 200   |
| Senior Unsecured Notes (b)      |      |      |      |      |      |            |   |       |
| 5.50% Senior Notes, due 2021    | —    | —    | —    | 200  | —    | —          | —   | 200   |
| 6.00% Senior Notes, due 2022    | —    | —    | —    | —    | 200  | —          | —   | 200   |
| 5.75% Senior Notes, due 2024    | —    | —    | —    | —    | —    | 300        | —   | 300   |
| 5.625% Senior Notes, due 2025   | —    | —    | —    | —    | —    | 500        | —   | 500   |
| 6.00% US Senior Notes, due 2026 | —    | —    | —    | —    | —    | 657        | —   | 657   |
| Finance lease obligations       | 1    | 2    | 2    | 1    | —    | —          | (2)   | 4     |
| Collateralized notes            | 2    | 2    | 1    | 2    | —    | 1          | (1)   | 7     |
|                                 | 3    | 4    | 3    | 403  | 200  | 1,458      | (3)   | 2,068 |

## Parkland Fuel Corporation

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#### (a) Credit Facility

On March 29, 2018, Parkland amended its revolving extendible credit facility (the "Credit Facility") to reduce the Canadian Syndicated Facility from \$1,000 to \$500. The Credit Facility is extendible each year for a rolling four-year period at Parkland's option, subject to approval by its lenders. The Credit Facility consists of: (i) \$500 for the Canadian Syndicated Facility and US\$50 for the US Syndicated Facility, less the value of letters of credit issued, and (ii) letters of credit to a maximum of \$200 and US\$25.

Details of the Credit Facility as at June 30, 2018 are as follows:

|  | Rate                        | Maturity date      | Effective rate as at June 30, 2018 | Balance as at June 30, 2018 |
|--|-----------------------------|--------------------|------------------------------------|-----------------------------|
| Canadian Syndicated Facility                     |                             |                    |                                    |                             |
| Canadian Prime Rate Loan                         | Prime + 1.25%               | September 29, 2021 | 4.70%                              | 20                          |
| Bankers' acceptance <sup>(1)</sup>               | Bankers' acceptance + 2.00% | September 29, 2021 | 4.05%                              | 150                         |
| US Syndicated Facility                           |                             |                    |                                    |                             |
| US Prime Rate Loan                               | Prime + 1.25%               | September 29, 2021 | 6.00%                              | 30                          |
| Outstanding borrowings under the Credit Facility |                             |                    |                                    | 200                         |

<sup>(1)</sup> Bankers' acceptances are automatically converted upon maturity to the Canadian Prime Rate Loan, which has a maturity date of September 29, 2021.

Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture, creating a first floating charge over all of Parkland's property and assets, except for those secured under the Intermediation Facility.

In the ordinary course of business, Parkland provides guarantees in the form of letters of credit and surety bonds. As at June 30, 2018, these letters of credit and surety bonds amount to \$235 (December 31, 2017 - \$175) and are not recognized in the consolidated financial statements. Maturity dates for these guarantees vary and are up to and including July 18, 2019.

As at June 30, 2018, Parkland provided \$767 (December 31, 2017 - \$730) of unsecured guarantees to counterparties of commodities swaps and US dollar forward exchange contracts used in natural gas liquids and crude oil purchase and supply agreements.

#### (b) Senior Unsecured Notes

The Senior Unsecured Notes are unsecured obligations guaranteed by Parkland's subsidiaries, summarized as follows:

| Series                | Private placement date | Maturity date      | Principal amount |
|-----------------------|------------------------|--------------------|------------------|
| 5.50% Senior Notes    | May 29, 2014           | May 28, 2021       | 200              |
| 6.00% Senior Notes    | November 21, 2014      | November 21, 2022  | 200              |
| 5.75% Senior Notes    | September 16, 2016     | September 16, 2024 | 300              |
| 5.625% Senior Notes   | May 9, 2017            | May 9, 2025        | 500              |
| 6.00% US Senior Notes | March 23, 2018         | April 1, 2026      | 657              |
|                       |                        |                    | 1,857            |

The Senior Unsecured Notes contain covenants that limit Parkland's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Senior Unsecured Notes is paid semi-annually.

#### 6.00% US Senior Notes

On March 23, 2018, Parkland completed a private placement of Senior Unsecured Notes with an aggregate principal amount of US\$500 due April 1, 2026 bearing an interest rate of 6.00% per annum, payable semi-annually in arrears on April 1 and October 1 each year until maturity (the "6.00% US Senior Notes"). The net proceeds from the 6.00% US Senior Notes were used to repay amounts owed under the revolving extendible credit facility as well as for general business use. In addition to the private placement of the 6.00% US Senior Notes, Parkland entered into a cross-currency swap to mitigate foreign currency risk related to the 6.00% US Senior Notes (see Note 7).

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## 7. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Parkland's financial instruments consist of cash and cash equivalents, accounts receivable, long-term receivables, risk management and other derivative assets, substantially all accounts payable and accrued liabilities, dividends declared and payable, long-term debt, risk management and other derivative liabilities and certain portions of other long-term assets and other liabilities.

### (a) Fair value measurement hierarchy

The fair value hierarchy for Parkland's financial assets and liabilities measured at fair value is as follows:

|  | Fair value as at June 30, 2018           |   |   | Total |
|--|--|---|---|-------|
|  | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |       |
| Other derivatives                                    |  |   |   |       |
| Emission credits and allowances                      | –  | 28                                      | –   | 28    |
| Risk management and other derivatives - assets       | –  | 28                                      | –   | 28    |
| Risk management derivatives                          |  |   |   |       |
| Commodities swaps, forwards and futures contracts    | –  | (17)                                    | –   | (17)  |
| US dollar forward contracts                          | –  | (1)                                     | –   | (1)   |
| Other derivatives                                    |  |   |   |       |
| Emission credits and allowances                      | –  | (1)                                     | –   | (1)   |
| Risk management and other derivatives - liabilities  | –  | (19)                                    | –   | (19)  |
| Other derivatives included in other long-term assets |  |   |   |       |
| US Dollar Currency Swap                              | –  | 6                                       | –   | 6     |
| Redemption Options                                   | –  | 18                                      | –   | 18    |
| Other derivatives included in other long-term assets | –  | 24                                      | –   | 24    |
| Other derivatives included in other liabilities      |  |   |   |       |
| Intermediation Facility Derivatives                  | –  | (4)                                     | –   | (4)   |
|  |  |   |   |       |
|  | Fair value as at December 31, 2017       |   |   |       |
|  | Quoted prices in active market (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) | Total |
| Risk management derivatives                          |  |   |   |       |
| Commodities swaps, forwards and futures contracts    | –  | 1                                       | –   | 1     |
| US dollar forward contracts                          | –  | 1                                       | –   | 1     |
| Other derivatives                                    |  |   |   |       |
| Emission credits and allowances                      | –  | 17                                      | –   | 17    |
| Risk management and other derivatives - assets       | –  | 19                                      | –   | 19    |
| Risk management derivatives                          |  |   |   |       |
| Commodities swaps, forwards and futures contracts    | –  | (9)                                     | –   | (9)   |
| Risk management and other derivatives - liabilities  | –  | (9)                                     | –   | (9)   |
| Other derivatives included in other long-term assets |  |   |   |       |
| Redemption Options                                   | –  | 20                                      | –   | 20    |
| Other derivatives included in other liabilities      |  |   |   |       |
| Intermediation Facility Derivatives                  | –  | (9)                                     | –   | (9)   |

There were no transfers between fair value measurement hierarchy levels during the six months ended June 30, 2018.

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#### (b) US Dollar Currency Swap

During the first quarter of 2018, Parkland entered into a USD/CAD cross-currency swap maturing on April 1, 2026 to mitigate foreign currency risk related to the 6.00% US Senior Notes by converting the US\$500 Senior Notes at a fixed rate of 6.00% to C\$655 at a fixed rate of 5.7685% (the "US Dollar Currency Swap"). As the US Dollar Currency Swap was not designated as a hedge for accounting purposes, any gains or losses on this contract are recorded within gain on risk management and other derivatives in the consolidated statements of income (loss).

The fair value of the US Dollar Currency Swap was determined using independent price publications, third-party pricing services and market exchanges. On initial recognition of the US Dollar Currency Swap, the \$13 difference between the transaction price and the day-one fair value was deferred in its initial carrying amount. Parkland amortizes this deferral over the life of the US Dollar Currency Swap within gain on risk management and other derivatives. As at June 30, 2018, the unamortized deferral of \$12 was recorded within other long-term assets.

#### (c) Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and carried at a fair value of \$18 as at June 30, 2018 (December 31, 2017 – \$20) within other long-term assets.

#### (d) Other financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at June 30, 2018 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at June 30, 2018, as Parkland currently issues loans and advances to dealers and customers at market terms. The Senior Unsecured Notes have a carrying value of \$1,857 and an estimated fair value of \$1,828 as at June 30, 2018 (December 31, 2017 – \$1,200 and \$1,220 respectively). The carrying value of other long-term debt and other liabilities approximates fair value as at June 30, 2018, as either the interest rate on the long-term debt is adjusted monthly, the debt was recently issued or liabilities incurred.

#### (e) Offsetting

Parkland enters into enforceable netting arrangements that allow for the offsetting of financial assets and liabilities. The following financial assets and financial liabilities are subject to offsetting on the consolidated balance sheets:

|   | As at June 30, 2018 |                |      | As at December 31, 2017 |                |     |
|---|---------------------|----------------|------|-------------------------|----------------|-----|
|   | Gross amounts       | Amounts offset | Net  | Gross amounts           | Amounts offset | Net |
| Risk management and other derivatives - assets      | 48                  | (20)           | 28   | 8                       | (6)            | 2   |
| Risk management and other derivatives - liabilities | (39)                | 20             | (19) | (15)                    | 6              | (9) |

## 8. NET CHANGE IN NON-CASH WORKING CAPITAL

|  | Three months ended June 30, |      | Six months ended June 30, |       |
|--|-----------------------------|------|---------------------------|-------|
|  | 2018                        | 2017 | 2018                      | 2017  |
| Accounts receivable                          | (45)                        | 19   | (75)                      | 63    |
| Inventories                                  | (12)                        | 15   | (28)                      | 49    |
| Income taxes receivable                      | (2)                         | (7)  | (8)                       | (8)   |
| Prepaid expenses and other                   | (7)                         | 2    | (3)                       | (1)   |
| Accounts payable and accrued liabilities     | 11                          | (25) | 50                        | (101) |
| Deferred revenue                             | 1                           | (2)  | 3                         | (6)   |
| Total net change in non-cash working capital | (54)                        | 2    | (61)                      | (4)   |

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## 9. ASSET RETIREMENT OBLIGATIONS

|   | Note | January 1, 2018 to<br>June 30, 2018 | January 1, 2017 to<br>December 31, 2017 |
|---|------|-------------------------------------|---|
| Asset retirement obligations, beginning of period                 |      | <b>243</b>                          | 132                                     |
| Additional provisions made in the period                          |      | <b>6</b>                            | 3                                       |
| Ultramar Acquisition  | 12   | –                                   | 63                                      |
| Chevron Acquisition   | 12   | –                                   | 89                                      |
| Obligations settled during the period                             |      | <b>(2)</b>                          | (5)                                     |
| Change in estimated future cash flows                             |      | <b>(13)</b>                         | (12)                                    |
| Change due to passage of time, foreign exchange and discount rate |      | <b>43</b>                           | (27)                                    |
| Asset retirement obligations, end of period                       |      | <b>277</b>                          | 243                                     |
| Current   |      | <b>7</b>                            | 5                                       |
| Non-current   |      | <b>270</b>                          | 238                                     |
| Asset retirement obligations, end of period                       |      | <b>277</b>                          | 243                                     |

As at June 30, 2018, the inflation rate used to determine the value of future costs ranged from 2.50% to 2.58% (December 31, 2017 – 2.58% to 2.67%) and the discount rates used to determine the present value of the future costs ranged from 4.18% to 4.91% (December 31, 2017 – 4.90% to 5.32%). Asset retirement obligations include provisions made for annual recurring environmental activities required at the Burnaby Refinery. Excluding these provisions, the total undiscounted estimated future cash flows required to settle Parkland's asset retirement obligations are \$404 as at June 30, 2018 (December 31, 2017 – \$400). These costs are expected to be paid up to 2056 (December 31, 2017 – 2056).

## 10. OTHER LIABILITIES

|  | Note | June 30, 2018 | December 31, 2017 |
|--|------|---------------|-------------------|
| Intermediation Facility (a)              |      | <b>329</b>    | 301               |
| Intermediation Facility Derivatives (b)  |      | <b>4</b>      | 9                 |
| Other liabilities - current              |      | <b>333</b>    | 310               |
| Long-term deposits, provisions and other |      | <b>39</b>     | 29                |
| Employee benefits                        |      | <b>9</b>      | 9                 |
| Above-market leases                      |      | <b>7</b>      | 8                 |
| DSU liability                            | 11   | <b>7</b>      | 5                 |
| Other liabilities - non-current          |      | <b>62</b>     | 51                |

### (a) Intermediation Facility

On October 6, 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery. On January 31, 2018, the Intermediation Facility was amended to extend the expiry to December 31, 2019. The Intermediation Facility involves structured purchases and sales of crude oil, refined products and other hydrocarbons (collectively, "Hydrocarbons"). The amended Intermediation Facility has a funding limit of: (i) up to US\$125 of accounts receivable balances and (ii) the cost of Hydrocarbon inventory volumes up to 2,740 Mbbls. The Intermediation Facility is secured by Hydrocarbons and accounts receivable balances funded under the Intermediation Facility on a first-lien basis.



## Parkland Fuel Corporation

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#### (b) Intermediation Facility Derivatives

On March 1, 2018, the Intermediation Facility was amended to include a daily settlement feature. The Intermediation Facility involves concurrent paired forward purchase and sale transactions (collectively "the core paired forward transactions"), which are accounted for as derivative financial instruments carried at fair value (the "Intermediation Facility Derivatives"). For the three and six months ended June 30, 2018, a realized loss of \$22 and \$29 respectively (2017 - nil and nil) and an unrealized gain of \$3 and \$5 respectively (2017 - nil and nil) relating to the Intermediation Facility Derivatives were included within cost of purchases on the consolidated statements of income (loss). As at June 30, 2018, \$4 was recorded on the consolidated balance sheets within the current portion of other liabilities (December 31, 2017 - \$9).

## 11. SHAREHOLDERS' CAPITAL

#### (a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding.

Changes to shareholders' capital were as follows:

|   | January 1, 2018 to<br>June 30, 2018   |                         | January 1, 2017 to<br>December 31, 2017 |                         |
|---|---------------------------------------|-------------------------|---|-------------------------|
|   | Number of<br>common shares<br>(000's) | Amount<br>(\$ millions) | Number of<br>common shares<br>(000's)   | Amount<br>(\$ millions) |
| Shareholders' capital, beginning of period                  | 131,228                               | 1,816                   | 96,238                                  | 910                     |
| Issued on equity offering                                   | –                                     | –                       | 23,900                                  | 662                     |
| Issued on conversion of subscription receipts               | –                                     | –                       | 9,430                                   | 222                     |
| Share issuance costs, net of nil tax recovery (2017 - \$10) | –                                     | –                       | –                                       | (27)                    |
| Issued under dividend reinvestment plan, net of costs       | 901                                   | 27                      | 1,350                                   | 37                      |
| Issued under share option plan                              | 284                                   | 7                       | 163                                     | 4                       |
| Issued on vesting of restricted share units                 | 140                                   | 1                       | 147                                     | 8                       |
| Cancelled   | (98)                                  | (2)                     | –                                       | –                       |
| Shareholders' capital, end of period                        | 132,455                               | 1,849                   | 131,228                                 | 1,816                   |

#### (b) Share options, restricted share units, and deferred share units

Details of share options, restricted share units ("RSUs") and deferred share units ("DSUs") held by directors, officers and employees are summarized as follows:

| (000's)   | June 30, 2018 | December 31, 2017 |
|---|---------------|-------------------|
| Number of share options outstanding                 | 3,695         | 3,256             |
| Number of share options outstanding and exercisable | 2,274         | 1,831             |
| Number of RSUs outstanding                          | 1,187         | 935               |
| Number of DSUs outstanding                          | 213           | 186               |

Expenses related to share options, RSUs and DSUs for the three and six months ended June 30, 2018 were \$4 and \$4 respectively (2017 - \$1 and \$3). The liability recorded for DSUs in other long-term liabilities as at June 30, 2018 was \$7 (December 31, 2017 - \$5).

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## 12. BUSINESS COMBINATIONS

### (a) Chevron Acquisition

On October 1, 2017, Parkland completed the acquisition of all outstanding shares of Chevron Canada R & M ULC from Chevron Canada Ltd. for a purchase price of \$1,684 (the "Chevron Acquisition"). The businesses acquired as part of the Chevron Acquisition consist of: (i) 129 Chevron-branded retail service stations principally located in Metro Vancouver and Vancouver Island, (ii) 37 commercial cardlock locations and three marine fuelling locations, (iii) a refinery in Burnaby, British Columbia, (iv) terminals located in Burnaby, Hatch Point and Port Hardy, British Columbia, and (v) a wholesale business that includes aviation fuel sales to the Vancouver International Airport. The Chevron Acquisition extended Parkland's network coverage in British Columbia and added significant supply infrastructure and logistics capability to support Parkland's existing operations. With this acquisition, Parkland became an exclusive marketer of Chevron-branded fuels.

During the first quarter of 2018, Parkland revised the preliminary purchase price allocation of the Chevron Acquisition. These adjustments have been applied retrospectively to the acquisition date of October 1, 2017, resulting in a \$13 decrease in goodwill and a \$13 decrease in the purchase consideration transferred compared to the amounts presented in the Annual Consolidated Financial Statements. The revised preliminary fair values of the Chevron identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below. Parkland expects to finalize these amounts no later than one year from the acquisition date.

|  | Note | Chevron Acquisition |
|--|------|---------------------|
| <b>Assets</b>  |      |                     |
| Accounts receivable  |      | 87                  |
| Inventories  |      | 149                 |
| Income taxes receivable  |      | 2                   |
| Prepaid expenses and other                                       |      | 5                   |
| Property, plant and equipment                                    | 5    | 1,236               |
| Intangible assets  |      | 69                  |
| Other long-term assets   |      | 7                   |
|  |      | <b>1,555</b>        |
| <b>Liabilities</b>   |      |                     |
| Accounts payable and accrued liabilities                         |      | (72)                |
| Asset retirement obligations                                     | 9    | (89)                |
| Other liabilities  |      | (11)                |
| Deferred tax liabilities   |      | (164)               |
|  |      | <b>(336)</b>        |
| Goodwill arising on acquisition                                  |      | 465                 |
| Purchase consideration transferred                               |      | 1,684               |
| <b>Fair value analysis of purchase consideration transferred</b> |      |                     |
| Cash paid on acquisition date, less cash assumed of \$31         |      | 1,609               |
| Chevron Acquisition Hedge  |      | 101                 |
| Working capital adjustment                                       |      | (26)                |
| Purchase consideration transferred                               |      | 1,684               |

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(\$ millions, unless otherwise stated)

#### (b) Ultramar Acquisition

On June 28, 2017, Parkland completed the acquisition of the majority of the Canadian business and assets of CST Brands, Inc. from Alimentation Couche-Tard Inc. for a purchase price of \$978 (the "Ultramar Acquisition"). The businesses acquired in the Ultramar Acquisition consist of: (i) 495 dealer and commissioned agent retail fuel sites, (ii) 73 commercial cardlock sites, (iii) 30 commercial and home heating sites, (iv) 159 company-operated retail fuel sites, and (v) corporate presence in Montréal. Parkland also assumed the liabilities of all the Canadian business and assets. The Ultramar Acquisition extended Parkland's network coverage in Quebec and Atlantic Canada and enhanced Parkland's presence in Ontario.

There were no changes to the preliminary fair values of the identifiable assets and liabilities of the Ultramar Acquisition presented in the Annual Consolidated Financial Statements.

#### (c) Other acquisitions

During the third quarter of 2017 and second quarter of 2018, Parkland completed the acquisitions of individually immaterial businesses complementary to Parkland's existing lines of business. There were no changes to the preliminary fair values of the identifiable assets and liabilities of these acquisitions and Parkland expects to finalize the purchase price allocations for these acquisitions no later than one year from the respective acquisition dates.

#### (d) Other information

Details of acquisition, integration and other costs are outlined below. Other costs primarily consist of restructuring-related expenses.

|  | Three months ended June 30, |      | Six months ended June 30, |      |
|--|-----------------------------|------|---------------------------|------|
|  | 2018                        | 2017 | 2018                      | 2017 |
| Acquisition costs                        | 3                           | 15   | 4                         | 22   |
| Integration costs                        | 9                           | —    | 23                        | —    |
| Other costs                              | —                           | 1    | 2                         | 2    |
| Acquisition, integration and other costs | 12                          | 16   | 29                        | 24   |

## 13. FINANCE COSTS

|  | Three months ended June 30, |      | Six months ended June 30, |      |
|--|-----------------------------|------|---------------------------|------|
|  | 2018                        | 2017 | 2018                      | 2017 |
| Interest on long-term debt                                   | 31                          | 15   | 60                        | 28   |
| Amortization of deferred financing costs                     | 1                           | 1    | 7                         | 2    |
| Accretion on asset retirement obligations                    | 2                           | 1    | 5                         | 2    |
| Change in fair value of Redemption Options                   | 7                           | —    | 11                        | —    |
| Amortization of debt premium arising from Redemption Options | (1)                         | (1)  | (2)                       | (1)  |
| Interest income  | —                           | (2)  | —                         | (3)  |
|  | 40                          | 14   | 81                        | 28   |

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

#### For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

## 14. SEGMENT INFORMATION

Parkland's reportable operating segments are differentiated by the nature of their products, services, and national geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate.

### General information

Intersegment sales are accounted for at market value and include, for segment reporting, sales and operating revenue of the segment making the transfer as well as cost of purchases of the segment receiving the transfer. Intersegment transactions are eliminated upon consolidation. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Depreciation and amortization, finance costs, gain or loss on asset disposals, acquisition-related costs, gain or loss on risk management and other derivatives - unrealized, gain or loss on foreign exchange - unrealized and income taxes are not allocated to segments because they are not reviewed as part of segment information by the chief operating decision maker. Accordingly, there are certain asymmetries in the allocation of earnings to segments with respect to these items.

The segregation of total assets and total liabilities is not practical, as the balance sheets of the reportable segments are not presented to or reviewed by the chief operating decision maker.

### Geographic information

|   | Three months ended June 30, |       | Six months ended June 30, |       |
|---|-----------------------------|-------|---------------------------|-------|
|   | 2018                        | 2017  | 2018                      | 2017  |
| Revenue from external customers - Canada        | 3,556                       | 1,619 | 6,717                     | 3,250 |
| Revenue from external customers - United States | 227                         | 187   | 408                       | 341   |
| Sales and operating revenue                     | 3,783                       | 1,806 | 7,125                     | 3,591 |

|                               | June 30, 2018 |               |              |
|-------------------------------|---------------|---------------|--------------|
|                               | Canada        | United States | Consolidated |
| Property, plant and equipment | 2,077         | 65            | 2,142        |
| Intangible assets             | 650           | 35            | 685          |
| Goodwill                      | 1,165         | 60            | 1,225        |
| Total                         | 3,892         | 160           | 4,052        |

|                               | December 31, 2017 |               |              |
|-------------------------------|-------------------|---------------|--------------|
|                               | Canada            | United States | Consolidated |
| Property, plant and equipment | 2,047             | 63            | 2,110        |
| Intangible assets             | 683               | 36            | 719          |
| Goodwill                      | 1,164             | 57            | 1,221        |
| Total                         | 3,894             | 156           | 4,050        |

### Seasonality

The Retail (formerly "Retail Fuels") segment typically experiences higher volumes during the second and third quarters of the year due to increased consumer travel during the warmer months. The Commercial (formerly "Commercial Fuels") segment typically experiences higher volumes during the first and fourth quarters of the year due to higher heating fuel demand during the colder months.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

| Segment information  | Retail       |      | Commercial  |      | Supply         |         | Parkland USA |      | Corporate   |      | Consolidated   |         |
|--|--------------|------|-------------|------|----------------|---------|--------------|------|-------------|------|----------------|---------|
| For the three months ended June 30,  | 2018         | 2017 | 2018        | 2017 | 2018           | 2017    | 2018         | 2017 | 2018        | 2017 | 2018           | 2017    |
| <b>Fuel and petroleum product volume (million litres)<sup>(1)</sup></b>                  | <b>1,725</b> | 967  | <b>751</b>  | 319  | <b>1,480</b>   | 1,052   | <b>246</b>   | 250  | –           | –    | <b>4,202</b>   | 2,588   |
| <b>Sales and operating revenue</b>   |              |      |             |      |                |         |              |      |             |      |                |         |
| Gas and diesel   | <b>1,899</b> | 745  | <b>475</b>  | 163  | <b>3,978</b>   | 1,769   | <b>192</b>   | 154  | –           | –    | <b>6,544</b>   | 2,831   |
| Liquid petroleum gas <sup>(2)</sup>  | <b>5</b>     | 1    | <b>32</b>   | 25   | <b>118</b>     | 101     | <b>1</b>     | 2    | –           | –    | <b>156</b>     | 129     |
| Other fuel and petroleum products <sup>(2)</sup>   | <b>9</b>     | –    | <b>225</b>  | 24   | <b>568</b>     | 177     | –            | –    | –           | –    | <b>802</b>     | 201     |
| Fuel and petroleum product revenue   | <b>1,913</b> | 746  | <b>732</b>  | 212  | <b>4,664</b>   | 2,047   | <b>193</b>   | 156  | –           | –    | <b>7,502</b>   | 3,161   |
| Convenience store  | <b>102</b>   | 44   | –           | –    | –              | –       | <b>12</b>    | 12   | –           | –    | <b>114</b>     | 56      |
| Lubricants   | –            | –    | <b>17</b>   | 36   | –              | –       | <b>20</b>    | 16   | –           | –    | <b>37</b>      | 52      |
| Other non-fuel <sup>(2)</sup>  | <b>19</b>    | 9    | <b>29</b>   | 24   | <b>24</b>      | 15      | <b>2</b>     | 3    | –           | –    | <b>74</b>      | 51      |
| Non-fuel revenue   | <b>121</b>   | 53   | <b>46</b>   | 60   | <b>24</b>      | 15      | <b>34</b>    | 31   | –           | –    | <b>225</b>     | 159     |
| Total sales and operating revenue - external and intersegmental <sup>(3)</sup>           | <b>2,034</b> | 799  | <b>778</b>  | 272  | <b>4,688</b>   | 2,062   | <b>227</b>   | 187  | –           | –    | <b>7,727</b>   | 3,320   |
| Less: Intersegment revenue <sup>(3)</sup>  | <b>(174)</b> | –    | <b>(61)</b> | (1)  | <b>(3,709)</b> | (1,513) | –            | –    | –           | –    | <b>(3,944)</b> | (1,514) |
| Sales and operating revenue  | <b>1,860</b> | 799  | <b>717</b>  | 271  | <b>979</b>     | 549     | <b>227</b>   | 187  | –           | –    | <b>3,783</b>   | 1,806   |
| <b>Cost of purchases</b>   |              |      |             |      |                |         |              |      |             |      |                |         |
| Fuel and petroleum product cost of purchases   | <b>1,775</b> | 690  | <b>672</b>  | 182  | <b>4,446</b>   | 2,016   | <b>184</b>   | 147  | –           | –    | <b>7,077</b>   | 3,035   |
| Non-fuel cost of purchases   | <b>81</b>    | 39   | <b>32</b>   | 46   | <b>20</b>      | 12      | <b>25</b>    | 22   | –           | –    | <b>158</b>     | 119     |
| Total cost of purchases - external and intersegmental <sup>(3)</sup>                     | <b>1,856</b> | 729  | <b>704</b>  | 228  | <b>4,466</b>   | 2,028   | <b>209</b>   | 169  | –           | –    | <b>7,235</b>   | 3,154   |
| Less: Intersegment cost of purchases <sup>(3)</sup>                                      | <b>(174)</b> | –    | <b>(61)</b> | (1)  | <b>(3,709)</b> | (1,513) | –            | –    | –           | –    | <b>(3,944)</b> | (1,514) |
| Cost of purchases  | <b>1,682</b> | 729  | <b>643</b>  | 227  | <b>757</b>     | 515     | <b>209</b>   | 169  | –           | –    | <b>3,291</b>   | 1,640   |
| <b>Adjusted gross profit</b>   |              |      |             |      |                |         |              |      |             |      |                |         |
| Fuel and petroleum product adjusted gross profit, before the following:                  | <b>138</b>   | 56   | <b>60</b>   | 30   | <b>218</b>     | 31      | <b>9</b>     | 9    | –           | –    | <b>425</b>     | 126     |
| Gain on risk management and other derivatives - realized                                 | –            | –    | –           | –    | <b>14</b>      | 2       | –            | –    | –           | –    | <b>14</b>      | 2       |
| Gain on foreign exchange - realized  | –            | –    | –           | –    | <b>9</b>       | –       | –            | –    | <b>1</b>    | –    | <b>10</b>      | –       |
| Reverse: Gain on Intermediation Facility Derivatives in cost of purchases - unrealized   | –            | –    | –           | –    | <b>(3)</b>     | –       | –            | –    | –           | –    | <b>(3)</b>     | –       |
| Fuel and petroleum product adjusted gross profit   | <b>138</b>   | 56   | <b>60</b>   | 30   | <b>238</b>     | 33      | <b>9</b>     | 9    | <b>1</b>    | –    | <b>446</b>     | 128     |
| Non-fuel adjusted gross profit   | <b>40</b>    | 14   | <b>14</b>   | 14   | <b>4</b>       | 3       | <b>9</b>     | 9    | –           | –    | <b>67</b>      | 40      |
| Total adjusted gross profit  | <b>178</b>   | 70   | <b>74</b>   | 44   | <b>242</b>     | 36      | <b>18</b>    | 18   | <b>1</b>    | –    | <b>513</b>     | 168     |
| Operating costs  | <b>82</b>    | 25   | <b>45</b>   | 33   | <b>56</b>      | 8       | <b>11</b>    | 11   | –           | –    | <b>194</b>     | 77      |
| Marketing, general and administrative  | <b>14</b>    | 7    | <b>11</b>   | 6    | <b>16</b>      | 10      | <b>2</b>     | 2    | <b>27</b>   | 12   | <b>70</b>      | 37      |
| <b>Adjusted EBITDA</b>   | <b>82</b>    | 38   | <b>18</b>   | 5    | <b>170</b>     | 18      | <b>5</b>     | 5    | <b>(26)</b> | (12) | <b>249</b>     | 54      |
| Depreciation and amortization  |              |      |             |      |                |         |              |      | <b>76</b>   | 24   | <b>76</b>      | 24      |
| Finance costs  |              |      |             |      |                |         |              |      | <b>40</b>   | 14   | <b>40</b>      | 14      |
| Loss on asset disposals  |              |      |             |      |                |         |              |      | <b>23</b>   | 1    | <b>23</b>      | 1       |
| Acquisition, integration and other costs   |              |      |             |      |                |         |              |      | <b>12</b>   | 16   | <b>12</b>      | 16      |
| Gain on Intermediation Facility Derivatives in cost of purchases - unrealized            |              |      |             |      |                |         |              |      | <b>(3)</b>  | –    | <b>(3)</b>     | –       |
| Loss on foreign exchange - unrealized  |              |      |             |      |                |         |              |      | <b>31</b>   | –    | <b>31</b>      | –       |
| Income tax expense   |              |      |             |      |                |         |              |      | <b>10</b>   | –    | <b>10</b>      | –       |
| <b>Net earnings (loss)</b>   |              |      |             |      |                |         |              |      |             |      | <b>60</b>      | (1)     |
| Property, plant and equipment and intangible asset additions                             | <b>18</b>    | 4    | <b>5</b>    | 5    | <b>19</b>      | 2       | <b>1</b>     | 1    | <b>1</b>    | 2    | <b>44</b>      | 14      |
| Property, plant and equipment, intangible asset and goodwill acquisitions <sup>(4)</sup> | <b>2</b>     | 953  | –           | 112  | –              | –       | –            | –    | –           | 16   | <b>2</b>       | 1,081   |

<sup>(1)</sup> Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

<sup>(2)</sup> Liquid petroleum gas includes propane and butane. Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel. Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

<sup>(3)</sup> Intersegment revenues and cost of purchases include intra-segment amounts.

<sup>(4)</sup> Certain comparative figures have been revised. See Note 19 - Business Combinations of the Annual Consolidated Financial Statements.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

| Segment information  | Retail       |       | Commercial   |      | Supply         |         | Parkland USA |      | Corporate   |      | Consolidated   |         |
|--|--------------|-------|--------------|------|----------------|---------|--------------|------|-------------|------|----------------|---------|
| For the six months ended June 30,  | 2018         | 2017  | 2018         | 2017 | 2018           | 2017    | 2018         | 2017 | 2018        | 2017 | 2018           | 2017    |
| <b>Fuel and petroleum product volume (million litres)<sup>(1)</sup></b>                  | <b>3,311</b> | 1,811 | <b>1,695</b> | 773  | <b>2,942</b>   | 2,303   | <b>465</b>   | 457  | –           | –    | <b>8,413</b>   | 5,344   |
| <b>Sales and operating revenue</b>   |              |       |              |      |                |         |              |      |             |      |                |         |
| Gas and diesel   | <b>3,348</b> | 1,382 | <b>950</b>   | 344  | <b>6,641</b>   | 3,480   | <b>344</b>   | 280  | –           | –    | <b>11,283</b>  | 5,486   |
| Liquid petroleum gas <sup>(2)</sup>  | <b>5</b>     | 1     | <b>113</b>   | 86   | <b>340</b>     | 301     | <b>3</b>     | 3    | –           | –    | <b>461</b>     | 391     |
| Other fuel and petroleum products <sup>(2)</sup>   | <b>19</b>    | –     | <b>492</b>   | 94   | <b>1,124</b>   | 331     | –            | –    | –           | –    | <b>1,635</b>   | 425     |
| Fuel and petroleum product revenue   | <b>3,372</b> | 1,383 | <b>1,555</b> | 524  | <b>8,105</b>   | 4,112   | <b>347</b>   | 283  | –           | –    | <b>13,379</b>  | 6,302   |
| Convenience store  | <b>191</b>   | 81    | –            | –    | –              | –       | <b>21</b>    | 22   | –           | –    | <b>212</b>     | 103     |
| Lubricants   | –            | –     | <b>32</b>    | 75   | –              | –       | <b>35</b>    | 31   | –           | –    | <b>67</b>      | 106     |
| Other non-fuel <sup>(2)</sup>  | <b>36</b>    | 17    | <b>48</b>    | 36   | <b>45</b>      | 31      | <b>5</b>     | 5    | –           | –    | <b>134</b>     | 89      |
| Non-fuel revenue   | <b>227</b>   | 98    | <b>80</b>    | 111  | <b>45</b>      | 31      | <b>61</b>    | 58   | –           | –    | <b>413</b>     | 298     |
| Total sales and operating revenue - external and intersegmental <sup>(3)</sup>           | <b>3,599</b> | 1,481 | <b>1,635</b> | 635  | <b>8,150</b>   | 4,143   | <b>408</b>   | 341  | –           | –    | <b>13,792</b>  | 6,600   |
| Less: Intersegment revenue <sup>(3)</sup>  | <b>(205)</b> | –     | <b>(103)</b> | (1)  | <b>(6,359)</b> | (3,008) | –            | –    | –           | –    | <b>(6,667)</b> | (3,009) |
| Sales and operating revenue  | <b>3,394</b> | 1,481 | <b>1,532</b> | 634  | <b>1,791</b>   | 1,135   | <b>408</b>   | 341  | –           | –    | <b>7,125</b>   | 3,591   |
| <b>Cost of purchases</b>   |              |       |              |      |                |         |              |      |             |      |                |         |
| Fuel and petroleum product cost of purchases   | <b>3,109</b> | 1,283 | <b>1,405</b> | 434  | <b>7,732</b>   | 4,033   | <b>330</b>   | 267  | –           | –    | <b>12,576</b>  | 6,017   |
| Non-fuel cost of purchases   | <b>152</b>   | 71    | <b>52</b>    | 84   | <b>35</b>      | 26      | <b>44</b>    | 41   | –           | –    | <b>283</b>     | 222     |
| Total cost of purchases - external and intersegmental <sup>(3)</sup>                     | <b>3,261</b> | 1,354 | <b>1,457</b> | 518  | <b>7,767</b>   | 4,059   | <b>374</b>   | 308  | –           | –    | <b>12,859</b>  | 6,239   |
| Less: Intersegment cost of purchases <sup>(3)</sup>                                      | <b>(205)</b> | –     | <b>(103)</b> | (1)  | <b>(6,359)</b> | (3,008) | –            | –    | –           | –    | <b>(6,667)</b> | (3,009) |
| Cost of purchases  | <b>3,056</b> | 1,354 | <b>1,354</b> | 517  | <b>1,408</b>   | 1,051   | <b>374</b>   | 308  | –           | –    | <b>6,192</b>   | 3,230   |
| <b>Adjusted gross profit (loss)</b>  |              |       |              |      |                |         |              |      |             |      |                |         |
| Fuel and petroleum product adjusted gross profit, before the following:                  | <b>263</b>   | 100   | <b>150</b>   | 90   | <b>373</b>     | 79      | <b>17</b>    | 16   | –           | –    | <b>803</b>     | 285     |
| Gain (loss) on risk management and other derivatives - realized                          | –            | –     | –            | –    | <b>9</b>       | (3)     | –            | –    | –           | –    | <b>9</b>       | (3)     |
| Gain (loss) on foreign exchange - realized   | –            | –     | –            | –    | <b>8</b>       | 1       | –            | –    | <b>(2)</b>  | –    | <b>6</b>       | 1       |
| Reverse: Gain on Intermediation Facility Derivatives in cost of purchases - unrealized   | –            | –     | –            | –    | <b>(5)</b>     | –       | –            | –    | –           | –    | <b>(5)</b>     | –       |
| Fuel and petroleum product adjusted gross profit (loss)                                  | <b>263</b>   | 100   | <b>150</b>   | 90   | <b>385</b>     | 77      | <b>17</b>    | 16   | <b>(2)</b>  | –    | <b>813</b>     | 283     |
| Non-fuel adjusted gross profit   | <b>75</b>    | 27    | <b>28</b>    | 27   | <b>10</b>      | 5       | <b>17</b>    | 17   | –           | –    | <b>130</b>     | 76      |
| Total adjusted gross profit (loss)   | <b>338</b>   | 127   | <b>178</b>   | 117  | <b>395</b>     | 82      | <b>34</b>    | 33   | <b>(2)</b>  | –    | <b>943</b>     | 359     |
| Operating costs  | <b>158</b>   | 50    | <b>102</b>   | 71   | <b>120</b>     | 21      | <b>21</b>    | 21   | –           | –    | <b>401</b>     | 163     |
| Marketing, general and administrative  | <b>29</b>    | 14    | <b>20</b>    | 12   | <b>34</b>      | 20      | <b>4</b>     | 4    | <b>53</b>   | 22   | <b>140</b>     | 72      |
| <b>Adjusted EBITDA</b>   | <b>151</b>   | 63    | <b>56</b>    | 34   | <b>241</b>     | 41      | <b>9</b>     | 8    | <b>(55)</b> | (22) | <b>402</b>     | 124     |
| Depreciation and amortization  |              |       |              |      |                |         |              |      | <b>145</b>  | 50   | <b>145</b>     | 50      |
| Finance costs  |              |       |              |      |                |         |              |      | <b>81</b>   | 28   | <b>81</b>      | 28      |
| Loss on asset disposals  |              |       |              |      |                |         |              |      | <b>23</b>   | 1    | <b>23</b>      | 1       |
| Acquisition, integration and other costs   |              |       |              |      |                |         |              |      | <b>29</b>   | 24   | <b>29</b>      | 24      |
| Loss (gain) on risk management and other derivatives - unrealized                        |              |       |              |      |                |         |              |      | <b>5</b>    | (9)  | <b>5</b>       | (9)     |
| Gain on Intermediation Facility Derivatives in cost of purchases - unrealized            |              |       |              |      |                |         |              |      | <b>(5)</b>  | –    | <b>(5)</b>     | –       |
| Loss on foreign exchange - unrealized  |              |       |              |      |                |         |              |      | <b>25</b>   | 1    | <b>25</b>      | 1       |
| Income tax expense   |              |       |              |      |                |         |              |      | <b>19</b>   | 8    | <b>19</b>      | 8       |
| <b>Net earnings</b>  |              |       |              |      |                |         |              |      |             |      | <b>80</b>      | 21      |
| Property, plant and equipment and intangible asset additions                             | <b>27</b>    | 6     | <b>11</b>    | 11   | <b>90</b>      | 7       | <b>1</b>     | 2    | <b>1</b>    | 4    | <b>130</b>     | 30      |
| Property, plant and equipment, intangible asset and goodwill acquisitions <sup>(4)</sup> | <b>2</b>     | 953   | –            | 112  | –              | –       | –            | –    | –           | 16   | <b>2</b>       | 1,081   |

<sup>(1)</sup> Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

<sup>(2)</sup> Liquid petroleum gas includes propane and butane. Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel. Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

<sup>(3)</sup> Intersegment revenues and cost of purchases include intra-segment amounts.

<sup>(4)</sup> Certain comparative figures have been revised. See Note 19 - Business Combinations of the Annual Consolidated Financial Statements.

## **Parkland Fuel Corporation**

### Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

#### For the three and six months ended June 30, 2018

(\$ millions, unless otherwise stated)

## **15. SUBSEQUENT EVENT**

On July 17, 2018, Parkland filed a base shelf prospectus ("Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as units comprised of one or more of the aforementioned (collectively, the "Securities") with an aggregate offering amount of up to \$1,000. The Shelf Prospectus allows for the offering of the Securities from time to time in one or more offerings. Terms of the Securities, including, but not limited to, prices or maturity dates, will be determined at the date of issue. The Shelf Prospectus expires in August 2020. As at August 2, 2018, no Securities have been issued under the Shelf Prospectus.