Parkland Fuel Corporation

Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2018

Parkland
FUEL CORPORATION

Parkland Fuel Corporation

Consolidated Balance Sheets
(Unaudited)

($ millions)	Note	September 30, 2018	December 31, 2017[1]
Assets			
Current assets			
Cash and cash equivalents		**20**	23
Accounts receivable		**785**	699
Inventories		**467**	398
Income taxes receivable		**22**	19
Risk management and other derivatives	7	**24**	19
Prepaid expenses and other		**37**	33
		1,355	1,191
Property, plant and equipment	5	**2,172**	2,110
Intangible assets		**722**	719
Goodwill		**1,292**	1,221
Long-term receivables		**54**	38
Other long-term assets	7	**52**	40
Deferred tax assets		**89**	93
		5,736	5,412
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		**954**	942
Dividends declared and payable		**13**	13
Deferred revenue		**28**	15
Long-term debt – current portion	6	**105**	4
Asset retirement obligations – current portion	9	**7**	5
Risk management and other derivatives	7	**24**	9
Other liabilities – current portion	10	**351**	310
		1,482	1,298
Long-term debt	6	**2,059**	2,010
Asset retirement obligations	9	**260**	238
Other liabilities	10	**66**	51
Deferred tax liabilities		**159**	170
		4,026	3,767
Shareholders' equity			
Shareholders' capital	11	**1,866**	1,816
Contributed surplus		**21**	21
Accumulated other comprehensive income		**11**	7
Deficit		**(188)**	(199)
		1,710	1,645
		5,736	5,412

[1] 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
(Unaudited)

($ millions, unless otherwise stated)	Note	Three months ended September 30, 2018	2017	Nine months ended September 30, 2018	2017
Sales and operating revenue	14	**3,849**	2,600	**10,974**	6,191
Expenses					
Cost of purchases	14	**3,372**	2,335	**9,564**	5,565
Operating costs		**196**	121	**597**	284
Marketing, general and administrative		**69**	49	**209**	121
Acquisition, integration and other costs	12	**24**	19	**53**	43
Depreciation and amortization		**77**	47	**222**	97
Finance costs	13	**28**	14	**109**	42
Foreign exchange (gain) loss		**(14)**	—	**5**	—
(Gain) loss on asset disposals		**–**	(2)	**23**	(1)
Loss (gain) on risk management and other derivatives	7	**32**	1	**28**	(5)
Earnings before income taxes		**65**	16	**164**	45
Income tax expense		**16**	4	**35**	12
Net earnings		**49**	12	**129**	33
Net earnings per share ($ per share)	4				
- Basic		**0.37**	0.10	**0.98**	0.30
- Diluted		**0.36**	0.10	**0.95**	0.29
Weighted average number of common shares (000's of shares)	4	**132,753**	130,531	**132,091**	112,724

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)

	Three months ended September 30,		Nine months ended September 30,	
($ millions)	**2018**	2017	**2018**	2017
Net earnings	**49**	12	**129**	33
Other comprehensive (loss) income:				
Items that may be reclassified to consolidated statements of income in subsequent periods:				
Exchange differences on translation of foreign operations	**(1)**	(4)	**4**	(8)
Net loss on Chevron Acquisition Hedge	**–**	(52)	**–**	(101)
Other comprehensive (loss) income, net of tax	**(1)**	(56)	**4**	(109)
Total comprehensive income (loss), net of tax	**48**	(44)	**133**	(76)

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

($ millions)	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Deficit	Total shareholders' equity
As at January 1, 2018		**1,816**	**21**	**7**	**(199)**	**1,645**
Net earnings		**–**	**–**	**–**	**129**	**129**
Other comprehensive income, net of tax		**–**	**–**	**4**	**–**	**4**
Dividends		**–**	**–**	**–**	**(118)**	**(118)**
Share incentive compensation	11	**–**	**5**	**–**	**–**	**5**
Issued under dividend reinvestment plan, net of costs	11	**40**	**–**	**–**	**–**	**40**
Issued under share option plan	11	**11**	**(1)**	**–**	**–**	**10**
Issued on vesting of restricted share units	11	**1**	**(4)**	**–**	**–**	**(3)**
Share cancellation	11	**(2)**	**–**	**–**	**–**	**(2)**
As at September 30, 2018		**1,866**	**21**	**11**	**(188)**	**1,710**
As at January 1, 2017		910	22	15	(143)	804
Net earnings		—	—	—	33	33
Other comprehensive loss, net of tax		—	—	(109)	—	(109)
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		—	—	—	(99)	(99)
Share incentive compensation	11	—	4	—	—	4
Issued under dividend reinvestment plan, net of costs	11	24	—	—	—	24
Issued under share option plan	11	4	—	—	—	4
Issued on vesting of restricted share units	11	1	(3)	—	—	(2)
As at September 30, 2017		1,796	23	(94)	(209)	1,516

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows (Unaudited)

($ millions)	Note	Three months ended September 30, 2018	Three months ended September 30, 2017	Nine months ended September 30, 2018	Nine months ended September 30, 2017
Operating activities					
Net earnings		**49**	12	**129**	33
Adjustments for:					
Depreciation and amortization		**77**	47	**222**	97
(Gain) loss on asset disposals		**–**	(2)	**23**	(1)
Share incentive compensation	11	**5**	1	**9**	4
Accretion on asset retirement obligations		**3**	2	**8**	4
Change in risk management and other derivatives		**9**	1	**10**	(8)
Change in other liabilities and other long-term assets		**13**	(1)	**–**	1
Amortization of deferred financing costs and debt premium		**–**	10	**5**	11
Change in fair value of Redemption Options		**(8)**	(19)	**3**	(19)
Deferred taxes		**4**	1	**(8)**	8
Cash expenditures on asset retirement obligations		**(3)**	—	**(5)**	(2)
Share cancellation	11	**–**	—	**(2)**	—
Net change in non-cash working capital	8	**(72)**	59	**(133)**	39
Cash generated from operating activities		**77**	111	**261**	167
Financing activities					
Long-term debt repayments		**(102)**	(544)	**(801)**	(637)
Proceeds from long-term debt, net of financing costs		**213**	1,125	**931**	2,142
Proceeds from cash held in escrow		**–**	—	**–**	528
Change in other liabilities		**15**	—	**43**	—
Dividends paid to shareholders, net of dividend reinvestment plan		**(26)**	(28)	**(78)**	(71)
Shares issued for cash		**–**	—	**–**	662
Share issuance costs		**–**	—	**–**	(32)
Cash generated from financing activities		**100**	553	**95**	2,592
Investing activities					
Ultramar Acquisition		**–**	—	**–**	(972)
Chevron Acquisition	12	**–**	—	**26**	—
Chevron Acquisition Hedge	12	**–**	(101)	**–**	(101)
Rhinehart Acquisition	12	**(176)**	—	**(176)**	—
Other acquisitions		**(2)**	—	**(4)**	(2)
Expenditures on property, plant and equipment and intangible assets		**(56)**	(15)	**(195)**	(45)
Change in long-term receivables and other long-term assets		**2**	(1)	**(12)**	(1)
Change in prepaid expenses and other		**–**	—	**–**	(73)
Change in cash reserved for acquisition		**–**	1,049	**–**	—
Additions to cash held in escrow		**–**	(1,576)	**–**	(1,578)
Proceeds on asset disposals		**1**	1	**2**	4
Cash used in investing activities		**(231)**	(643)	**(359)**	(2,768)
(Decrease) increase in net cash		**(54)**	21	**(3)**	(9)
Net cash (indebtedness) at beginning of period		**74**	(4)	**23**	26
Net cash at end of period		**20**	17	**20**	17
Represented by:					
Cash and cash equivalents		**20**	25	**20**	25
Bank indebtedness		**–**	(8)	**–**	(8)
Net cash		**20**	17	**20**	17
Supplementary cash flow information:					
Interest paid		**16**	12	**60**	34
Interest received		**(1)**	1	**(2)**	2
Income taxes paid		**7**	1	**47**	11

See accompanying notes to the interim condensed consolidated financial statements.

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 September 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 for the three and nine months ended September 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 November 1, 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.

($ millions, unless otherwise stated)

(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. Parkland is currently assessing the impact of IFRS 16 and expects its adoption to have a material impact on the consolidated balance sheet and the consolidated statement of income.

(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:

	Classification		Carrying Amount	
Financial instrument	**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, 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.

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 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 the 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.

All individually significant trade or lease receivables are assessed for impairment. Any trade or lease receivable that is not individually significant is 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 PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	**2018**	2017
Net earnings - basic and diluted	**49**	12	**129**	33
Weighted average number of common shares (000's of shares)	**132,753**	130,531	**132,091**	112,724
Effect of dilutive securities (000's of shares)	**3,296**	1,114	**3,102**	1,188
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	**136,049**	131,645	**135,193**	113,912
Net earnings per share ($ per share)				
- Basic	**0.37**	0.10	**0.98**	0.30
- Diluted	**0.36**	0.10	**0.95**	0.29

($ millions, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under finance lease	Total
Cost							
As at January 1, 2018		**646**	**104**	**347**	**1,477**	**7**	**2,581**
Additions		**1**	**5**	**14**	**161**	**–**	**181**
Change in ARO costs		**–**	**–**	**–**	**17**	**–**	**17**
Rhinehart Acquisition	12	**13**	**1**	**18**	**16**	**–**	**48**
Other acquisitions	12	**–**	**–**	**–**	**3**	**–**	**3**
Disposals		**–**	**–**	**–**	**(32)**	**–**	**(32)**
Exchange differences		**–**	**–**	**1**	**2**	**–**	**3**
As at September 30, 2018		**660**	**110**	**380**	**1,644**	**7**	**2,801**
Depreciation							
As at January 1, 2018		**–**	**16**	**64**	**389**	**2**	**471**
Depreciation		**–**	**8**	**20**	**136**	**–**	**164**
Disposals		**–**	**–**	**–**	**(8)**	**–**	**(8)**
Exchange differences		**–**	**–**	**–**	**2**	**–**	**2**
As at September 30, 2018		**–**	**24**	**84**	**519**	**2**	**629**
Net book value							
As at September 30, 2018		**660**	**86**	**296**	**1,125**	**5**	**2,172**

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under finance lease	Total
Cost							
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	80	144	—	382
Chevron Acquisition	12	414	26	97	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
Depreciation							
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
Net book value							
As at December 31, 2017		646	88	283	1,088	5	2,110

Included in property, plant and equipment as at September 30, 2018 are assets under construction of $75 (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 September 30, 2018 were $58 (December 31, 2017 – $58).

($ millions, unless otherwise stated)

6. LONG-TERM DEBT AND CREDIT FACILITY

	September 30, 2018	December 31, 2017
Credit Facility (a)	**321**	823
Unamortized discount: deferred financing costs	**(6)**	(9)
	315	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	**–**	2
Unamortized discount: deferred financing costs	**(9)**	(10)
6.00% US Senior Notes, due 2026	**646**	—
Unamortized premium: Redemption Options	**8**	—
Unamortized discount: deferred financing costs	**(9)**	—
	1,833	1,188
Finance lease obligations	**6**	5
Other notes	**10**	7
	16	12
Total long-term debt	**2,164**	2,014
Less: current portion	**(105)**	(4)
Long-term debt	**2,059**	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)	–	**100**	–	**221**	–	–	–	**321**
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	–	–	–	–	–	**646**	–	**646**
Finance lease obligations	**1**	**3**	**3**	**2**	–	–	**(3)**	**6**
Other notes	**2**	**2**	**2**	**4**	–	**1**	**(1)**	**10**
	3	**105**	**5**	**427**	**200**	**1,447**	**(4)**	**2,183**

($ millions, unless otherwise stated)

(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. On August 15, 2018, the Canadian Syndicated Facility was temporarily increased by $100 through establishing a non-revolving short-term debt facility (the "Short-Term Facility") maturing August 15, 2019.

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

	Rate	Maturity date	Effective rate as at September 30, 2018	Balance as at September 30, 2018
Canadian Syndicated Facility				
Canadian Prime Rate Loan	Prime + 1.00%	September 29, 2021	4.70%	**143**
Bankers' acceptance[(1)]	Bankers' acceptance + 2.00%	September 29, 2021	3.84%	**50**
Short-Term Facility[(2)]	Bankers' acceptance + 1.75%	August 15, 2019	3.67%	**100**
US Syndicated Facility				
US Prime Rate Loan	Prime + 1.25%	September 29, 2021	6.00%	**28**
Outstanding borrowings under the Credit Facility				**321**

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

(2) All borrowings under the Short-Term Facility as at September 30, 2018 are in the form of a BA that expires on November 27, 2018 and is automatically converted upon maturity into a Canadian Prime Rate Loan at a rate of prime + 0.75% expiring on August 15, 2019.

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 (see Note 7).

In the ordinary course of business, Parkland provides guarantees in the form of letters of credit and surety bonds. As at September 30, 2018, these letters of credit and surety bonds amount to $224 (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 November 18, 2019.

As at September 30, 2018, Parkland provided $739 (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	**646**
			1,846

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.

($ millions, unless otherwise stated)

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).

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 September 30, 2018			
	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
Other derivatives				
Emission credits and allowances	–	23	–	23
Risk management and other derivatives - assets	–	24	–	24
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	(23)	–	(23)
Other derivatives				
Emission credits and allowances	–	(1)	–	(1)
Risk management and other derivatives - liabilities	–	(24)	–	(24)
Other derivatives included in other long-term assets				
Redemption Options	–	26	–	26
Other derivatives included in other liabilities				
US Dollar Currency Swap	–	(6)	–	(6)
Intermediation Facility Derivatives	–	(7)	–	(7)
Other derivatives included in other liabilities	–	(13)	–	(13)

($ millions, unless otherwise stated)

	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 nine months ended September 30, 2018.

(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 loss (gain) on risk management and other derivatives in the consolidated statements of income.

The fair value of the US Dollar Currency Swap is 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 loss (gain) on risk management and other derivatives. As at September 30, 2018, the unamortized deferral of $11 was recorded within other long-term liabilities. For the three and nine months ended September 30, 2018, an unrealized loss of $12 and $6 respectively (2017 - nil and nil) were recorded within loss (gain) on risk management and other derivatives on the consolidated statements of income.

(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 $26 as at September 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 September 30, 2018 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at September 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 $1,846 and an estimated fair value of $1,834 as at September 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 September 30, 2018, as either the interest rate on the long-term debt is adjusted monthly, the debt was recently issued or liabilities incurred.

($ millions, unless otherwise stated)

(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 September 30, 2018			As at December 31, 2017		
	Gross amounts	**Amounts offset**	**Net**	Gross amounts	Amounts offset	Net
Risk management and other derivatives - assets	**56**	**(32)**	**24**	8	(6)	2
Risk management and other derivatives - liabilities	**(56)**	**32**	**(24)**	(15)	6	(9)
Accounts receivable	**–**	**–**	**–**	147	(101)	46
Accounts payable and accrued liabilities	**–**	**–**	**–**	(205)	101	(104)

8. NET CHANGE IN NON-CASH WORKING CAPITAL

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Accounts receivable	**(16)**	(11)	**(91)**	36
Inventories	**(19)**	(18)	**(47)**	31
Income taxes receivable	**5**	1	**(3)**	(7)
Prepaid expenses and other	**(1)**	(6)	**(4)**	(7)
Accounts payable and accrued liabilities	**(51)**	96	**(1)**	(5)
Deferred revenue	**10**	(3)	**13**	(9)
Total net change in non-cash working capital	**(72)**	59	**(133)**	39

9. ASSET RETIREMENT OBLIGATIONS

	Note	**January 1, 2018 to September 30, 2018**	January 1, 2017 to December 31, 2017
Asset retirement obligations, beginning of period		**243**	132
Additional provisions made in the period		**7**	3
Ultramar Acquisition	12	**–**	63
Chevron Acquisition	12	**–**	89
Rhinehart Acquisition	12	**3**	—
Obligations settled during the period		**(5)**	(5)
Change in estimated future cash flows		**(15)**	(12)
Change due to passage of time, foreign exchange and discount rate		**34**	(27)
Asset retirement obligations, end of period		**267**	243
Current		**7**	5
Non-current		**260**	238
Asset retirement obligations, end of period		**267**	243

As at September 30, 2018, the inflation rate used to determine the value of future costs ranged from 2.41% 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 4.41% to 5.12% (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 $401 as at September 30, 2018 (December 31, 2017 – $400). These costs are expected to be paid up to 2056 (December 31, 2017 – 2056).

($ millions, unless otherwise stated)

10. OTHER LIABILITIES

	Note	**September 30, 2018**	December 31, 2017
Intermediation Facility (a)		**344**	301
Intermediation Facility Derivatives (b)		**7**	9
Other liabilities - current		**351**	310
Long-term deposits, provisions and other		**37**	29
US Dollar Currency Swap	7	**6**	—
Employee benefits		**9**	9
Above-market leases		**5**	8
DSU liability	11	**9**	5
Other liabilities - non-current		**66**	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.

(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 nine months ended September 30, 2018, a realized loss of nil and $29 respectively (2017 - nil and nil) and an unrealized loss of $3 and an unrealized gain of $2 respectively (2017 - nil and nil) relating to the Intermediation Facility Derivatives were included within cost of purchases on the consolidated statements of income. As at September 30, 2018, $7 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 September 30, 2018		January 1, 2017 to December 31, 2017	
	Number of common shares (000's)	**Amount ($ millions)**	Number of common shares (000's)	Amount ($ 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	**1,286**	**40**	1,350	37
Issued under share option plan	**443**	**11**	163	4
Issued on vesting of restricted share units	**140**	**1**	147	8
Cancelled	**(98)**	**(2)**	—	—
Shareholders' capital, end of period	**132,999**	**1,866**	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)	**September 30, 2018**	December 31, 2017
Number of share options outstanding	**3,571**	3,256
Number of share options outstanding and exercisable	**2,115**	1,831
Number of RSUs outstanding	**1,194**	935
Number of DSUs outstanding	**216**	186

Expenses related to share options, RSUs and DSUs for the three and nine months ended September 30, 2018 were $5 and $9 respectively (2017 – $1 and $4). The liability recorded for DSUs in other long-term liabilities as at September 30, 2018 was $9 (December 31, 2017 – $5).

(c) Base shelf prospectus

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 November 1, 2018, no Securities have been issued under the Shelf Prospectus. The previous base shelf prospected dated April 11, 2016 expired in May 2018.

($ millions, unless otherwise stated)

12. BUSINESS COMBINATIONS

(a) Rhinehart Acquisition

On August 27, 2018, Parkland completed the acquisition of all outstanding shares of Rhinehart Oil Co., Inc. and its affiliates (collectively, "Rhinehart") for a preliminary purchase price of $176 (the "Rhinehart Acquisition"). Rhinehart markets and distributes fuels, lubricants and specialty products in Utah, Colorado, Wyoming and New Mexico. The businesses acquired include ten distribution facilities, nine retail sites and four cardlock facilities.

The preliminary fair values of the 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	**Rhinehart Acquisition**
Assets		
Accounts receivable		**20**
Inventories		**21**
Property, plant and equipment	5	**48**
Intangible assets		**53**
		142
Liabilities		
Accounts payable and accrued liabilities		**(27)**
Long-term debt	6	**(4)**
Asset retirement obligations	9	**(3)**
		(34)
Goodwill arising on acquisition		**68**
Purchase consideration transferred		**176**
Cash paid on acquisition date, less cash assumed of $3		**176**

The transaction is accounted for using the acquisition method. Allocation of the purchase price is based on a provisional assessment of the fair values of the identifiable assets acquired and liabilities assumed at the acquisition date, with the excess of the purchase price over the net identifiable assets acquired allocated to goodwill. Parkland engaged independent valuators to determine the fair values of property, plant and equipment and intangible assets.

Both the fair value of accounts receivable and their gross amount excluding allowance for doubtful accounts are $20. No accounts receivable amounts were impaired and it is expected that the fair value amounts can be collected. Accounts payable and accrued liabilities acquired have fair values that equal their gross contractual values and expected cash outflow at the acquisition date.

Intangibles assets acquired relate to customer relationships, trade names and other agreements. Goodwill arising on acquisition is primarily attributable to anticipated future revenue from the various retail fuel and commercial sites and distribution facilities, expected cash flow benefits attributable to the geographical location and characteristics of these assets, as well as expected synergies and other benefits from the acquisition. Goodwill calculated for tax purposes is expected to be tax deductible.

Since the acquisition date, sales and revenue of $45 and net earnings of $2 attributable to the Rhinehart Acquisition were included in the consolidated statements of comprehensive income (loss). The estimated sales and revenue and net earnings of Parkland for the nine months ended September 30, 2018 would have been approximately $11,206 and $139, respectively, if the Rhinehart Acquisition occurred on January 1, 2018. Although these amounts represent Parkland's best estimate, there can be no assurance that this would have been the actual results had the Rhinehart Acquisition occurred on January 1, 2018.

($ millions, unless otherwise stated)

(b) 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 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 fair values of the Chevron identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below.

	Note	**Chevron Acquisition**
Assets		
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**
		1,555
Liabilities		
Accounts payable and accrued liabilities		**(72)**
Asset retirement obligations	9	**(89)**
Other liabilities		**(11)**
Deferred tax liabilities		**(164)**
		(336)
Goodwill arising on acquisition		**465**
Purchase consideration transferred		**1,684**
Fair value analysis of purchase consideration transferred		
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**

($ millions, unless otherwise stated)

(c) 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.

(d) Other acquisitions

During the second and third quarters 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.

(e) Other information

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

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Acquisition costs	**6**	13	**10**	35
Integration costs	**17**	6	**40**	6
Other costs	**1**	—	**3**	2
Acquisition, integration and other costs	**24**	19	**53**	43

13. FINANCE COSTS

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Interest on long-term debt	**34**	24	**94**	52
Amortization of deferred financing costs	**1**	11	**8**	13
Accretion on asset retirement obligations	**3**	2	**8**	4
Change in fair value of Redemption Options	**(8)**	(19)	**3**	(19)
Amortization of debt premium arising from Redemption Options	**(1)**	(1)	**(3)**	(2)
Interest income	**(1)**	(3)	**(1)**	(6)
	28	14	**109**	42

($ 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.

Rhinehart Acquisition

The operations acquired under the Rhinehart Acquisition are aligned with Parkland's accounting policies on operating segments and are included in the Parkland USA segment.

General information

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. Similarly, intersegment sales are not presented to or reviewed by the chief operating decision maker. Intersegment sales are eliminated from sales and operating revenue and cost of purchases of the selling segments.

Geographic information

	Three months ended September 30,		**Nine months ended September 30,**	
	2018	2017	**2018**	2017
Revenue from external customers – Canada	**3,563**	2,416	**10,280**	5,666
Revenue from external customers – United States	**286**	184	**694**	525
Sales and operating revenue	**3,849**	2,600	**10,974**	6,191

	September 30, 2018		
	Canada	**United States**	**Consolidated**
Property, plant and equipment	**2,061**	**111**	**2,172**
Intangible assets	**637**	**85**	**722**
Goodwill	**1,165**	**127**	**1,292**
Total	**3,863**	**323**	**4,186**

	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.

Segment information	**Retail**		**Commercial**		**Supply**		**Parkland USA**		**Corporate**		**Consolidated**	
For the three months ended September 30,	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Fuel and petroleum product volume (million litres)[1]	**1,852**	1,667	**700**	586	**1,384**	1,048	**275**	256	**–**	—	**4,211**	3,557
Sales and operating revenue												
Gas and diesel	**1,833**	1,310	**588**	352	**288**	287	**230**	153	**–**	—	**2,939**	2,102
Liquid petroleum gas[2]	**1**	1	**27**	26	**106**	94	**1**	1	**–**	—	**135**	122
Other fuel and petroleum products[2]	**–**	—	**13**	22	**534**	142	**–**	—	**–**	—	**547**	164
Fuel and petroleum product revenue	**1,834**	1,311	**628**	400	**928**	523	**231**	154	**–**	—	**3,621**	2,388
Convenience store	**108**	99	**–**	—	**–**	—	**17**	13	**–**	—	**125**	112
Lubricants	**–**	—	**15**	36	**–**	—	**32**	15	**–**	—	**47**	51
Other non-fuel[2]	**19**	13	**23**	24	**8**	10	**6**	2	**–**	—	**56**	49
Non-fuel revenue	**127**	112	**38**	60	**8**	10	**55**	30	**–**	—	**228**	212
Sales and operating revenue	**1,961**	1,423	**666**	460	**936**	533	**286**	184	**–**	—	**3,849**	2,600
Cost of purchases												
Fuel and petroleum product cost of purchases	**1,690**	1,192	**580**	361	**724**	484	**222**	147	**–**	—	**3,216**	2,184
Non-fuel cost of purchases	**89**	79	**24**	43	**3**	7	**40**	22	**–**	—	**156**	151
Cost of purchases	**1,779**	1,271	**604**	404	**727**	491	**262**	169	**–**	—	**3,372**	2,335
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit, before the following:	**144**	119	**48**	39	**204**	39	**9**	7	**–**	—	**405**	204
Loss on risk management and other derivatives - realized	**–**	—	**–**	—	**(16)**	—	**–**	—	**–**	—	**(16)**	—
Gain (loss) on foreign exchange - realized	**–**	—	**–**	—	**1**	1	**–**	—	**(6)**	—	**(5)**	1
Adjusting items[3]	**–**	—	**–**	—	**3**	—	**–**	—	**6**	—	**9**	—
Fuel and petroleum product adjusted gross profit	**144**	119	**48**	39	**192**	40	**9**	7	**–**	—	**393**	205
Non-fuel adjusted gross profit	**38**	33	**14**	17	**5**	3	**15**	8	**–**	—	**72**	61
Total adjusted gross profit	**182**	152	**62**	56	**197**	43	**24**	15	**–**	—	**465**	266
Operating costs	**80**	66	**41**	37	**62**	8	**13**	10	**–**	—	**196**	121
Marketing, general and administrative	**15**	12	**11**	11	**14**	10	**3**	1	**26**	15	**69**	49
Adjusted EBITDA	**87**	74	**10**	8	**121**	25	**8**	4	**(26)**	(15)	**200**	96
Depreciation and amortization									**77**	47	**77**	47
Finance costs									**28**	14	**28**	14
Gain on asset disposals									**–**	(2)	**–**	(2)
Acquisition, integration and other costs									**24**	19	**24**	19
Loss on risk management and other derivatives - unrealized									**16**	1	**16**	1
(Gain) loss on foreign exchange - unrealized									**(19)**	1	**(19)**	1
Adjusting items[3]									**9**	—	**9**	—
Income tax expense									**16**	4	**16**	4
Net earnings											**49**	12
Property, plant and equipment and intangible asset additions	**25**	7	**9**	3	**17**	2	**2**	1	**4**	2	**57**	15
Property, plant and equipment, intangible asset and goodwill acquisitions[4]	**–**	—	**2**	—	**–**	—	**169**	—	**–**	—	**171**	—

[1] Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

[2] 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.

[3] Adjusting items include a $3 unrealized loss on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases and a $6 realized loss on foreign exchange relating to debt refinancing activities.

[4] Certain comparative figures have been revised. See Note 12 – Business Combinations.

Segment information	**Retail**		**Commercial**		**Supply**		**Parkland USA**		**Corporate**		**Consolidated**	
For the nine months ended September 30,	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017	**2018**	2017
Fuel and petroleum product volume (million litres)[1]	**5,163**	3,478	**2,395**	1,359	**4,326**	3,351	**740**	713	**–**	–	**12,624**	8,901
Sales and operating revenue												
Gas and diesel	**4,999**	2,692	**1,707**	696	**798**	903	**574**	433	**–**	–	**8,078**	4,724
Liquid petroleum gas[2]	**2**	2	**139**	111	**376**	346	**4**	4	**–**	–	**521**	463
Other fuel and petroleum products[2]	**–**	–	**234**	116	**1,528**	398	**–**	–	**–**	–	**1,762**	514
Fuel and petroleum product revenue	**5,001**	2,694	**2,080**	923	**2,702**	1,647	**578**	437	**–**	–	**10,361**	5,701
Convenience store	**299**	180	**–**	–	**–**	–	**38**	35	**–**	–	**337**	215
Lubricants	**–**	–	**47**	111	**–**	–	**67**	46	**–**	–	**114**	157
Other non-fuel[2]	**55**	30	**71**	60	**25**	21	**11**	7	**–**	–	**162**	118
Non-fuel revenue	**354**	210	**118**	171	**25**	21	**116**	88	**–**	–	**613**	490
Sales and operating revenue	**5,355**	2,904	**2,198**	1,094	**2,727**	1,668	**694**	525	**–**	–	**10,974**	6,191
Cost of purchases												
Fuel and petroleum product cost of purchases	**4,594**	2,475	**1,882**	794	**2,125**	1,529	**552**	414	**–**	–	**9,153**	5,212
Non-fuel cost of purchases	**241**	150	**76**	127	**10**	13	**84**	63	**–**	–	**411**	353
Cost of purchases	**4,835**	2,625	**1,958**	921	**2,135**	1,542	**636**	477	**–**	–	**9,564**	5,565
Adjusted gross profit (loss)												
Fuel and petroleum product adjusted gross profit, before the following:	**407**	219	**198**	129	**577**	118	**26**	23	**–**	–	**1,208**	489
Loss on risk management and other derivatives - realized	**–**	–	**–**	–	**(7)**	(3)	**–**	–	**–**	–	**(7)**	(3)
Gain (loss) on foreign exchange - realized	**–**	–	**–**	–	**9**	2	**–**	–	**(8)**	–	**1**	2
Adjusting items[3]	**–**	–	**–**	–	**(2)**	–	**–**	–	**6**	–	**4**	–
Fuel and petroleum product adjusted gross profit (loss)	**407**	219	**198**	129	**577**	117	**26**	23	**(2)**	–	**1,206**	488
Non-fuel adjusted gross profit	**113**	60	**42**	44	**15**	8	**32**	25	**–**	–	**202**	137
Total adjusted gross profit (loss)	**520**	279	**240**	173	**592**	125	**58**	48	**(2)**	–	**1,408**	625
Operating costs	**238**	116	**143**	108	**182**	29	**34**	31	**–**	–	**597**	284
Marketing, general and administrative	**44**	26	**31**	23	**48**	30	**7**	5	**79**	37	**209**	121
Adjusted EBITDA	**238**	137	**66**	42	**362**	66	**17**	12	**(81)**	(37)	**602**	220
Depreciation and amortization									**222**	97	**222**	97
Finance costs									**109**	42	**109**	42
Loss (gain) on asset disposals									**23**	(1)	**23**	(1)
Acquisition, integration and other costs									**53**	43	**53**	43
Loss (gain) on risk management and other derivatives - unrealized									**21**	(8)	**21**	(8)
Loss on foreign exchange - unrealized									**6**	2	**6**	2
Adjusting items[3]									**4**	–	**4**	–
Income tax expense									**35**	12	**35**	12
Net earnings											**129**	33
Property, plant and equipment and intangible asset additions	**52**	13	**20**	14	**107**	9	**3**	3	**5**	6	**187**	45
Property, plant and equipment, intangible asset and goodwill acquisitions[4]	**2**	953	**2**	112	**–**	–	**169**	–	**–**	16	**173**	1,081

[1] Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.
[2] 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.
[3] Adjusting items include a $2 unrealized gain on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases and a $6 realized loss on foreign exchange relating to debt refinancing activities.
[4] Certain comparative figures have been revised. See Note 12 – Business Combinations.

15. SUBSEQUENT EVENTS

Sol Transaction

On October 9, 2018, Parkland entered into a business combination agreement with Sol Limited to acquire 75% of the outstanding shares of Sol Investments Limited ("Sol") for a preliminary purchase price of US$1,209 plus customary post-closing adjustments (the "Sol Transaction"). The purchase price will be settled on closing by a combination of cash and Parkland common shares that will result in Sol Limited owning 9.9% of the outstanding shares of Parkland immediately after closing, with the value of each common share set at C$42.8023.

The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and northern coast of South America and consist of: (i) Sol's retail businesses, which include 266 company-owned or company-leased sites and 260 dealer-owned and dealer-operated sites under brands such as Esso, Shell and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including 32 import terminals, 7 pipelines, 3 marine berths and 10 charter ships; (iii) Sol's commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants, and (iv) Sol's aviation businesses, which operate in 13 countries. The Sol Transaction will provide Parkland access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and northern coast of South America.

The Sol Transaction includes a put right for Sol Limited to sell and a call right for Parkland to acquire the remaining outstanding shares of Sol at a proportionate purchase price based on Sol's trailing-twelve-month Adjusted EBITDA multiplied by 8.5 and other adjustments calculated pursuant to the agreement. Parkland will have the right to refuse the exercise by Sol Limited of its put right up to two occasions.

The Sol Transaction is subject to customary closing conditions, third-party consents and regulatory approvals. The preliminary purchase price is subject to change and will be finalized upon completion of customary post-closing activities.

US dollar open dated forward contract

In connection with the Sol Transaction, on October 16, 2018, Parkland entered into a US dollar open dated forward contract with a financial institution with a notional amount of $515, a forward rate of 1.299, and a settlement expiry date of January 31, 2019.