

Parkland Fuel Corporation

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2019



Parkland Fuel Corporation
Consolidated Balance Sheets
(Unaudited)

(\$ millions)	Note	March 31, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		251	40
Restricted cash		13	—
Accounts receivable		1,104	665
Inventories		673	389
Risk management and other derivatives	11	21	40
Prepaid expenses and other		100	43
		2,162	1,177
Property, plant and equipment	5	3,584	2,267
Intangible assets	7	1,026	714
Goodwill	8	1,768	1,305
Long-term receivables		68	58
Other long-term assets	9	234	39
Deferred tax assets		156	101
		8,998	5,661
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,243	806
Dividends declared and payable		15	14
Long-term debt - current portion	10	112	4
Provisions and other liabilities - current portion	13	349	279
Risk management and other derivatives	11	5	7
		1,724	1,110
Long-term debt	10	3,752	2,259
Provisions and other liabilities	13	1,023	323
Deferred tax liabilities		333	168
		6,832	3,860
Shareholders' equity			
Shareholders' capital	14	2,325	1,886
Contributed surplus		20	18
Accumulated other comprehensive income		—	49
Sol Put Option reserve	13	(494)	—
Deficit		(118)	(152)
Noncontrolling interest ("NCI")	15	433	—
		2,166	1,801
		8,998	5,661

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 March 31,	
		2019	2018
Sales and operating revenue	19	4,215	3,342
Expenses			
Cost of purchases		3,528	2,901
Operating costs		261	207
Marketing, general and administrative		101	70
Acquisition, integration and other costs	16	35	17
Depreciation and amortization		135	69
Finance and other costs	18	78	41
Foreign exchange gain		(30)	(2)
(Gain) loss on risk management and other derivatives	11	(2)	10
Other income	17	(10)	—
Earnings before income taxes		119	29
Income tax expense		28	9
Net earnings		91	20
Net earnings attributable to:			
Parkland		77	20
NCI	15	14	—
Net earnings per share (\$ per share)	4		
- Basic		0.53	0.15
- Diluted		0.52	0.15
Weighted average number of common shares (000's of shares)	4	145,175	131,435

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income (Unaudited)

(\$ millions)	Note	Three months ended March 31,	
		2019	2018
Net earnings		91	20
Other comprehensive (loss) income			
Items that may be reclassified to consolidated statements of income in subsequent periods:			
Exchange differences on translation of foreign operations		–	3
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax of \$4	10	(22)	–
Other comprehensive (loss) income		(22)	3
Total comprehensive income		69	23
Total comprehensive income attributable to:			
Parkland		54	23
NCI	15	15	–

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	Sol Put Option reserve	Deficit	NCI	Total shareholders' equity
As at January 1, 2019		1,886	18	49	—	(152)	—	1,801
Net earnings		—	—	—	—	77	14	91
Other comprehensive loss		—	—	(23)	—	—	1	(22)
NCI acquired on Sol Transaction	16	—	—	—	—	—	418	418
Shares issued on Sol Transaction	16	423	—	—	—	—	—	423
Dividends		—	—	—	—	(43)	—	(43)
Share incentive compensation		—	2	—	—	—	—	2
Issued under dividend reinvestment plan, net of costs	14	15	—	—	—	—	—	15
Issued under share option plan	14	1	—	—	—	—	—	1
Sol Put Option	13	—	—	—	(494)	—	—	(494)
Reclassification of net gain on Sol Transaction Hedge		—	—	(26)	—	—	—	(26)
As at March 31, 2019		2,325	20	—	(494)	(118)	433	2,166
As at January 1, 2018		1,816	21	7	—	(199)	—	1,645
Net earnings		—	—	—	—	20	—	20
Other comprehensive income		—	—	3	—	—	—	3
Dividends		—	—	—	—	(38)	—	(38)
Share incentive compensation		—	(1)	—	—	—	—	(1)
Issued under dividend reinvestment plan, net of costs	14	12	—	—	—	—	—	12
Issued under share option plan	14	3	—	—	—	—	—	3
Share cancellation		(2)	—	—	—	—	—	(2)
As at March 31, 2018		1,829	20	10	—	(217)	—	1,642

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows (Unaudited)

(\$ millions)	Note	Three months ended March 31,	
		2019	2018
Operating activities			
Net earnings		91	20
Adjustments for:			
Depreciation and amortization		135	69
Share incentive compensation		4	—
Change in risk management and other derivatives		(9)	9
Change in other liabilities and other assets		18	(6)
Change in fair value of Redemption Options		(27)	4
Change in value of Sol Put Option	13	32	—
Deferred taxes		(24)	(1)
Share of net earnings from investment in associate	9	(3)	—
Other operating activities		(19)	5
Net change in non-cash working capital related to operating activities	12	(62)	(7)
Cash generated from operating activities		136	93
Financing activities			
Long-term debt repayments		(14)	(698)
Proceeds from long-term debt, net of financing costs		1,197	715
Payments on principal amount on leases	6	(26)	—
Change in provisions and other liabilities		54	(29)
Dividends paid to shareholders, net of dividend reinvestment plan		(27)	(26)
Net change in non-cash working capital related to financing activities	12	(60)	—
Cash generated from financing activities		1,124	(38)
Investing activities			
Sol Transaction, net of Sol Transaction Hedge and cash assumed	16	(948)	—
Chevron Acquisition		—	26
Dividends received from investment in associate	9	7	—
Expenditures on property, plant and equipment and intangible assets		(89)	(72)
Change in long-term receivables and other long-term assets		(7)	(1)
Proceeds on asset disposals		2	1
Cash used in investing activities		(1,035)	(46)
Increase in net cash		225	9
Impact of foreign currency translation on cash		(1)	—
Net cash at beginning of period		40	23
Net cash at end of period		264	32
Represented by:			
Cash and cash equivalents		251	32
Restricted cash		13	—
Net cash		264	32
Supplementary cash flow information:			
Interest paid		49	17
Interest received		1	1
Income taxes paid		44	18

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 months ended March 31, 2019

(\$ 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 across the Americas. 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 subsidiaries and any investments in associates and joint arrangements as at March 31, 2019.

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, 2018 (the "Annual Consolidated Financial Statements").

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on May 1, 2019.

(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) the adoption of IFRS 16 – Leases ("IFRS 16"), as disclosed in Note 3; (ii) non-controlling interest, as described below; and (iii) investments in associates, as described below.

Non-controlling interest ("NCI")

As a result of the Sol Transaction, Parkland now presents NCI in these interim condensed consolidated financial statements. NCI represents the portion of equity ownership in subsidiaries not attributable to Parkland shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings and other comprehensive income attributable to the NCI, as well as any dividends or distributions paid to the NCI.

Investments in associates

An associate is an entity for which Parkland has significant influence and thereby has the power to participate in the financial and operational decisions but does not control or jointly control the investee. Investments in associates are accounted for using the equity method of accounting and are recognized at cost and subsequently adjusted for the proportionate share of the investee's net assets. Parkland's interim condensed consolidated financial statements include its share of the investee's net earnings and other comprehensive income (loss) until the date that significant influence ceases.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

(e) Recently adopted accounting pronouncements

IFRS 16 – Leases

On January 1, 2019, Parkland adopted IFRS 16 “Leases”, which replaces IAS 17 “Leases” and related interpretations using the modified retrospective transition approach, which does not require restatement of prior period financial statements. 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. Refer to Note 3 for further details.

(f) 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) IFRS 16 - Leases

The accounting policies under IAS 17 Leases (“IAS 17”) are disclosed separately if they differ from those under IFRS 16 Leases (“IFRS 16”).

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer (right-of-use asset). Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

On Parkland's initial adoption of IFRS 16, lease liabilities are measured at the present value of the remaining lease payments, discounted using Parkland's incremental borrowing rate as at January 1, 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at December 31, 2018. Parkland elected to use the following practical expedients permitted by the standard:

- use a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- by class of underlying assets, account for leases with a remaining lease term of less than twelve months on January 1, 2019 as short-term leases;
- exclude initial direct costs from the measurement of right-of-use assets;
- by class of underlying assets, elect to combine lease and non-lease components as a single lease component; and
- treat leases with an underlying asset of low dollar value as operating leases.

The adoption of IFRS 16 increases Parkland's assets and liabilities, depreciation and amortization, and finance and other costs, while reducing operating costs and increasing Adjusted EBITDA. While cash payments associated with operating leases were previously presented under operating activities, cash flows associated with lease payments under IFRS 16 are allocated between financing activities for the repayment of the principal liability, and operating activities for the interest component. The overall impact to cash flow for Parkland remains unchanged.

Adoption of IFRS 16 resulted in the recording of additional right-of-use assets, net of adjustments and lease liabilities of approximately \$239 and \$241 respectively, as of January 1, 2019 with no impact on deficit in the consolidated statements of changes in shareholders' equity. For categories of right-of-use assets recognized, refer to Note 6. A weighted average incremental borrowing rate of 6.62% was applied to the lease liabilities as at January 1, 2019.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as operating costs or marketing, general and administrative expense, depending on the nature of the business activities to which the leases relate. Short-term leases are leases with a lease term of twelve months or less. Low-value assets are comprised of IT equipment and small office furniture items.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs.

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is based on the operating lease obligations as at December 31, 2018:

Reconciliation	January 1, 2019
Operating lease obligations at December 31, 2018	320
Minimum lease payments on finance lease liabilities at December 31, 2018	13
Relief option for short-term leases	(12)
Relief options for leases of low-value assets	–
Lease type obligations (service payments)	13
Others	(5)
Gross lease liabilities as at January 1, 2019	329
Discounting	(82)
Lease liabilities as at January 1, 2019	247
Present value of finance leases as at December 31, 2018	(6)
Additional lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019	241

The lessor accounting model remains substantially unchanged from IAS 17, maintaining the distinction between operating leases and finance leases.

(b) Impact of adopting IFRS 16 on the interim condensed consolidated financial statements

The impact of IFRS 16 on the consolidated balance sheets as at March 31, 2019 was as follows:

	As at March 31, 2019		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Assets			
Prepaid expenses and other	100	2	102
Property, plant and equipment	3,584	(405)	3,179
Intangible assets	1,026	2	1,028
Deferred tax assets	156	(22)	134
	4,866	(423)	4,443
Liabilities			
Long-term debt	3,864	(411)	3,453
Provisions and other liabilities	1,023	4	1,027
Deferred tax liabilities	333	(20)	313
	5,220	(427)	4,793
Shareholders' equity			
Deficit	(118)	3	(115)
Noncontrolling interest ("NCI")	433	1	434
	315	4	319

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019 (\$ millions, unless otherwise stated)

The impact of IFRS 16 on the consolidated statement of income for three months ended March 31, 2019 was as follows:

	Three months ended March 31,		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Sales and operating revenue	4,215	–	4,215
Expenses			
Cost of purchases	3,528	15	3,543
Operating costs	261	14	275
Marketing, general and administrative	101	3	104
Acquisition, integration and other costs	35	–	35
Depreciation and amortization	135	(31)	104
Finance and other costs	78	(7)	71
Foreign exchange gain	(30)	–	(30)
(Gain) loss on risk management and other derivatives	(2)	–	(2)
Other income	(10)	–	(10)
Earnings before income taxes	119	6	125
Income tax expense	28	2	30
Net earnings	91	4	95
Net earnings attributable to:			
Parkland	77	3	80
NCI	14	1	15

The following tables outlines the impact of IFRS 16 on the consolidated statement of cash flows for three months ended March 31, 2019:

	Three months ended March 31,		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Cash generated from operating activities	136	(26)	110
Cash generated from financing activities	1,124	26	1,150
	1,260	–	1,260

(c) Impact of adopting IFRS 16 on segment information

The following table outlines the impact of IFRS 16 on segment information as attributable to Parkland as disclosed in Note 20 of the interim condensed consolidated financial statements for the three months ended March 31, 2019:

	Three months ended March 31,		
	Adjusted EBITDA as reported	IFRS 16 Adjustment	Pre-IFRS 16 Amount ⁽¹⁾
Canada Retail	73	(5)	68
Canada Commercial	44	(1)	43
USA	11	–	11
Supply	143	(6)	137
International	71	(14)	57
Corporate	(27)	(1)	(28)
Consolidated	315	(27)	288

⁽¹⁾ Pre-IFRS 16 Amounts are comparable to the reportable information in the comparative quarter which was calculated under IAS 17.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

4. NET EARNINGS PER SHARE

	Three months ended March 31,	
	2019	2018
Net earnings attributable to Parkland	77	20
Weighted average number of common shares (000's of shares)	145,175	131,435
Effect of dilutive securities (000's of shares)	3,499	1,686
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	148,674	133,121
Net earnings per share (\$ per share)		
- Basic	0.53	0.15
- Diluted	0.52	0.15

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Right-of-use assets ⁽¹⁾	Total
Cost							
As at December 31, 2018		668	113	418	1,746	7	2,952
IFRS 16 Adjustment		–	–	–	–	239	239
Adjusted balance as at January 1, 2019		668	113	418	1,746	246	3,191
Additions		2	1	6	71	22	102
Change in ARO costs		–	–	–	64	–	64
Sol Transaction	16	299	24	127	389	178	1,017
Disposals		(2)	–	(1)	(1)	–	(4)
Exchange differences		1	–	–	–	1	2
As at March 31, 2019		968	138	550	2,269	447	4,372
Depreciation							
As at January 1, 2019		–	27	92	564	2	685
Depreciation		–	4	10	59	31	104
Exchange differences		–	–	–	(1)	–	(1)
As at March 31, 2019		–	31	102	622	33	788
Net book value							
As at March 31, 2019		968	107	448	1,647	414	3,584
Cost							
As at January 1, 2018		646	104	347	1,477	7	2,581
Additions		3	5	38	234	–	280
Change in ARO costs		–	–	–	39	–	39
Rhinehart Acquisition	16	13	1	18	16	–	48
Other acquisitions	16	4	2	12	12	–	30
Disposals		–	–	(1)	(39)	–	(40)
Exchange differences		2	1	4	7	–	14
As at December 31, 2018		668	113	418	1,746	7	2,952
Depreciation							
As at January 1, 2018		–	16	64	389	2	471
Depreciation		–	11	27	185	–	223
Disposals		–	–	–	(14)	–	(14)
Exchange differences		–	–	1	4	–	5
As at December 31, 2018		–	27	92	564	2	685
Net book value							
As at December 31, 2018		668	86	326	1,182	5	2,267

(1) The January 1, 2019 right-of use assets were adjusted to conform with IFRS 16, which replaces IAS 17 and related interpretations. Refer to Notes 3 and 6 for further information.

Included in property, plant and equipment as at March 31, 2019 are assets under construction of \$159 (December 31, 2018 – \$105) consisting primarily of construction and upgrades for the refinery within the Supply segment and for retail stations within the Canada Retail, USA and International segments.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three months ended March 31, 2019
(\$ millions, unless otherwise stated)

6. LEASES

(a) Parkland as a lessee

See Note 3 for further discussion on the adoption of IFRS 16. The right-of-use assets carried as property, plant and equipment resulting from leases are presented below:

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Equipment	Other	Total
Cost							
As at January 1, 2019		187	–	36	5	18	246
Additions		11	–	10	1	–	22
Sol Transaction	16	70	83	–	–	25	178
Exchange differences		–	–	1	–	–	1
As at March 31, 2019		268	83	47	6	43	447
Depreciation							
As at January 1, 2019		–	–	–	–	2	2
Depreciation		10	14	4	–	3	31
As at March 31, 2019		10	14	4	–	5	33
Net book value							
As at March 31, 2019		258	69	43	6	38	414

(b) Amounts recognized in the consolidated statements of income

The consolidated statements of income include the following amounts relating to leases:

	Three months ended March 31,	
	2019	2018
Depreciation charge on right-of-use assets	31	–
Interest expense on lease liabilities ⁽¹⁾	7	–
Other leases expenses ⁽²⁾	19	24
	57	24

⁽¹⁾ See Note 18.

⁽²⁾ Other lease expenses include payments for short-term, low-value and/or variable lease payments not included in lease liabilities included within operating costs and marketing, general and administrative expenses on the consolidated statements of income.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

7. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
December 31, 2018		654	250	61	67	1,032
IFRS 16 Adjustment		–	–	(3)	–	(3)
Adjusted balance as at January 1, 2019		654	250	58	67	1,029
Sol Transaction	16	254	59	29	–	342
Additions		–	–	–	4	4
Exchange differences		(1)	–	–	–	(1)
As at March 31, 2019		907	309	87	71	1,374
Amortization						
As at December 31, 2018		239	36	19	24	318
Amortization		20	5	4	2	31
Exchange differences		(1)	–	–	–	(1)
As at March 31, 2019		258	41	23	26	348
Net book value						
As at March 31, 2019		649	268	64	45	1,026
Cost						
	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
As at January 1, 2018		608	240	57	51	956
Additions		–	–	–	16	16
Rhinehart Acquisition	16	40	9	4	–	53
Exchange differences		6	1	–	–	7
As at December 31, 2018		654	250	61	67	1,032
Amortization						
As at January 1, 2018		185	21	13	18	237
Amortization		52	15	6	6	79
Exchange differences		2	–	–	–	2
As at December 31, 2018		239	36	19	24	318
Net book value						
As at December 31, 2018		415	214	42	43	714

8. GOODWILL

	Note	January 1, 2019 to March 31, 2019	January 1, 2018 to December 31, 2018
Goodwill, beginning of period		1,305	1,221
Sol Transaction	16	464	–
Rhinehart Acquisition	16	–	68
Other acquisitions	16	–	7
Exchange differences		(1)	9
Goodwill, end of period		1,768	1,305

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

9. OTHER LONG-TERM ASSETS

	Note	March 31, 2019	December 31, 2018
Investment in associate (a)		150	—
Redemption Options	11	35	8
Long-term prepaid expenses, deposits and other assets		49	31
		234	39

(a) Investment in associate

Société Anonyme de la Raffinerie des Antilles ("SARA Refinery")

Sol Investments Limited ("Sol"), a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery, which is based in Martinique with operations to refine crude oil in Guadeloupe, Guyana and Martinique. The SARA Refinery is an unlisted entity and has a December 31 year end. This entity is treated as an investment in associate and accounted for using the equity method.

10. LONG-TERM DEBT

	March 31, 2019	December 31, 2018
Credit Facility (a)	1,260	82
Unamortized discount: deferred financing costs	—	(6)
	1,260	76
Senior 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\$500 Senior Notes, due 2026	668	682
6.50% Senior Notes, due 2027	300	300
Unamortized premium: Redemption Options	18	19
Unamortized discount: deferred financing costs	(30)	(31)
	2,156	2,170
Other notes	30	11
Credit Facility, Senior Notes, and other notes	3,446	2,257
Lease obligations	418	6
Total long-term debt	3,864	2,263
Less: current portion of Credit Facility, Senior Notes, and other notes	(19)	(2)
Less: current portion of Lease obligations	(93)	(2)
Long-term debt	3,752	2,259

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

Estimated principal repayments of the Credit Facility, Senior Notes, and other notes are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
Credit Facility (a)	–	–	334	–	926	–	1,260
Senior 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\$500 Senior Notes, due 2026	–	–	–	–	–	668	668
6.50% Senior Notes, due 2027	–	–	–	–	–	300	300
Other notes	19	3	6	1	1	–	30
	19	3	540	201	927	1,768	3,458

(a) Credit Facility

On January 8, 2019, in connection with the Sol Transaction, the Credit Facility was amended and restated to expand the available facility and extend the maturity date (the "Amended Credit Facility"). The Amended Credit Facility includes a combined revolving facility amount of US\$780 and \$400 with a maturity date of January 8, 2023, a term loan facility amount of US\$250 with a maturity date of January 8, 2021, and a short-term commitment facility of US\$100 with a maturity date of April 8, 2019. The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. Security on the Amended Credit Facility consists of the assignment of insurance and priority interests on all present and future Parkland properties and assets.

Details of the Credit Facility as at March 31, 2019 are as follows:

	Rate	Maturity date	Effective rate	Balance
\$400 Canadian Syndicated Facility				
Canadian Prime Rate Loan	Prime + 0.45%	January 8, 2023	4.40%	185
LIBOR Loan	LIBOR + 1.70%	January 8, 2023	4.18%	67
US\$780 US Syndicated Facility				
US Prime Rate Loan	Prime + 0.45%	January 8, 2023	5.95%	106
US LIBOR Loan	LIBOR + 1.70%	January 8, 2023	4.44%	568
US\$250 Term Loan Facility				
Term Loan	Prime + 0.70%	January 8, 2021	6.20%	334
Outstanding borrowings under the Credit Facility				1,260

Security on the Credit Facility consists of 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 11).

Parkland provides guarantees on behalf of its subsidiaries in the form of letters of credit and surety bonds in the ordinary course of business. As at March 31, 2019, these guarantees amounted to \$241 (December 31, 2018 – \$233) and were not recognized in the interim condensed consolidated financial statements. Maturity dates for these guarantees vary and are up to and including May 16, 2020.

As at March 31, 2019, Parkland provided \$1,189 (December 31, 2018 – \$866) of unsecured guarantees to counterparties of commodities swaps used in purchases and supply agreements of crude oil, fuel and other petroleum products.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

(b) Senior Notes

The Senior 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	668
6.50% Senior Notes	November 21, 2018	January 21, 2027	300
			2,168

The Senior 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 Notes is paid semi-annually and is recorded in finance and other costs. See Note 18.

(c) Net Investment Hedge

On February 4, 2019, Parkland designated certain USD denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive income (loss).

11. 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:

	Note	Fair value as at March 31, 2019			Total
		Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other derivatives					
Emission credits and allowances		–	21	–	21
Risk management and other derivatives – assets		–	21	–	21
Risk management derivatives					
Commodities swaps, forwards and futures contracts		–	(3)	–	(3)
US dollar forward contracts		–	(1)	–	(1)
Other derivatives					
Emission credits and allowances		–	(1)	–	(1)
Risk management and other derivatives – liabilities		–	(5)	–	(5)
Other derivatives included in other long-term assets					
Redemption Options		–	35	–	35
Other derivatives included in provisions and other liabilities					
Intermediation Facility Derivatives	13	–	(7)	–	(7)
Sol Put Option	13	–	–	(526)	(526)
Other derivatives included in provisions and other liabilities		–	(7)	(526)	(533)

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

	Note	Fair value as at December 31, 2018			Total
		Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	2	—	2
Sol Transaction Hedge		—	26	—	26
Other derivatives					
Emission credits and allowances		—	12	—	12
Risk management and other derivatives — assets					
		—	40	—	40
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	(2)	—	(2)
US dollar forward contracts		—	(2)	—	(2)
Other derivatives					
Emission credits and allowances		—	(3)	—	(3)
Risk management and other derivatives — liabilities					
		—	(7)	—	(7)
Other derivatives included in other long-term assets					
Redemption Options (c)		—	8	—	8
Other derivatives included in prepaid expenses and other					
Intermediation Facility Derivatives	13	—	7	—	7

There were no transfers between fair value measurement hierarchy levels during the three months ended March 31, 2019.

(b) Emission credits and allowances

Emission credits and allowances that are held for trading and that meet the definition of a derivative are accounted for using the fair value method of accounting in risk management and other derivatives. Realized and unrealized gains and losses are included in net earnings as gain or loss on risk management and other derivatives.

(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 \$35 as at March 31, 2019 (December 31, 2018 – \$8) within other long-term assets.

(d) Sol Put Option

The Sol Put Option is classified as a financial instrument at fair value through profit or loss, with changes in redemption value recorded within finance and other costs on the consolidated statements of income. The proportionate redemption value of the Sol Put Option is calculated by discounting Sol's contractually-defined trailing-twelve-month adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Business Combination Agreement ("Sol Agreement"). The Sol Put Option is accounted for as a financial instrument and carried at redemption value of \$526 as at March 31, 2019. During the three months ended March 31, 2019, a change in redemption value of \$30 was recorded within finance and other costs (2018 – nil). See Note 18.

Significant unobservable inputs assumptions include and are (i) contractually-defined trailing-twelve-month adjusted EBITDA of Sol multiplied by 8.5 (ii) other adjustments as defined in the Sol Agreement (iii) discount rate of 6.75%. An increase in Adjusted EBITDA would result in an increase to the liability associated with the Sol Put Option. A 1% change in the discount rate would decrease or increase the liability associated with the Sol Put Option by \$10.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

(e) 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 March 31, 2019 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at March 31, 2019, as Parkland currently issues loans and advances to dealers and customers at market terms. The Senior Unsecured Notes have a carrying value of \$2,168 and an estimated fair value of \$2,165 as at March 31, 2019 (December 31, 2018 – \$2,182 and \$2,051 respectively). The carrying value of other long-term debt and other liabilities approximates fair value as at March 31, 2019, as either the interest rate on the long-term debt is adjusted monthly, the debt was recently issued or liabilities were recently incurred.

(f) 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 March 31, 2019			As at December 31, 2018		
	Gross amounts	Amounts offset	Net	Gross amounts	Amounts offset	Net
Risk management and other derivatives – assets	23	(2)	21	28	(14)	14
Risk management and other derivatives – liabilities	(7)	2	(5)	(21)	14	(7)

12. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

(a) Operating activities

	Three months ended March 31,	
	2019	2018
Accounts receivable	(70)	(30)
Inventories	(111)	(16)
Prepaid expenses and other	(21)	(2)
Accounts payable and accrued liabilities	135	39
Deferred revenue	5	2
Total net change in non-cash working capital in operating activities	(62)	(7)

(b) Financing activities

	Three months ended March 31,	
	2019	2018
Accounts receivable	(60)	–
Total net change in non-cash working capital in financing activities	(60)	–

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

13. PROVISIONS AND OTHER LIABILITIES

	Note	March 31, 2019	December 31, 2018
Intermediation Facility (a)		314	260
Intermediation Facility Derivatives (a)		7	—
Asset retirement obligations - current portion (b)		9	4
Deferred revenue		19	15
Provisions and other liabilities – current		349	279
Sol Put Option (c)	11	526	—
Asset retirement obligations (b)		436	282
Employee benefits		28	8
Long-term deposits, provisions and other		23	21
DSU liability	14	10	8
Above-market leases		—	4
Provisions and other liabilities – non-current		1,023	323

(a) Intermediation Facility Derivatives

In 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 that includes a daily settlement feature, which is accounted for as a derivative financial instrument carried at fair value (the "Intermediation Facility Derivatives"). For the three months ended March 31, 2019, a realized loss of \$20 (2018 – loss of \$7) and an unrealized loss of \$14 (2018 – gain of \$2) relating to the Intermediation Facility Derivatives were included within cost of purchases on the consolidated statements of income. As at March 31, 2019, \$7 was recorded on the consolidated balance sheets within provisions and other liabilities – current (December 31, 2018 – \$7 within prepaid expenses and other). See Note 11.

(b) Asset retirement obligations

	Note	January 1, 2019 to March 31, 2019	January 1, 2018 to December 31, 2018
Asset retirement obligations, beginning of period		286	243
Additional provisions made during the period		4	14
Sol Transaction	16	94	—
Rhinehart Acquisition	16	—	3
Acquisition of other businesses		—	3
Obligations settled during the period		(2)	(12)
Change in estimated future cash flows		(4)	(19)
Change due to passage of time, foreign exchange and discount rate		67	54
Asset retirement obligations, end of period		445	286
Current		9	4
Non-current		436	282
Asset retirement obligations, end of period		445	286

As at March 31, 2019, the inflation rate used to determine the value of future costs ranged from 2.58% to 2.75% (December 31, 2018 – 2.58% to 2.75%) and the discount rates used to determine the present value of the future costs ranged from 3.46% to 4.31% (December 31, 2018 – 4.07% to 4.86%). Asset retirement obligations include certain provisions calculated for annual recurring environmental activities at the Burnaby Refinery. Excluding these provisions, the total undiscounted estimated future cash flows required to settle Parkland's asset retirement obligations ("ARO") were \$665 as at March 31, 2019 (December 31, 2018 – \$412). These costs are expected to be paid up to 2067 (December 31, 2018 – 2056).

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

(c) Sol Put Option

	Note	January 1, 2019 to March 31, 2019
Sol Put Option, beginning of period		–
Initial valuation, January 8, 2019		494
Change in redemption value of Sol Put Option	18	30
Unrealized foreign exchange loss		2
Sol Put Option, end of period		526

The Sol Transaction includes a non-expiring call right for Parkland to acquire (the "Sol Call Option"), and a non-expiring put right for the shareholders of Sol Investments Limited ("SIL" and with its subsidiaries "Sol"), along with its affiliates to sell (the "Sol Put Option") the remaining outstanding shares of Sol at a proportionate purchase price based on Sol's contractually-defined trailing-twelve-month Adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Agreement. Parkland will have the non-expiring right to refuse the exercise by the shareholders of SIL, along with its affiliates of its put right on up to two occasions. Sol Put Option is first exercisable after the release of Parkland's audited consolidated financial statements for the year ended December 31, 2021. The Sol Call Option has no separate value as it is exercisable at Parkland's discretion.

14. 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, 2019 to March 31, 2019		January 1, 2018 to December 31, 2018	
	Number of common shares (000's)	Amount (\$ millions)	Number of common shares (000's)	Amount (\$ millions)
Shareholders' capital, beginning of period	133,668	1,886	131,228	1,816
Shares issued on Sol Transaction	12,231	423	–	–
Issued under dividend reinvestment plan, net of costs	425	15	1,643	55
Issued under share option plan	20	1	690	15
Issued on vesting of restricted share units	–	–	205	2
Cancelled	–	–	(98)	(2)
Shareholders' capital, end of period	146,344	2,325	133,668	1,886

(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 officers and employees are summarized as follows:

(000's)	March 31, 2019	December 31, 2018
Number of share options outstanding	4,054	3,427
Number of share options outstanding and exercisable	1,873	1,894
Number of RSUs outstanding	1,397	1,016
Number of DSUs outstanding	243	218

Expenses related to share options, RSUs and DSUs for the three months ended March 31, 2019 were \$5 (2018 – nil). The liability recorded for DSUs in other long-term liabilities as at March 31, 2019 was \$10 (December 31, 2018 – \$8).

(c) Base shelf prospectus

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

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 composed 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 May 1, 2019, no Securities have been issued under the Shelf Prospectus. The previous base shelf prospectus dated April 11, 2016 expired in May 2018.

15. NON-CONTROLLING INTEREST

Parkland's non-controlling interest ("NCI") represents a third party's 25% ownership interest in Sol. The businesses and assets included in Sol are predominantly located in the Caribbean and northeastern coast of South America. NCI is classified as a component of total equity.

Summarized financial information of Sol is provided below and the information is based on amounts before intercompany eliminations.

	March 31, 2019
Current assets	943
Non-current assets	2,045
Current liabilities	(371)
Non-current liabilities	(417)
Total equity	2,200
Attributable to Parkland	1,767
Attributable to NCI	433

	Three months ended March 31, 2019
Sales and operating revenue - International	1,062
Cost of purchases - International	901
Total adjusted gross profit - International	157
Adjusted EBITDA attributable to NCI	24
Net earnings attributable to NCI	14
Total comprehensive income attributable to NCI	15
Dividends paid to NCI	—

16. BUSINESS COMBINATIONS

(a) Sol Transaction

Parkland successfully completed the acquisition of 75% of the outstanding shares of Sol Investments Limited ("SIL" and with its subsidiaries "Sol"), on January 8, 2019 (the "Sol Transaction"), for preliminary purchase price consideration of \$1,350, consisting of cash consideration of \$960 net of estimated cash assumed, preliminary working capital adjustments of \$21, gain on a US dollar currency hedge of \$12 and fair value of share consideration of \$423 (representing 12.2 million common shares calculated using the trading price of \$34.56 per share) in respect of the purchase price under the "Sol Agreement.

The issuance of common shares resulted in the shareholders of SIL, along with its affiliates, owning 9.9% of the outstanding shares of Parkland immediately after closing. The cash consideration of the Sol Transaction was primarily financed through the Amended Credit Facility (see Note 10). The preliminary purchase price is subject to change as a result of customary post-closing activities.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

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 268 company-owned or company-leased sites and 239 dealer-owned and dealer-operated sites under brands such as Shell, Esso 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 provides Parkland access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and northern coast of South America.

In addition, the Sol Agreement includes a non-expiring call right for Parkland to acquire (the "Sol Call Option"), and a non-expiring put right for the shareholders of SIL, along with its affiliates, to sell (the "Sol Put Option") the remaining outstanding shares of Sol at a proportionate purchase price based on Sol's contractually-defined trailing-twelve-month Adjusted EBITDA, multiplied by 8.5 and other adjustments calculated pursuant to the agreement. See Note 13 (c) for details on the Sol Put Option.

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	Sol Transaction
Assets		
Accounts receivable ⁽¹⁾		290
Prepaid expenses and other		24
Inventories		174
Property, plant and equipment	5	839
Property, plant and equipment – right-of-use assets	5	178
Intangible assets	7	342
Long-term receivables		3
Other long-term assets		177
Deferred tax assets		33
		2,060
Liabilities		
Accounts payable and accrued liabilities ⁽²⁾		(293)
Long-term debt		(2)
Long-term debt – lease liability		(178)
Asset retirement obligations	13	(94)
Deferred tax liabilities		(165)
Other liabilities		(24)
		(756)
Noncontrolling interest ⁽³⁾	15	(418)
Goodwill arising on acquisition	8	464
Net assets acquired		1,350
Fair value analysis of purchase consideration transferred		
Cash paid on acquisition date, less cash assumed of \$368		960
Common shares issued on acquisition		423
Working capital adjustment		(21)
Sol Transaction Hedge		(12)
Purchase consideration transferred		1,350

⁽¹⁾ The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.

⁽²⁾ Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.

⁽³⁾ Noncontrolling interest is calculated based on Parkland's proportionate share of the acquired net identifiable assets.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019 (\$ millions, unless otherwise stated)

Since the transaction date, sales and operating revenue of \$1,062 and net earnings of \$43 attributable to the Sol Transaction were included in the consolidated statements of comprehensive income. The estimated consolidated sales and operating revenue and net earnings of Parkland for the three months ended March 31, 2019 would have been approximately \$4,284 and \$91, respectively, if the Sol Transaction occurred on January 1, 2019. Although these amounts represent Parkland's best estimate, there can be no assurance that this would have been the actual results had the Sol Transaction occurred on January 1, 2019.

(b) 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 purchase price of \$176 (the "Rhinehart Acquisition"). There were no changes to the fair values of the identifiable assets and liabilities of the Rhinehart Acquisition presented in the Annual Consolidated Financial Statements. Parkland expects to finalize these amounts no later than one year from the acquisition date.

(c) Other information

Details of acquisition, integration and other costs are outlined below.

	Three months ended March 31,	
	2019	2018
Acquisition costs	5	1
Integration costs	16	14
Other costs	14	2
Acquisition, integration and other costs	35	17

17. OTHER INCOME

	Three months ended March 31,	
	2019	2018
Customer finance income	1	—
Insurance recoveries	6	—
Equity in net earnings from associate ⁽¹⁾	3	—
	10	—

⁽¹⁾ A subsidiary of SIL, a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery. The investment in the SARA Refinery is accounted for using the equity method in accordance with IFRS 11. See Note 9 for further discussion on the investment in associate.

18. FINANCE AND OTHER COSTS

	Note	Three months ended March 31,	
		2019	2018
Interest on leases	6	7	—
Interest on long-term debt		49	29
Change in fair value of Redemption Options		(27)	4
Change in redemption value of Sol Put Option		30	—
Interest income		(1)	—
Amortization, accretion and other finance costs		20	8
		78	41

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

19. SALES AND OPERATING REVENUE

Parkland recognizes revenue in accordance with IFRS 15 – Revenue from contracts with customers as detailed in Note 2 of the Annual Consolidated Financial Statements.

The following table presents Parkland's revenue disaggregated by product type, amount and segment:

	Canada Retail		Canada Commercial ⁽⁴⁾		USA		Supply ⁽⁴⁾		International		Corporate		Consolidated	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
For the three months ended March 31,														
Gas and diesel	1,270	1,428	710	843	227	152	104	148	811	–	–	–	3,122	2,571
Liquid petroleum gas ⁽¹⁾	–	–	72	81	4	2	133	169	11	–	–	–	220	252
Other fuel and petroleum products ⁽²⁾	–	–	166	170	–	–	237	173	191	–	–	–	594	343
Fuel and petroleum product revenue	1,270	1,428	948	1,094	231	154	474	490	1,013	–	–	–	3,936	3,166
Convenience store	79	89	–	–	21	9	–	–	4	–	–	–	104	98
Lubricants	–	–	14	15	53	15	–	–	23	–	–	–	90	30
Other non-fuel ⁽³⁾	21	17	20	20	13	3	9	8	22	–	–	–	85	48
Non-fuel revenue	100	106	34	35	87	27	9	8	49	–	–	–	279	176
Sales and operating revenue	1,370	1,534	982	1,129	318	181	483	498	1,062	–	–	–	4,215	3,342

⁽¹⁾ Liquid petroleum gas includes propane and butane.

⁽²⁾ Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.

⁽³⁾ Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

⁽⁴⁾ For comparative purposes, information for the three months ended March 31, 2018 were restated due to a change in segment presentation, resulting from a reclassification of wholesale customers from the Supply segment to the Canada Commercial segment, reflecting a change in organizational structure in 2019.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

20.SEGMENT INFORMATION

Parkland's reportable operating segments are differentiated by the nature of their products, services, and geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate. The operations in each segment are defined as follows:

Canada Retail

Canada Retail (formerly "Retail") operates and services a network of retail gas stations in Canada operating under many key retail brands including Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates a convenience store brand, On the Run / Marché Express, as well as other convenience store brands.

Canada Commercial

Canada Commercial (formerly "Commercial") delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers across Canada. Commercial brands include Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane.

USA

USA (formerly "Parkland USA") operates and services a network of retail service stations and delivers gasoline, distillates, propane and lubricating oils in the United States. Brands operated by USA include SPF Energy, Farstad Oil, Superpumper, and Rhinehart.

Supply

Supply is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, refining fuel, distributing fuel through rail and highway carriers, and serving wholesale and reseller customers. The profits are derived through refining, supply management, aviation fuel sales, and wholesale fuel sales.

International

International represents the contributions of the Sol Transaction that closed on January 8, 2019, which includes operations in 23 countries predominantly located in the Caribbean and northern coast of South America. International operates and services a network of retail service stations under brands including Esso, Shell and Sol. International also services commercial, industrial and aviation businesses.

Corporate

Corporate includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments.

General information

Depreciation and amortization, finance and other costs, acquisition, integration and other costs, loss (gain) on risk management and other derivatives – unrealized, gain 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 net 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. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

Geographic information

	Three months ended March 31,	
	2019	2018
Revenue from external customers – Canada	2,486	3,161
Revenue from external customers – United States	476	181
Revenue from external customers – International	1,253	–
Sales and operating revenue	4,215	3,342

	March 31, 2019			
	Canada	United States	International	Consolidated
Property, plant and equipment	2,410	155	1,019	3,584
Intangible assets	595	83	348	1,026
Goodwill	1,180	137	451	1,768
Total	4,185	375	1,818	6,378

	December 31, 2018			
	Canada	United States	International	Consolidated
Property, plant and equipment	2,118	149	–	2,267
Intangible assets	627	87	–	714
Goodwill	1,165	140	–	1,305
Total	3,910	376	–	4,286

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

Segment information	Canada Retail		Canada Commercial		USA		Supply		International		Corporate		Consolidated	
	2019	2018	2019	2018 ⁽⁶⁾	2019	2018	2019	2018 ⁽⁶⁾	2019	2018	2019	2018	2019	2018
For the three months ended March 31⁽¹⁾	2019	2018	2019	2018⁽⁶⁾	2019	2018	2019	2018⁽⁶⁾	2019	2018	2019	2018	2019	2018
Fuel and petroleum product volume (million litres)⁽²⁾	1,608	1,586	1,213	1,335	331	219	1,121	1,071	1,063	—	—	—	5,336	4,211
Sales and operating revenue⁽³⁾	1,370	1,534	982	1,129	318	181	483	498	1,062	—	—	—	4,215	3,342
Cost of purchases														
Fuel and petroleum product cost of purchases	1,148	1,303	852	1,004	216	146	256	335	882	—	—	—	3,354	2,788
Non-fuel cost of purchases	64	71	22	21	64	19	5	2	19	—	—	—	174	113
Cost of purchases	1,212	1,374	874	1,025	280	165	261	337	901	—	—	—	3,528	2,901
Adjusted gross profit														
Fuel and petroleum product adjusted gross profit, before the following:	122	125	96	90	15	8	218	155	131	—	—	—	582	378
Loss on risk management and other derivatives – realized	—	—	—	—	—	—	(2)	(5)	—	—	—	—	(2)	(5)
Gain (loss) on foreign exchange – realized	—	—	—	—	—	—	2	(1)	(4)	—	—	(3)	(2)	(4)
Other adjusting items ⁽⁴⁾	—	—	—	—	—	—	14	(2)	—	—	—	—	14	(2)
Fuel and petroleum product adjusted gross profit	122	125	96	90	15	8	232	147	127	—	—	(3)	592	367
Non-fuel adjusted gross profit	36	35	12	14	23	8	4	6	30	—	—	—	105	63
Total adjusted gross profit	158	160	108	104	38	16	236	153	157	—	—	(3)	697	430
Other income	—	—	(1)	—	—	—	—	—	(9)	—	—	—	(10)	—
Operating costs	69	76	53	57	21	10	75	64	43	—	—	—	261	207
Marketing, general and administrative	16	15	12	9	6	2	18	18	22	—	27	26	101	70
Other adjusting items ⁽⁵⁾	—	—	—	—	—	—	—	—	6	—	—	—	6	—
Adjusted EBITDA including NCI	73	69	44	38	11	4	143	71	95	—	(27)	(29)	339	153
Attributable to Parkland ("Adjusted EBITDA")	73	69	44	38	11	4	143	71	71	—	(27)	(29)	315	153
Attributable to NCI	—	—	—	—	—	—	—	—	24	—	—	—	24	—
Adjusted EBITDA including NCI	73	69	44	38	11	4	143	71	95	—	(27)	(29)	339	153
Depreciation and amortization	—	—	—	—	—	—	—	—	—	—	—	—	135	69
Finance and other costs	—	—	—	—	—	—	—	—	—	—	—	—	78	41
Acquisition, integration and other costs	—	—	—	—	—	—	—	—	—	—	—	—	35	17
(Gain) Loss on risk management and other derivatives – unrealized	—	—	—	—	—	—	—	—	—	—	—	—	(4)	5
Gain on foreign exchange – unrealized	—	—	—	—	—	—	—	—	—	—	—	—	(32)	(6)
Other adjusting items ⁽⁴⁾⁽⁵⁾	—	—	—	—	—	—	—	—	—	—	—	—	8	(2)
Income tax expense	—	—	—	—	—	—	—	—	—	—	—	—	28	9
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	91	20
Attributable to Parkland	—	—	—	—	—	—	—	—	—	—	—	—	77	20
Attributable to NCI	—	—	—	—	—	—	—	—	—	—	—	—	14	—
Property, plant and equipment and intangible asset additions	13	9	14	6	2	—	33	71	20	—	2	—	84	86
Property, plant and equipment, intangible asset and goodwill acquisitions	—	—	—	—	—	—	—	—	915	—	—	—	915	—

⁽¹⁾ 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they have not been restated to reflect the impact of IFRS 16 which is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽²⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽³⁾ See Note 19 for further details on sales and operating revenue.

⁽⁴⁾ Other adjusting items included an unrealized loss of \$14 (2018 – unrealized gain of \$2) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

⁽⁵⁾ Other adjusting items included insurance recoveries of \$6 (2018 – nil) within other income.

⁽⁶⁾ For comparative purposes, information for the three months ended March 31, 2018 were restated due to a change in segment presentation, resulting from a reclassification of wholesale customers from the Supply segment to the Canada Commercial segment, reflecting a change in organizational structure in 2019.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three months ended March 31, 2019

(\$ millions, unless otherwise stated)

Canada Commercial and Supply

For comparative purposes, information for the prior periods reported in 2018 were retrospectively restated due to a change in segment presentation, resulting from a reclassification of wholesale customers from the Supply segment to the Canada Commercial segment, reflecting a change in organizational structure in 2019. The restated comparative information is as follows:

Segment information	Canada Commercial					Supply				
	For the year ended	2018				For the year ended	2018			
		For the three months ended	For the three months ended	For the three months ended	For the three months ended		For the three months ended	For the three months ended	For the three months ended	For the three months ended
	Dec 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Dec 31	Sep 30	Jun 30	Mar 31
Fuel and petroleum product volume (million litres)⁽¹⁾	4,653	1,196	1,054	1,068	1,335	4,358	1,094	1,030	1,163	1,071
Sales and operating revenue	-					-				
Fuel and petroleum product revenue	3,999	974	941	990	1,094	2,286	529	615	652	490
Non-fuel revenue	161	41	39	46	35	40	17	7	8	8
Sales and operating revenue	4,160	1,015	980	1,036	1,129	2,326	546	622	660	498
Cost of purchases	-					-				
Fuel and petroleum product cost of purchases	3,720	896	892	928	1,004	1,412	229	412	436	335
Non-fuel cost of purchases	103	27	24	31	21	19	9	3	5	2
Cost of purchases	3,823	923	916	959	1,025	1,431	238	415	441	337
Adjusted gross profit	-					-				
Fuel and petroleum product adjusted gross profit, before the following:	279	78	49	62	90	874	300	203	216	155
(Loss) gain on risk management and other derivatives - realized	-	-	-	-	-	(20)	(13)	(16)	14	(5)
Gain on foreign exchange - realized	-	-	-	-	-	13	4	1	9	(1)
Other adjusting items	-	-	-	-	-	(15)	(13)	3	(3)	(2)
Fuel and petroleum product adjusted gross profit	279	78	49	62	90	852	278	191	236	147
Non-fuel adjusted gross profit	58	14	15	15	14	21	8	4	3	6
Total adjusted gross profit	337	92	64	77	104	873	286	195	239	153
Operating costs	194	49	42	46	57	252	72	61	55	64
Marketing, general and administrative	45	13	11	12	9	65	18	14	15	18
Adjusted EBITDA including NCI	98	30	11	19	38	556	196	120	169	71
Attributable to Parkland ("Adjusted EBITDA")	98	30	11	19	38	556	196	120	169	71
Attributable to NCI	-	-	-	-	-	-	-	-	-	-

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