

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

| (In 000's of Canadian Dollars)                           | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| <b>Assets</b>  |                    |                   |
| <b>Current Assets</b>                                    |                    |                   |
| Cash and cash equivalents                                | 29,628             | 203,264           |
| Restricted cash  | 321                | 1,833             |
| Accounts receivable                                      | 356,370            | 442,218           |
| Inventories  | 113,935            | 121,579           |
| Income tax receivable                                    | 7,690              | 1,373             |
| Risk management (Note 7)                                 | 2,068              | 4,897             |
| Prepaid expenses and other                               | 52,290             | 12,044            |
|  | <b>562,302</b>     | <b>787,208</b>    |
| Property, plant and equipment (Note 8)                   | 491,217            | 359,505           |
| Intangible assets (Note 9)                               | 191,873            | 163,833           |
| Goodwill (Note 10)                                       | 523,792            | 179,607           |
| Long-term receivables                                    | 20,388             | 13,682            |
| Other long term assets                                   | 13,411             | 12,829            |
| Deferred tax asset                                       | 33,961             | 15,127            |
|  | <b>1,836,944</b>   | <b>1,531,791</b>  |
| <b>Liabilities</b>                                       |                    |                   |
| <b>Current Liabilities</b>                               |                    |                   |
| Bank indebtedness  | 37                 | 5,969             |
| Accounts payable and accrued liabilities                 | 399,598            | 327,425           |
| Dividends declared and payable                           | 8,625              | 7,432             |
| Deferred revenue   | 9,960              | 7,540             |
| Long-term debt - current portion (Note 11)               | 3,785              | 2,448             |
| Convertible debentures - current portion (Note 12)       | 40,063             | 43,694            |
| Asset retirement obligations - current portion (Note 14) | 18,083             | 7,851             |
| Risk management (Note 7)                                 | 4,579              | 5,166             |
| Other long-term liabilities - current portion            | 1,029              | 3,350             |
|  | <b>485,759</b>     | <b>410,875</b>    |
| Long-term debt (Note 11)                                 | 439,920            | 435,054           |
| Other long-term liabilities                              | 10,641             | 14,744            |
| Asset retirement obligations (Note 14)                   | 98,415             | 52,735            |
| Refinery and terminal remediation accrual                | 14,275             | 13,455            |
| Deferred tax liability                                   | 35,121             | 35,077            |
|  | <b>1,084,131</b>   | <b>961,940</b>    |
| <b>Shareholders' Equity</b>                              |                    |                   |
| Shareholders' capital (Note 15)                          | 797,846            | 584,856           |
| Contributed surplus                                      | 12,218             | 6,339             |
| Accumulated other comprehensive income                   | 14,673             | 2,188             |
| Deficit  | (71,924)           | (23,532)          |
|  | <b>752,813</b>     | <b>569,851</b>    |
|  | <b>1,836,944</b>   | <b>1,531,791</b>  |
| Contingencies and Commitments (Note 20)                  |                    |                   |

See accompanying notes to the interim condensed consolidated financial statements

**Parkland Fuel Corporation**  
**Consolidated Statements of Income**  
**(Unaudited)**

| (In 000's of Canadian Dollars and shares, except per share amounts) | <b>Three months ended</b> |           | <b>Nine months ended</b> |           |
|---|---------------------------|-----------|--------------------------|-----------|
|   | <b>September 30,</b>      |           | <b>September 30,</b>     |           |
|   | <b>2015</b>               | 2014      | <b>2015</b>              | 2014      |
| Sales and operating revenue   | <b>1,862,234</b>          | 1,898,690 | <b>4,643,770</b>         | 5,789,159 |
| Cost of sales, excluding depreciation                               | <b>1,694,734</b>          | 1,781,686 | <b>4,198,150</b>         | 5,383,896 |
| Customer finance income   | <b>(484)</b>              | (499)     | <b>(1,650)</b>           | (1,995)   |
| Operating costs   | <b>73,971</b>             | 57,323    | <b>200,842</b>           | 182,696   |
| Marketing, general and administrative                               | <b>39,872</b>             | 29,023    | <b>116,806</b>           | 94,320    |
| Depreciation and amortization                                       | <b>26,630</b>             | 18,612    | <b>63,927</b>            | 57,494    |
| Finance costs (Note 13)   | <b>8,361</b>              | 6,295     | <b>25,832</b>            | 19,258    |
| Foreign exchange gain   | <b>(902)</b>              | (1,696)   | <b>(3,508)</b>           | (2,602)   |
| Loss (gain) on disposal of property, plant and equipment            | <b>57</b>                 | (89)      | <b>188</b>               | 1,088     |
| Loss (gain) on risk management activities                           | <b>340</b>                | (7,279)   | <b>5,266</b>             | (1,227)   |
| Earnings before income taxes  | <b>19,655</b>             | 15,314    | <b>37,917</b>            | 56,231    |
| Income tax expense (recovery) (Note 18)                             |                           |           |                          |           |
| Current   | <b>7,455</b>              | 5,284     | <b>19,624</b>            | 20,759    |
| Deferred  | <b>(2,367)</b>            | (390)     | <b>(5,528)</b>           | (4,181)   |
| Net earnings  | <b>14,567</b>             | 10,420    | <b>23,821</b>            | 39,653    |
| Net earnings per share (Note 6)                                     |                           |           |                          |           |
| - Basic   | <b>0.16</b>               | 0.14      | <b>0.28</b>              | 0.53      |
| - Diluted   | <b>0.16</b>               | 0.14      | <b>0.28</b>              | 0.53      |
| Shares outstanding (Note 15)  | <b>90,782</b>             | 76,057    | <b>90,782</b>            | 76,057    |

See accompanying notes to the interim condensed consolidated financial statements

## Parkland Fuel Corporation

### Consolidated Statements of Comprehensive Income (Unaudited)

| (In 000's of Canadian Dollars)  | Three months ended    |         | Nine months ended     |         |
|---|-----------------------|---------|-----------------------|---------|
|   | September 30,<br>2015 | 2014    | September 30,<br>2015 | 2014    |
| Net earnings  | <b>14,567</b>         | 10,420  | <b>23,821</b>         | 39,653  |
| Other comprehensive income:   |                       |         |                       |         |
| Items that may be reclassified to consolidated statement of income in subsequent periods:   |                       |         |                       |         |
| Exchange differences on translation of foreign operations   | <b>8,490</b>          | 4,820   | <b>16,562</b>         | 3,680   |
| Net loss on hedge of net investment in foreign operations, net of tax recovery of \$330 and \$673, respectively (2014 - tax recovery of \$489 and \$79) | <b>(2,108)</b>        | (4,125) | <b>(4,077)</b>        | (3,653) |
| Other comprehensive income, net of tax  | <b>6,382</b>          | 695     | <b>12,485</b>         | 27      |
| Total comprehensive income, net of tax  | <b>20,949</b>         | 11,115  | <b>36,306</b>         | 39,680  |

See accompanying notes to the interim condensed consolidated financial statements

**Parkland Fuel Corporation**  
**Consolidated Statements of Changes in Equity**  
**(Unaudited)**

| (in 000's of Canadian Dollars and shares)             | Shareholders'<br>capital | Contributed<br>surplus | Retained<br>earnings<br>(deficit) | Accumulated<br>other<br>comprehensive<br>income | Total<br>shareholders'<br>equity | Number of<br>shares |
|---|--------------------------|------------------------|-----------------------------------|---|----------------------------------|---------------------|
| At January 1, 2015                                    | 584,856                  | 6,339                  | (23,532)                          | 2,188   | 569,851                          | 82,114              |
| Net earnings  | -                        | -                      | 23,821                            | -   | 23,821                           | -                   |
| Other comprehensive income, net of tax                | -                        | -                      | -                                 | 12,485  | 12,485                           | -                   |
| Issued on acquisition of Pioneer Energy (Note 17)     | 150,116                  | -                      | -                                 | -   | 150,116                          | 5,830               |
| Share issuance costs                                  | (170)                    | -                      | -                                 | -   | (170)                            | -                   |
| Dividends   | -                        | -                      | (72,213)                          | -   | (72,213)                         | -                   |
| Share incentive compensation                          | -                        | 14,650                 | -                                 | -   | 14,650                           | -                   |
| Issued under dividend reinvestment plan, net of costs | 50,896                   | -                      | -                                 | -   | 50,896                           | 2,153               |
| Issued under share option plan                        | 3,344                    | (299)                  | -                                 | -   | 3,045                            | 197                 |
| Issued under vesting of restricted share units        | 4,896                    | (8,472)                | -                                 | -   | (3,576)                          | 270                 |
| Issued upon conversion of convertible debentures      | 3,908                    | -                      | -                                 | -   | 3,908                            | 218                 |
| At September 30, 2015                                 | 797,846                  | 12,218                 | (71,924)                          | 14,673  | 752,813                          | 90,782              |
| At January 1, 2014                                    | 411,503                  | 5,862                  | 12,458                            | -   | 429,823                          | 71,795              |
| Net earnings  | -                        | -                      | 39,653                            | -   | 39,653                           | -                   |
| Other comprehensive income, net of tax                | -                        | -                      | -                                 | 27  | 27                               | -                   |
| Issued on acquisition of SPF Energy Inc.              | 21,484                   | -                      | -                                 | -   | 21,484                           | 1,163               |
| Dividends   | -                        | -                      | (58,917)                          | -   | (58,917)                         | -                   |
| Share incentive compensation                          | -                        | 2,832                  | -                                 | -   | 2,832                            | -                   |
| Issued under dividend reinvestment plan, net of costs | 40,053                   | -                      | -                                 | -   | 40,053                           | 2,096               |
| Issued under share option plan                        | 4,779                    | (476)                  | -                                 | -   | 4,303                            | 333                 |
| Issued on vesting of restricted shares                | 1,235                    | (2,641)                | -                                 | -   | (1,406)                          | 142                 |
| Issued upon conversion of convertible debentures      | 7,767                    | -                      | -                                 | -   | 7,767                            | 528                 |
| At September 30, 2014                                 | 486,821                  | 5,577                  | (6,806)                           | 27  | 485,619                          | 76,057              |

See accompanying notes to the interim condensed consolidated financial statements

**Parkland Fuel Corporation**  
**Consolidated Statements of Cash Flows**  
(Unaudited)

| (in 000's of Canadian Dollars)  | Three months ended<br>September 30, |          | Nine months ended<br>September 30, |           |
|---|-------------------------------------|----------|------------------------------------|-----------|
|   | 2015                                | 2014     | 2015                               | 2014      |
| <b>Cash flows from operating activities</b>                                 |                                     |          |                                    |           |
| Net earnings  | 14,567                              | 10,420   | 23,821                             | 39,653    |
| Adjustments for:  |                                     |          |                                    |           |
| Depreciation and amortization   | 26,630                              | 18,612   | 63,927                             | 57,494    |
| Loss (gain) on disposal of property, plant and equipment                    | 57                                  | (89)     | 188                                | 1,088     |
| Share incentive compensation  | 987                                 | 645      | 5,504                              | 3,816     |
| Refinery and terminal remediation accrual                                   | 127                                 | 128      | 376                                | 369       |
| Accretion expense on asset retirement obligation                            | 939                                 | 517      | 1,904                              | 1,497     |
| Change in risk management activities  | 56                                  | (7,053)  | 2,242                              | (8,430)   |
| Change in other long-term liabilities                                       | (342)                               | (1,479)  | 1,564                              | (241)     |
| Accretion on convertible debentures   | 90                                  | 583      | 277                                | 1,729     |
| Amortization of deferred financing costs and debt premium                   | 218                                 | 263      | 652                                | 1,183     |
| Change in fair value of Redemption Option                                   | (260)                               | (800)    | 1,840                              | (720)     |
| Deferred taxes  | (2,367)                             | (390)    | (5,528)                            | (4,181)   |
| Cash expenditures on asset retirement obligation                            | (1,133)                             | (20)     | (1,816)                            | (602)     |
| Net changes in non-cash working capital (Note 16)                           | (3,747)                             | 30,794   | 79,989                             | 18,910    |
| Cash generated from operating activities                                    | 35,822                              | 52,131   | 174,940                            | 111,565   |
| <b>Financing Activities</b>   |                                     |          |                                    |           |
| Long-term debt repayments   | (382)                               | (320)    | (1,091)                            | (483,339) |
| Proceeds from long-term debt  | 811                                 | 373      | 811                                | 550,602   |
| Dividends paid to shareholders, net of dividend reinvestment plan           | (7,551)                             | (6,718)  | (20,125)                           | (18,389)  |
| Shares issued for cash  | 1,464                               | 3,123    | 3,045                              | 4,303     |
| Share issuance costs  | -                                   | -        | (170)                              | -         |
| Cash (used in) generated from financing activities                          | (5,658)                             | (3,542)  | (17,530)                           | 53,177    |
| <b>Investing Activities</b>   |                                     |          |                                    |           |
| Acquisition of Pioneer Energy (Note 17)                                     | 6,605                               | -        | (247,485)                          | -         |
| Acquisition of North Dakota service stations, net of cash assumed (Note 17) | -                                   | -        | (17,633)                           | -         |
| Acquisition of Chevron-branded service stations (2015) (Note 17)            | -                                   | -        | (18,252)                           | -         |
| Acquisition of other businesses (Note 17)                                   | (1,017)                             | -        | (1,017)                            | -         |
| Acquisition of Chevron-branded service stations (2014)                      | -                                   | -        | -                                  | (16,446)  |
| Acquisition of SPF Energy Inc., net of cash and bank indebtedness assumed   | -                                   | -        | -                                  | (84,528)  |
| Change in long-term receivables   | (2,711)                             | (637)    | (2,639)                            | (1,047)   |
| Additions of property, plant and equipment and intangible assets            | (21,147)                            | (13,070) | (42,305)                           | (27,819)  |
| Proceeds on sale of property, plant and equipment and intangible assets     | 288                                 | 489      | 1,568                              | 1,165     |
| Cash used in investing activities   | (17,982)                            | (13,218) | (327,763)                          | (128,675) |
| Increase (decrease) in net cash   | 12,182                              | 35,371   | (170,353)                          | 36,067    |
| Net foreign exchange difference   | 251                                 | 427      | 1,137                              | 127       |
| Net cash, beginning of period   | 17,479                              | 8,676    | 199,128                            | 8,280     |
| Net cash, end of period   | 29,912                              | 44,474   | 29,912                             | 44,474    |
| <b>Represented by:</b>  |                                     |          |                                    |           |
| Cash and cash equivalents   | 29,628                              | 47,635   | 29,628                             | 47,635    |
| Restricted cash   | 321                                 | 1,833    | 321                                | 1,833     |
| Bank indebtedness   | (37)                                | (4,994)  | (37)                               | (4,994)   |
| Net cash  | 29,912                              | 44,474   | 29,912                             | 44,474    |
| <b>Supplementary Cash Flow Information:</b>                                 |                                     |          |                                    |           |
| Interest paid   | 605                                 | 5,604    | 14,273                             | 13,337    |
| Interest received   | 484                                 | 499      | 1,650                              | 1,995     |
| Income taxes paid (received)  | 4,436                               | (687)    | 23,933                             | 23,877    |

See accompanying notes to the interim condensed consolidated financial statements

## **Parkland Fuel Corporation**

### **Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015**

In 000's of Canadian Dollars, shares and options, except per share amounts

## **1. REPORTING ENTITY AND DESCRIPTION OF THE BUSINESS**

Parkland Fuel Corporation and its wholly owned subsidiaries (collectively the "Corporation" or "Parkland") is a Canadian independent marketer and distributor of crude oil, refined fuels and other related products, managing a nationwide network of sales channels for retail, commercial, wholesale and home heating fuel customers. The interim condensed consolidated financial statements include the accounts of Parkland Fuel Corporation and its wholly-owned subsidiaries.

Parkland Fuel Corporation was incorporated under the laws of the Province of Alberta on March 9, 2010 and has its corporate head office at Suite 100, 4919 – 59th Street, Red Deer, Alberta, T4N 6C9.

## **2. BASIS OF PREPARATION**

### **(a) General Information**

The interim condensed consolidated financial statements were approved for issue by the Board of Directors on November 5, 2015.

### **(b) Statement of Compliance**

The interim condensed consolidated financial statements are prepared and reported in Canadian dollars 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 of the information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's annual consolidated financial statements for the year ended December 31, 2014 (the "Annual Consolidated Financial Statements"), which have been prepared in accordance with International Financial Reporting Standards ("IFRS").

## **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) 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 the adoption of new standards and interpretations effective as of January 1, 2015, and for the purposes of calculating income taxes during the interim periods where the Corporation utilizes estimated annualized income tax rates.

### **(b) Use of estimates**

The preparation of the interim condensed consolidated financial statements involves the use of estimates and approximations which are consistent with those stated in the Annual Consolidated Financial Statements, with exception of the additional source of estimation uncertainty described below.

Fair value of assets acquired and liabilities assumed in a business combination are estimated based on information available at the date of acquisition and involves considerable judgment in determining the fair values assigned to property, plant and equipment and intangible assets acquired and liabilities assumed on acquisition. The determination of these fair values may involve various widely accepted valuation techniques and analysis, including but not limited to the use of discounted cash flows, estimated future margins, future growth rates, market rents, capitalization rates, reference to market-based evidence,

## **Parkland Fuel Corporation**

### **Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015**

In 000's of Canadian Dollars, shares and options, except per share amounts

reference to comparable rates adjusted for specific market factors, such as nature, location and condition of the property, and other established methodologies and techniques. There is measurement uncertainty inherent in this analysis and actual results could differ from estimates.

#### **4. CHANGE IN ACCOUNTING POLICIES**

##### **Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle**

These improvements were applicable for annual periods beginning on or after July 1, 2014 and the Corporation adopted these amendments for the first time in these interim condensed consolidated financial statements effective January 1, 2015. They include improvements to IFRS 2 – Share-based Payment, IFRS 3 – Business Combination, IFRS 8 – Operating Segments, IFRS 13 – Fair Value Measurement, IAS 16 – Property, Plant and Equipment, IAS 24 – Related Party Disclosures and IAS 38 – Intangible Assets. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

#### **5. STANDARDS ISSUED BUT NOT YET EFFECTIVE**

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Corporation's interim consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

##### **(a) IAS 1 – Presentation of Financial Statements**

In December 18, 2014, the IASB issued amendments to IAS 1 as part of its major initiative to improve presentation and disclosure in financial reports. The amendments to IAS 1 will be effective for annual periods beginning on or after January 1, 2016.

##### **(b) IFRS 9 – Financial Instruments**

In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Parkland has not yet determined the impact of this standard on the Corporation's consolidated financial statements and has not decided whether to early adopt this standard.

##### **(c) IFRS 15 – Revenue from Contracts with Customers**

In May 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more relevant disclosures. IFRS 15 supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and a number of revenue-related interpretations and applies to annual reporting periods beginning on or after January 1, 2018. Application of the standard is mandatory for all IFRS reporters and early adoption is permitted. Parkland has not yet determined the impact of this standard on the Corporation's consolidated financial statements and has not decided whether to early adopt this standard.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

In 000's of Canadian Dollars, shares and options, except per share amounts

## 6. EARNINGS ANALYSIS AND NET EARNINGS PER SHARE

|   | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |        |
|---|-------------------------------------|--------|------------------------------------|--------|
|   | 2015                                | 2014   | 2015                               | 2014   |
| Net earnings - basic  | 14,567                              | 10,420 | 23,821                             | 39,653 |
| Interest and accretion on convertible debentures,<br>net of tax                 | -                                   | 1,861  | -                                  | 5,630  |
| Net earnings - diluted  | 14,567                              | 12,281 | 23,821                             | 45,283 |
| Weighted average number of common shares  | 90,365                              | 75,457 | 85,621                             | 74,424 |
| Effects of dilution from  |                                     |        |                                    |        |
| - Share options   | -                                   | 232    | 306                                | 224    |
| - Convertible debentures  | -                                   | 7,792  | -                                  | 7,792  |
| Weighted average number of common shares<br>adjusted for the effect of dilution | 90,365                              | 83,481 | 85,927                             | 82,440 |
| Net earnings per share  |                                     |        |                                    |        |
| - Basic   | 0.16                                | 0.14   | 0.28                               | 0.53   |
| - Diluted   | 0.16                                | 0.14   | 0.28                               | 0.53   |

In computing the diluted net earnings per share amounts for the three and nine months ended September 30, 2015, the impact of convertible debentures was excluded as their effect was antidilutive.

## 7. FAIR VALUE OF FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Parkland's financial assets and liabilities that are measured at fair value in the consolidated balance sheets are categorized by level according to the significance of the inputs used in making the measurements. The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques used to determine such fair values.

|   | Fair value at September 30, 2015                  |  |  | Total   |
|---|---|--|--|---------|
|   | Quoted prices<br>in active<br>market<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |         |
| Redemption Options                      | -   | 9,480  | -  | 9,480   |
| Risk management assets                  |   |  |  |         |
| Commodities swaps and forward contracts | -   | 1,870  | -  | 1,870   |
| US dollar forward exchange contract     | -   | 198  | -  | 198     |
| Total risk management assets            | -   | 2,068  | -  | 2,068   |
| Risk management liabilities             |   |  |  |         |
| Commodities swaps and forward contracts | -   | (586)  | -  | (586)   |
| US dollar forward exchange contract     | -   | (3,993)  | -  | (3,993) |
| Total risk management liabilities       | -   | (4,579)  | -  | (4,579) |



## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

In 000's of Canadian Dollars, shares and options, except per share amounts

|   | Fair value at December 31, 2014                   |  |  | Total   |
|---|---|--|--|---------|
|   | Quoted prices<br>in active<br>market<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |         |
| Redemption Options                      | -   | 11,320   | -  | 11,320  |
| Risk management assets                  |   |  |  |         |
| Commodities swaps and forward contracts | -   | 4,897  | -  | 4,897   |
| Total risk management assets            | -   | 4,897  | -  | 4,897   |
| Risk management liabilities             |   |  |  |         |
| Commodities swaps and forward contracts | -   | (331)  | -  | (331)   |
| US dollar forward exchange contract     | -   | (776)  | -  | (776)   |
| Future contracts                        | -   | (4,059)  | -  | (4,059) |
| Total risk management liabilities       | -   | (5,166)  | -  | (5,166) |

#### Other financial instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, bank indebtedness, account payable and accrued liabilities and dividends declared and payable approximate their fair values as September 30, 2015 due to the short term nature of these instruments. The carrying value of the long-term receivables approximates fair value as at September 30, 2015, as Parkland currently issues loans and advances to dealers and customers with similar terms. The senior unsecured notes had a carrying value of \$400,000 and an estimated fair value of \$383,963 as at September 30, 2015 (December 31, 2014 – carrying value approximates fair value). The carrying value of other long-term debt approximates fair value as at September 30, 2015 as either the interest rate on the long-term debt is adjusted monthly or the debt was issued recently. The carrying value of other long-term liabilities approximates fair value as at September 30, 2015 as either it is adjusted to its fair value on a quarterly basis or it is related to liabilities recently incurred. The convertible debentures had a carrying value of \$40,063 and an estimated fair value of \$40,490 as at September 30, 2015 (December 31, 2014 – carrying value of \$43,694 and estimated fair value of \$43,654).

#### Fair value measurement hierarchy transfers

The Corporation's policy is to recognize transfers between fair value measurement hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the nine months ended September 30, 2015. There were also no changes in the purpose of any financial asset or financial liability that subsequently resulted in a different classification of that asset or liability.

#### Redemption Options

The Senior Unsecured Notes contain Redemption Options that allows the Corporation to redeem the notes prior to maturity at a premium. The Redemption Options have been accounted for as an embedded derivative financial instrument under IFRS. On initial recognition on May 29, 2014 and November 21, 2014, the Redemption Options were ascribed a fair value of \$3,220 and \$5,160, respectively, which was recorded within other long-term assets in the consolidated balance sheet. On initial recognition, the carrying value of the Senior Unsecured Notes was increased by the fair value of the Redemption Options, which is amortized to finance costs in the consolidated statements of income over the term of the Senior

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Unsecured Notes. The amortization were \$235 and \$694 for the three and nine months ended September 30, 2015, respectively (three and nine months ended September 30, 2014 – \$96 and \$136).

The Redemption Options are fair valued at the end of the reporting date and any change in the fair value is recognized in the consolidated statements of income in finance costs. The fair value of the Redemption Options was \$9,480 as at September 30, 2015 (December 31, 2014 – \$11,320). The change in fair value of the Redemption Options for the three and nine months ended September 30, 2015 were a gain of \$260 and a loss of \$1,840, respectively (three and nine months ended September 30, 2014 – gain of \$800 and \$720).

## 8. PROPERTY, PLANT AND EQUIPMENT

|   | Land   | Land improvements | Buildings | Assets under capital lease | Plant and equipment | Asset retirement costs | Total   |
|---|--------|-------------------|-----------|----------------------------|---------------------|------------------------|---------|
| <b>Cost</b>                             |        |                   |           |                            |                     |                        |         |
| At January 1, 2015                      | 41,762 | 34,161            | 87,210    | 4,138                      | 402,940             | 48,508                 | 618,719 |
| Additions                               | 1,451  | 100               | 7,839     | -                          | 28,834              | -                      | 38,224  |
| Change in asset retirement obligation   | -      | -                 | -         | -                          | -                   | 1,699                  | 1,699   |
| Additions due to acquisitions (Note 17) | 52,235 | 6,640             | 33,646    | -                          | 38,116              | -                      | 130,637 |
| Disposals                               | (244)  | (215)             | (724)     | -                          | (5,331)             | -                      | (6,514) |
| Exchange differences                    | 761    | 486               | 1,423     | -                          | 6,494               | 1,026                  | 10,190  |
| At September 30, 2015                   | 95,965 | 41,172            | 129,394   | 4,138                      | 471,053             | 51,233                 | 792,955 |
| <b>Depreciation and impairment</b>      |        |                   |           |                            |                     |                        |         |
| At January 1, 2015                      | -      | 7,715             | 33,422    | 2,542                      | 200,758             | 14,777                 | 259,214 |
| Depreciation                            | -      | 1,009             | 4,719     | 166                        | 31,394              | 6,537                  | 43,825  |
| Disposals                               | -      | (119)             | (389)     | -                          | (4,249)             | (797)                  | (5,554) |
| Exchange differences                    | -      | 49                | 306       | -                          | 3,681               | 217                    | 4,253   |
| At September 30, 2015                   | -      | 8,654             | 38,058    | 2,708                      | 231,584             | 20,734                 | 301,738 |
| <b>Carrying amount</b>                  |        |                   |           |                            |                     |                        |         |
| At September 30, 2015                   | 95,965 | 32,518            | 91,336    | 1,430                      | 239,469             | 30,499                 | 491,217 |

  

|                                       | Land    | Land improvements | Buildings | Assets under capital lease | Plant and equipment | Asset retirement costs | Total    |
|---------------------------------------|---------|-------------------|-----------|----------------------------|---------------------|------------------------|----------|
| <b>Cost</b>                           |         |                   |           |                            |                     |                        |          |
| At January 1, 2014                    | 37,103  | 29,148            | 77,129    | 8,229                      | 352,672             | 31,743                 | 536,024  |
| Additions                             | 305     | 3,249             | 4,812     | -                          | 35,942              | -                      | 44,308   |
| Change in asset retirement obligation | -       | -                 | -         | -                          | -                   | 7,728                  | 7,728    |
| Additions due to acquisitions         | 5,993   | 1,891             | 7,255     | -                          | 15,466              | 8,590                  | 39,195   |
| Disposals                             | (1,906) | (269)             | (2,814)   | -                          | (7,512)             | -                      | (12,501) |
| Transfer                              | -       | -                 | 327       | (4,091)                    | 3,761               | -                      | (3)      |
| Exchange differences                  | 267     | 142               | 501       | -                          | 2,611               | 447                    | 3,968    |
| At December 31, 2014                  | 41,762  | 34,161            | 87,210    | 4,138                      | 402,940             | 48,508                 | 618,719  |
| <b>Depreciation and impairment</b>    |         |                   |           |                            |                     |                        |          |
| At January 1, 2014                    | -       | 6,722             | 29,682    | 5,911                      | 168,042             | 6,323                  | 216,680  |
| Depreciation                          | -       | 933               | 5,181     | 516                        | 33,605              | 10,093                 | 50,328   |
| Disposals                             | -       | (174)             | (1,521)   | -                          | (6,094)             | (1,689)                | (9,478)  |
| Transfers                             | -       | -                 | 165       | (3,885)                    | 3,717               | -                      | (3)      |
| Exchange differences                  | -       | 234               | (85)      | -                          | 1,488               | 50                     | 1,687    |
| At December 31, 2014                  | -       | 7,715             | 33,422    | 2,542                      | 200,758             | 14,777                 | 259,214  |
| <b>Carrying amount</b>                |         |                   |           |                            |                     |                        |          |
| At December 31, 2014                  | 41,762  | 26,446            | 53,788    | 1,596                      | 202,182             | 33,731                 | 359,505  |

As at September 30, 2015, Parkland had assets under construction of \$16,388 (December 31, 2014 – \$8,269) consisting primarily of assets related to construction and upgrades of retail stations within the Retail Fuels segment.

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## 9. INTANGIBLE ASSETS

|   | Customer Relationships | Trade names | Non-compete agreements | Lease Benefit | Software systems | Total   |
|---|------------------------|-------------|------------------------|---------------|------------------|---------|
| <b>Cost</b>                             |                        |             |                        |               |                  |         |
| At January 1, 2015                      | 238,228                | 20,540      | 6,575                  | 1,869         | 23,935           | 291,147 |
| Additions                               | 42                     | -           | -                      | -             | 4,039            | 4,081   |
| Additions due to acquisitions (Note 17) | 12,816                 | 10,640      | 12,012                 | 382           | -                | 35,850  |
| Exchange differences                    | 7,239                  | 1,281       | 72                     | 49            | -                | 8,641   |
| At September 30, 2015                   | 258,325                | 32,461      | 18,659                 | 2,300         | 27,974           | 339,719 |
| <b>Accumulated amortization</b>         |                        |             |                        |               |                  |         |
| At January 1, 2015                      | 104,224                | 8,272       | 5,886                  | 991           | 7,941            | 127,314 |
| Amortization                            | 15,004                 | 1,313       | 830                    | 439           | 1,787            | 19,373  |
| Exchange differences                    | 964                    | 171         | 19                     | 5             | -                | 1,159   |
| At September 30, 2015                   | 120,192                | 9,756       | 6,735                  | 1,435         | 9,728            | 147,846 |
| <b>Carrying amount</b>                  |                        |             |                        |               |                  |         |
| At September 30, 2015                   | 138,133                | 22,705      | 11,924                 | 865           | 18,246           | 191,873 |

|                                 | Customer Relationships | Trade names | Non-compete agreements | Lease Benefit | Software systems | Total   |
|---------------------------------|------------------------|-------------|------------------------|---------------|------------------|---------|
| <b>Cost</b>                     |                        |             |                        |               |                  |         |
| At January 1, 2014              | 191,417                | 12,245      | 6,111                  | 1,550         | 18,072           | 229,395 |
| Additions                       | -                      | -           | -                      | -             | 5,863            | 5,863   |
| Additions due to acquisitions   | 43,594                 | 7,725       | 432                    | 297           | -                | 52,048  |
| Exchange differences            | 3,217                  | 570         | 32                     | 22            | -                | 3,841   |
| At December 31, 2014            | 238,228                | 20,540      | 6,575                  | 1,869         | 23,935           | 291,147 |
| <b>Accumulated amortization</b> |                        |             |                        |               |                  |         |
| At January 1, 2014              | 84,438                 | 6,570       | 5,050                  | 452           | 5,874            | 102,384 |
| Amortization                    | 19,559                 | 1,662       | 832                    | 538           | 2,067            | 24,658  |
| Exchange differences            | 227                    | 40          | 4                      | 1             | -                | 272     |
| At December 31, 2014            | 104,224                | 8,272       | 5,886                  | 991           | 7,941            | 127,314 |
| <b>Carrying amount</b>          |                        |             |                        |               |                  |         |
| At December 31, 2014            | 134,004                | 12,268      | 689                    | 878           | 15,994           | 163,833 |

## 10. GOODWILL

|  | January 1, 2015 to<br>September 30, 2015 | January 1, 2014 to<br>December 31, 2014 |
|--|--|---|
| Balance, beginning of period                                     | 179,607                                  | 132,493                                 |
| Acquisition of Pioneer Energy (Note 17)                          | 321,211                                  | -                                       |
| Acquisition of North Dakota services stations (Note 17)          | 7,646                                    | -                                       |
| Acquisition of Chevron-branded service stations (2015) (Note 17) | 8,837                                    | -                                       |
| Acquisition of other businesses (Note 17)                        | 88                                       | -                                       |
| Acquisition of Chevron-branded service stations (2014)           | -  | 9,885                                   |
| Acquisition of SPF Energy Inc.                                   | -  | 34,548                                  |
| Exchange differences   | 6,403                                    | 2,681                                   |
| Balance, end of period   | 523,792                                  | 179,607                                 |

The Corporation did not identify any indicators of impairment during the nine months ended September 30, 2015.

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## 11. FINANCING AND CREDIT FACILITY

### Long-Term Debt

|  | September 30,<br>2015 | December 31,<br>2014 |
|--|-----------------------|----------------------|
| Credit Facility (a)                            | 35,494                | 30,743               |
| Unamortized discount: deferred financing costs | (405)                 | (918)                |
|  | <b>35,089</b>         | 29,825               |
| Senior Unsecured Notes (b)                     |                       |                      |
| 5.5% Notes, due 2021                           | 200,000               | 200,000              |
| Unamortized premium: Redemption Option         | 2,686                 | 2,986                |
| Unamortized discount: deferred financing costs | (4,164)               | (4,603)              |
| 6.0% Notes, due 2022                           | 200,000               | 200,000              |
| Unamortized premium: Redemption Option         | 4,710                 | 5,102                |
| Unamortized discount: deferred financing costs | (4,308)               | (4,629)              |
|  | <b>398,924</b>        | 398,856              |
| Capital lease obligations (c)                  | 1,421                 | 1,580                |
| Collateralized notes (d)                       | 8,271                 | 7,204                |
| Other loans                                    | -                     | 37                   |
|  | <b>9,692</b>          | 8,821                |
| Total long-term debt                           | <b>443,705</b>        | 437,502              |
| Less: current portion                          | <b>(3,785)</b>        | (2,448)              |
| Long-term debt                                 | <b>439,920</b>        | 435,054              |

The following table details the estimated long-term debt repayments for the next five years and thereafter:

|                               | 2015         | 2016         | 2017       | 2018          | 2019       | Thereafter     | Interest included in minimum lease payments | Total          |
|-------------------------------|--------------|--------------|------------|---------------|------------|----------------|---|----------------|
| Credit Facility (a)           | -            | -            | -          | 35,494        | -          | -              | -   | 35,494         |
| Senior Unsecured Notes (b)    | -            | -            | -          | -             | -          | 400,000        | -   | 400,000        |
| Capital lease obligations (c) | 976          | 60           | 163        | 66            | 66         | 384            | (294)                                       | 1,421          |
| Collateralized notes (d)      | 800          | 2,731        | 615        | 1,769         | 382        | 1,974          | -   | 8,271          |
|                               | <b>1,776</b> | <b>2,791</b> | <b>778</b> | <b>37,329</b> | <b>448</b> | <b>402,358</b> | <b>(294)</b>                                | <b>445,186</b> |

### (a) Credit Facility

A revolving extendible credit facility (the "Credit Facility") agreement was last amended on June 30, 2014 to extend the maturity to June 30, 2018. The facility is extendible each year for a rolling four-year period at the option of Parkland. If the Credit Facility is not extended past the maturity date of June 30, 2018, all amounts outstanding are repayable on the maturity date.

The Credit Facility includes the following components:

- i) A revolving operating loan with interest only payable to a maximum of \$320,000 and US\$30,000 (December 31, 2014 – \$320,000 and US\$30,000) less the value of letters of credit issued. At September 30, 2015, the outstanding borrowings totalled \$35,494 (December 31, 2014 – \$30,743). The revolving operating loan bears interest at prime plus 1.00% (December 31, 2014 – prime plus 0.75%), Bankers' Acceptance rate plus 2.00% (December 31, 2014 – Bankers'

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Acceptance rate plus 1.75%) or LIBOR rate plus 2.00%. The interest rate at September 30, 2015 was 3.70% for prime-based loans (December 31, 2014 – 3.75%), and 2.34% for LIBOR loans. As of September 30, 2015, there were no Bankers' Acceptance based loans outstanding.

- ii) A letter of credit facility to a maximum of \$100,000 and US\$10,000 (December 31, 2014 – \$100,000 and US\$10,000). At September 30, 2015, outstanding balances totalled \$15,059 (December 31, 2014 – \$7,145) which mature at various dates up to May 28, 2016.

The revolving operating loan incurs standby fees for any unused portion of the facility at a rate of 0.300% to 0.619% (December 31, 2014 – 0.300% to 0.619%) depending on the ratio of funded debt to earnings (including pre-acquisition earnings) before finance costs, taxes and depreciation and amortization, gain (loss) on disposal of property, plant and equipment, non-cash stock based compensation, non-recurring transactions related to earnings (losses), cash payments related to non-cash charges that were added back previously, unrealized (gain) loss from foreign exchange and unrealized (gain) loss from the change in fair value of commodities swap and forward contracts, future contracts and US dollar forward exchange contracts included in risk management activities ("Credit Facility EBITDA" – as defined under the terms of the credit facility). Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture for \$900,000 creating a first floating charge over all of the undertaking, property and assets of Parkland.

At September 30, 2015, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing four quarter Credit Facility EBITDA basis. The financial covenants under the Credit Facility are as follows:

1. Ratio of Senior Funded Debt to Credit Facility EBITDA shall not exceed 3.00 to 1.00 during the second and third quarters and shall not exceed 3.50 to 1.00 during the first and fourth quarters of Parkland's fiscal year;
2. Ratio of Total Funded Debt to Credit Facility EBITDA shall not exceed 4.00 to 1.00 during the second and third quarters and shall not exceed 4.50 to 1.00 during the first and fourth quarters of Parkland's fiscal year; and
3. Credit Facility Fixed Charge Coverage Ratio at each quarter shall not be less than 1.15 to 1.00.

As at September 30, 2015, the Corporation provided \$739,247 (December 31, 2014 – \$577,891) of unsecured guarantees to counterparties of commodity and US dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

#### **(b) Senior Unsecured Notes**

On May 29, 2014 and November 21, 2014, the Corporation completed private placements of senior unsecured notes due May 28, 2021 and November 21, 2022, respectively, each with an aggregate principal amount of \$200,000 (the "Senior Unsecured Notes"). The Senior Unsecured Notes issued on May 29, 2014 bear interest of 5.5% per annum, payable semi-annually in arrears on May 28, and November 28 of each year until maturity. The Senior Unsecured Notes issued on November 21, 2014 bear interest of 6.0% per annum, payable semi-annually in arrears on May 21 and November 21 of each year until maturity. The Senior Unsecured Notes are guaranteed by Parkland subsidiaries and are unsecured obligations.

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At September 30, 2015, Parkland was in compliance with all of the covenants limiting 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.

Deferred financing costs have been accounted for as a reduction of Senior Unsecured Notes and amortized over the remaining term of the Senior Unsecured Notes using the effective interest rate method.

#### **(c) Capital Lease Obligations**

Capital leases are payable in monthly instalments totalling \$23 (December 31, 2014 – \$23) including interest varying from 3.4% to 10.2% (December 31, 2014 – 3.4% to 10.2%). The leases are for land, buildings and equipment with a net book value of \$1,430 (December 31, 2014 – \$1,596), and mature at various dates ending up to July 2022.

#### **(d) Collateralized Notes**

On January 8, 2014, in connection with the acquisition of SPF Energy Inc., the Corporation assumed various collateralized notes held by SPF Energy Inc. of \$7,901. The collateralized notes are held with various financial institutions, carry fixed interest rates ranging from 0% to 6.24%, are denominated in US dollars and are secured by various real estate and equipment of SPF Energy Inc. Payments are due monthly with maturity dates ranging from 2015 to 2028. At September 30, 2015, the outstanding amounts due on the collateralized notes were \$8,271 (December 31, 2014 – \$7,204).

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## 12. CONVERTIBLE DEBENTURES

The following table provides information on the principal amount and carrying value of the convertible debentures outstanding.

|   | January 1, 2015 to<br>September 30, 2015            |   | January 1, 2014 to<br>December 31, 2014             |   |
|---|---|---|---|---|
|   | Principal<br>amount of<br>convertible<br>debentures | Carrying<br>value of<br>convertible<br>debentures | Principal<br>amount of<br>convertible<br>debentures | Carrying<br>value of<br>convertible<br>debentures |
| Current Portion:                            |   |   |   |   |
| <b>Series 1 Debentures</b>                  |   |   |   |   |
| Balance, beginning of period                | -   | -   | 84,990  | 83,239  |
| Conversion to common shares                 | -   | -   | (84,990)  | (84,412)  |
| Cash payout                                 | -   | -   | -   | (577)   |
| Change due to passage of time               | -   | -   | -   | 1,750   |
| Balance, end of period                      | -   | -   | -   | -   |
| <b>Series 2 Debentures</b>                  |   |   |   |   |
| Balance, beginning of period                | 44,095  | 43,694  | 44,967  | 44,168  |
| Conversion to common shares                 | (3,908)   | (3,908)   | (872)   | (872)   |
| Change due to passage of time               | -   | 277   | -   | 398   |
| Balance, end of period                      | 40,187  | 40,063  | 44,095  | 43,694  |
| Total convertible debentures, end of period | 40,187  | 40,063  | 44,095  | 43,694  |

## 13. FINANCE COSTS

|   | Three months ended<br>September 30, |       | Nine months ended<br>September 30, |        |
|---|-------------------------------------|-------|------------------------------------|--------|
|   | 2015                                | 2014  | 2015                               | 2014   |
| Interest on long-term debt                                      | 6,870                               | 3,621 | 20,128                             | 9,515  |
| Interest and accretion on convertible debentures                | 673                                 | 2,565 | 2,076                              | 7,761  |
| Amortization of deferred financing costs                        | 452                                 | 360   | 1,346                              | 1,320  |
| Accretion on refinery remediation                               | 127                                 | 128   | 376                                | 369    |
| Accretion on asset retirement obligation                        | 939                                 | 517   | 1,904                              | 1,497  |
| Change in fair value of Redemption Options                      | (260)                               | (800) | 1,840                              | (720)  |
| Amortization of debt premium arising from<br>Redemption Options | (235)                               | (96)  | (694)                              | (136)  |
| Gain on interest rate swap                                      | -                                   | -     | -                                  | (348)  |
| Interest income   | (205)                               | -     | (1,144)                            | -      |
| Finance costs   | 8,361                               | 6,295 | 25,832                             | 19,258 |

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## 14. ASSET RETIREMENT OBLIGATIONS

|   | January 1, 2015 to<br>September 30, 2015 | January 1, 2014 to<br>December 31, 2014 |
|---|--|---|
| Asset retirement obligations, beginning of the period             | 60,586                                   | 42,648                                  |
| Additional provisions made in the period                          | 2,823                                    | 8,726                                   |
| Additions due to acquisitions (Note 17)                           | 51,976                                   | 8,590                                   |
| Amounts used during the period                                    | (1,816)                                  | (1,626)                                 |
| Unused amounts reversed during the period                         | (2,010)                                  | (5,460)                                 |
| Change due to passage of time, foreign exchange and discount rate | 4,939                                    | 7,708                                   |
| Asset retirement obligations, end of the period                   | 116,498                                  | 60,586                                  |
| Current   | 18,083                                   | 7,851                                   |
| Non-current   | 98,415                                   | 52,735                                  |
| Asset retirement obligations, end of the period                   | 116,498                                  | 60,586                                  |

Parkland is liable for the environmental obligations related to the removal of its structures and storage tanks at properties that it leases and owns. The asset retirement obligation represents the present value estimate of Parkland's cost to remove these structures and storage tanks. The total undiscounted estimated future cash flows required to settle Parkland's obligation was \$172,024 at September 30, 2015 (December 31, 2014 – \$88,848). The costs are expected to be paid up to 2046. At September 30, 2015, the discount rates used to determine the present value of the future costs was in the range of 3.58% to 4.22% (December 31, 2014 – 3.84% to 4.21%).

## 15. 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. Changes to shareholders' capital were as follows:

|   | January 1, 2015 to<br>September 30, 2015 |            | January 1, 2014 to<br>December 31, 2014 |            |
|---|--|------------|---|------------|
|   | Number of<br>common<br>shares            | Amount     | Number of<br>common<br>shares           | Amount     |
| Shareholders' capital, beginning of period        | 82,114                                   | \$ 584,856 | 71,795                                  | \$ 411,503 |
| Issued on acquisition of Pioneer Energy (Note 17) | 5,830                                    | 150,116    | -                                       | -          |
| Issued on acquisition of SPF Energy Inc.          | -  | -          | 1,163                                   | 21,484     |
| Share issuance costs                              | -  | (170)      | -                                       | -          |
| Issued under dividend reinvestment plan           | 2,153                                    | 50,896     | 2,817                                   | 60,185     |
| Issued on vesting of restricted share units       | 270                                      | 4,896      | 142                                     | 1,235      |
| Issued under share option plan                    | 197                                      | 3,344      | 367                                     | 5,165      |
| Issued upon conversion of convertible debentures  | 218                                      | 3,908      | 5,830                                   | 85,284     |
| Shareholders' capital, end of period              | 90,782                                   | \$ 797,846 | 82,114                                  | \$ 584,856 |



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#### (b) Share options

The following table summarizes the information related to share options held by directors, officers and employees:

|                                    | January 1, 2015 to<br>September 30, 2015 |   | January 1, 2014 to<br>December 31, 2014 |   |
|------------------------------------|--|---|---|---|
|                                    | Number of<br>options                     | Average<br>exercise price<br>per option | Number of<br>options                    | Average<br>exercise price<br>per option |
| Share options, beginning of period | 2,242                                    | \$ 17.88                                | 1,685                                   | \$ 14.97                                |
| Granted                            | 696                                      | 24.88                                   | 1,222                                   | 20.54                                   |
| Exercised                          | (197)                                    | 15.42                                   | (367)                                   | 12.72                                   |
| Forfeited                          | (86)                                     | 19.81                                   | (298)                                   | 18.69                                   |
| Share options, end of period       | 2,655                                    | \$ 19.84                                | 2,242                                   | \$ 17.88                                |
| Exercisable options, end of period | 970                                      | \$ 16.02                                | 655                                     | \$ 14.27                                |

The share option compensation expense that has been included in marketing, general and administrative expenses for the three months and nine months ended September 30, 2015 were \$407 and \$1,115, respectively (three and nine months ended September 30, 2014 – \$311 and \$809).

#### (c) Restricted share units

The following table summarizes the information related to restricted share units (“RSUs”) held by directors, officers and employees:

|   | January 1, 2015 to<br>September 30, 2015 |                                    | January 1, 2014 to<br>December 31, 2014 |                                    |
|---|--|------------------------------------|---|------------------------------------|
|   | Number of<br>RSUs                        | Weighted<br>average share<br>price | Number of<br>RSUs                       | Weighted<br>average share<br>price |
| Restricted share units, beginning of period | 564                                      | \$ 18.12                           | 548                                     | \$ 14.73                           |
| Granted                                     | 670                                      | 22.43                              | 308                                     | 19.27                              |
| Dividend equivalents                        | 9  | 21.85                              | 13                                      | 19.31                              |
| Issued on vesting                           | (413)                                    | 18.66                              | (210)                                   | 12.57                              |
| Forfeited                                   | (50)                                     | 19.53                              | (95)                                    | 14.75                              |
| Restricted share units, end of period       | 780                                      | \$ 21.60                           | 564                                     | \$ 18.12                           |

Expenses related to RSUs included in marketing, general and administrative expenses for the three and nine months ended September 30, 2015 were \$709 and \$3,491, respectively (three and nine months ended September 30, 2014 – \$307 and \$2,168).

#### (d) Deferred share units

The following table summarizes the information related to deferred share units (“DSUs”) held by non-executive members of the Board of Directors:

|   | January 1, 2015 to<br>September 30, 2015 | January 1, 2014 to<br>December 31, 2014 |
|---|--|---|
|   | Number of DSUs                           | Number of DSUs                          |
| Deferred share units, beginning of period | 139                                      | 120                                     |
| Granted                                   | 29                                       | 26                                      |
| Dividend equivalent                       | 5  | 7                                       |
| Redeemed                                  | (17)                                     | (14)                                    |
| Deferred share units, end of the period   | 156                                      | 139                                     |

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

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The Corporation has recorded a liability of \$3,562 as at September 30, 2015 (December 31, 2014 – \$3,027) in the Consolidated Balance Sheets for the DSUs based on the market value of Parkland's common shares as at September 30, 2015. Expenses related to DSUs included in marketing, general and administrative expenses for the three and nine months ended September 30, 2015 were a gain of \$128 and an expense of \$972, respectively (three and nine months ended September 30, 2014 – expense of \$173 and \$985).

## 16. NET CHANGES IN NON-CASH WORKING CAPITAL

|   | Three months ended<br>September 30, |          | Nine months ended<br>September 30, |          |
|---|-------------------------------------|----------|------------------------------------|----------|
|   | 2015                                | 2014     | 2015                               | 2014     |
| Accounts receivable                           | (7,314)                             | 38,265   | 105,396                            | 63,256   |
| Inventories                                   | 2,006                               | 598      | 30,816                             | 6,760    |
| Income taxes receivable                       | 1,080                               | 6,129    | (6,285)                            | (4,444)  |
| Prepaid expenses and other                    | (5,812)                             | (2,365)  | (13,193)                           | (3,094)  |
| Accounts payable and accrued liabilities      | (1,716)                             | (11,045) | (39,165)                           | (38,075) |
| Deferred revenue                              | 8,009                               | (788)    | 2,420                              | (5,493)  |
| Total net changes in non-cash working capital | (3,747)                             | 30,794   | 79,989                             | 18,910   |

## 17. BUSINESS COMBINATIONS

### (a) Acquisition of Pioneer Energy

On June 25, 2015, the Corporation completed the acquisition of substantially all of the assets and select liabilities comprising the Pioneer Energy business ("Pioneer Energy"), domiciled in Ontario, Canada (the "Pioneer Acquisition"). At the date of acquisition, Pioneer Energy's network consisted of 397 retailer and dealer operated service stations in Ontario and Manitoba, which included 152 Pioneer-branded and 230 Esso-branded service stations. The Pioneer Acquisition is expected to expand the Corporation's retailer and dealer operated service station network and provide access to key markets, material supply synergies and an expandable platform for growth in Ontario and Manitoba.

The revised preliminary fair values of the identifiable assets and liabilities of Pioneer Energy and the purchase consideration are presented below. As at September 30, 2015, the Corporation has not yet finalized the purchase price allocation. In the third quarter of 2015, the Corporation revised the preliminary working capital adjustment and updated the purchase price equation. The result was an increase of \$1,454 to purchase consideration transferred and an increase of \$1,454 to goodwill. The Corporation has up to one year from the date of acquisition to finalize the fair value of the assets acquired and liabilities assumed, and any further changes to the amounts presented below will be reflected within one year from the acquisition date.

## Parkland Fuel Corporation

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In 000's of Canadian Dollars, shares and options, except per share amounts

|   | Pioneer Energy   |
|---|------------------|
| <b>Assets</b>   |                  |
| Accounts receivable                                       | 15,239           |
| Prepaid expenses and other                                | 33,325           |
| Inventory   | 19,137           |
| Property, plant and equipment (Note 8)                    | 109,696          |
| Intangible assets (Note 9)                                | 35,851           |
| Deferred tax asset  | 15,353           |
|   | <b>228,601</b>   |
| <b>Liabilities</b>  |                  |
| Accounts payable and accrued liabilities                  | (104,002)        |
| Asset retirement obligations (Note 14)                    | (48,209)         |
|   | <b>(152,211)</b> |
| Goodwill arising on acquisition (Note 10)                 | 321,211          |
| Purchase consideration transferred                        | 397,601          |
| Fair value analysis of purchase consideration transferred |                  |
| Cash paid on date of acquisition                          | 254,090          |
| Working capital adjustment                                | (6,605)          |
| Common shares issued on date of acquisition               | 150,116          |
| Purchase consideration transferred                        | 397,601          |

The transaction has been accounted for using the acquisition method. The allocation of the purchase price was based on a provisional assessment of the fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. The Corporation engaged independent valuers to determine the fair value allocated to the property, plant and equipment and intangible assets. However, given the timing of the acquisition, the independent valuers have not completed the valuations of certain assets, and therefore the allocation of the purchase price is based on the Corporation's best estimate and is currently considered preliminary. As a result, these amounts are subject to change.

The fair value of accounts receivable amounts to \$15,239. The gross amount of trade receivables is \$15,573. None of the accounts receivable amounts have been impaired and it is expected that the fair value amounts can be collected. Accounts payable and accrued liabilities acquired have a fair value that equal their gross contractual value and expected cash outflow at the acquisition date.

Goodwill arising on acquisition is attributable to the anticipated future revenue from the service stations, expected cash flow benefits attributable to the geographical location and characteristics of the service stations, as well as expected synergies and other benefits from the acquisition. Goodwill has been allocated entirely to the Retail Fuels segment. A deferred tax asset of \$15,353 was recognized for differences between tax and accounting values of the property, plant and equipment acquired. Goodwill calculated for tax purposes is expected to be tax deductible at an inclusion rate of 75%.

The Corporation issued 5,830 shares on the date of acquisition as consideration for Pioneer Energy. The fair value of the shares is calculated with reference to the quoted price of the shares of the Corporation as at the date of acquisition, which was \$25.75 per share. The fair value of the share consideration given was therefore \$150,116. The costs of the issuance of shares of \$170 have been charged directly to equity as a reduction in share capital.

## **Parkland Fuel Corporation**

### **Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015**

In 000's of Canadian Dollars, shares and options, except per share amounts

The Corporation paid cash of \$254,090 on the date of acquisition as consideration for Pioneer Energy, net of initial purchase adjustments. The working capital adjustment was subject to change to the extent that the final determination of net working capital as at the date of acquisition exceeds or is below a pre-determined target level. In September 2015, the Corporation received \$6,605 as part of customary post-closing activities and revised the working capital adjustment from \$8,059 to \$6,605, which resulted in an increase of \$1,454 to purchase consideration transferred and an increase of \$1,454 to goodwill. These adjustments have been applied retrospectively to the acquisition date of June 25, 2015, resulting in a revised purchase consideration transferred amount of \$397,601 and a revised goodwill amount of \$321,211. The purchase consideration may be subject to further change upon completion of further customary post-closing activities.

Revenue and net income of Pioneer Energy included in the consolidated statement of comprehensive income since the acquisition date were \$482,587 and \$11,845, respectively.

#### *Hold Separate Assets*

On May 29, 2015, the Competition Tribunal of Canada (the "Tribunal") issued an interim order (the "Interim Order") in respect of the application by the Commissioner of Competition (the "Commissioner") that permitted Parkland to close the Pioneer Acquisition. Notwithstanding that closing of the Pioneer Acquisition has occurred, the Interim Order requires that: (i) the Pioneer Energy supply agreements with independent dealers and Pioneer Energy-owned corporate sites in six local communities are to be held separate from Parkland's other assets and operations and be managed by an independent third party manager (the "Hold Separate Assets"), and (ii) Parkland maintain the economic viability, marketability and competitiveness of the Parkland supply agreements with independent dealers and Parkland owned corporate sites in six local communities. The Interim Order will continue in effect until the Commissioner's application challenging Parkland's acquisition of Pioneer Energy's assets in 14 communities is resolved or until there is an agreement with the Commissioner in respect of these six communities subject to the Interim Order. Parkland is consulting with its advisors to assess its approach to resolving the Commissioner's concerns in each of the 14 communities (including the six communities subject to the Interim Order). Parkland will continue to vigorously contest the Commissioner's application before the Tribunal in the communities where there is no resolution of the dispute. As Parkland does not control the Hold Separate Assets, the equity interest in these assets has been recorded within prepaid expenses and other on the unaudited pro forma consolidated balance sheet.

#### *Pioneer Commercial Business*

In connection with the Pioneer Acquisition, the Corporation entered into an agreement (the "Commercial Assets Agreement") with the Vendors providing that Parkland will not, directly or indirectly, in any capacity, own, operate, control or otherwise be involved with the commercial assets of Pioneer or the operations thereof in Ontario, New Brunswick, and Nova Scotia (collectively, the "Pioneer Commercial Assets"). The Pioneer Commercial Assets will continue to be owned, operated and controlled solely by the Vendors and their employees and the Vendors have commenced a strategic review and evaluation of opportunities for the Vendors to sell the Pioneer Commercial Assets to a third party in one or more transactions. The Vendors have retained a third party to administer and conduct any sale process involving the Pioneer Commercial Assets. Under the Commercial Assets Agreement, Parkland has an indirect economic interest in the Pioneer Commercial Assets and the proceeds of any disposition thereof. As Parkland does not control these assets, the economic interest in the Pioneer Commercial Assets has

## Parkland Fuel Corporation

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been recorded within prepaid expenses and other on the unaudited pro forma consolidated balance sheet.

#### **(b) Acquisition of North Dakota service stations**

In April 2015, the Corporation completed the acquisition of five service stations located in North Dakota. This acquisition, which increases the size of the Corporation's existing network of service stations in North Dakota acquired in 2014, is expected to support Parkland's growing retail presence in the Bismarck and Dickinson areas. The preliminary fair value of the identifiable assets and liabilities of the acquired five North Dakota service stations are presented below. The corporation expects to finalize these amounts no later than one year from the acquisition date.

|  | <b>North Dakota<br/>service stations</b> |
|--|--|
| Assets   |  |
| Inventory  | 884                                      |
| Property, plant and equipment (Note 8)                       | 9,587                                    |
| Deferred tax asset   | 335                                      |
|  | <b>10,806</b>                            |
| Liabilities  |  |
| Asset retirement obligations (Note 14)                       | (819)                                    |
|  | <b>(819)</b>                             |
| Goodwill arising on acquisition (Note 10)                    | 7,646                                    |
| Purchase consideration transferred                           | <b>17,633</b>                            |
| Fair value analysis of purchase consideration transferred    |  |
| Cash paid on date of acquisition, net of cash assumed of \$6 | 17,633                                   |
| Purchase consideration transferred                           | <b>17,633</b>                            |

The transaction has been accounted for using the acquisition method. The allocation of the purchase price was based on the preliminary fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. Given the recent timing of the transaction, Parkland is still assessing the fair value of the net assets acquired. As a result, these amounts are subject to change.

Goodwill arising on acquisition is attributable to the anticipated future revenue from the service stations, expected cash flow benefits attributable to the geographical location and characteristics of the service stations, as well as expected synergies and other benefits from the acquisition. Goodwill has been allocated entirely to the SPF Energy segment. A deferred tax asset of \$335 was recognized for differences between tax and accounting values of the property, plant and equipment acquired. Goodwill calculated for tax purposes is expected to be tax deductible over 15 years.

Revenue and net income of the North Dakota service stations included in the consolidated statement of comprehensive income since the acquisition date were \$15,081 and \$839 respectively.

#### **(c) Acquisition of Chevron-branded service stations (2015)**

On April 7, 2015, the Corporation completed the acquisition of eleven Chevron-branded service stations located in British Columbia. This acquisition, which increases the size of the Corporation's existing

## Parkland Fuel Corporation

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network of corporately owned Chevron-branded service stations acquired in 2014, is expected to support Parkland's growing retail presence in British Columbia. The preliminary fair value of the identifiable assets and liabilities of the acquired eleven Chevron-branded service stations are presented below. The corporation expects to finalize these amounts no later than one year from the acquisition date.

|  | <b>Chevron-branded<br/>service stations</b> |
|--|---|
| <b>Assets</b>  |   |
| Inventory  | 1,121                                       |
| Property, plant and equipment (Note 8)                           | 10,356                                      |
| Deferred tax asset   | 767   |
|  | <b>12,244</b>                               |
| <b>Liabilities</b>   |   |
| Asset retirement obligations (Note 14)                           | (2,829)                                     |
|  | <b>(2,829)</b>                              |
| <b>Goodwill arising on acquisition (Note 10)</b>                 | <b>8,837</b>                                |
| <b>Purchase consideration transferred</b>                        | <b>18,252</b>                               |
| <b>Fair value analysis of purchase consideration transferred</b> |   |
| Cash paid on date of acquisition                                 | 18,252                                      |
| Purchase consideration transferred                               | 18,252                                      |

The transaction has been accounted for using the acquisition method. The allocation of the purchase price was based on the preliminary fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. Given the recent timing of the transaction, Parkland is still assessing the fair value of the net assets acquired. As a result, these amounts are subject to change.

Goodwill arising on acquisition is attributable to the anticipated future revenue from the service stations, expected cash flow benefits attributable to the geographical location and characteristics of the service stations, as well as expected synergies and other benefits from the acquisition. Goodwill has been allocated entirely to the Retail Fuels segment. A deferred tax asset of \$767 was recognized for differences between tax and accounting values of the property, plant and equipment acquired. Goodwill calculated for tax purposes is expected to be tax deductible at an inclusion rate of 75%.

Revenue and net income of the Chevron-branded service stations included in the consolidated statement of comprehensive income since the acquisition date were \$19,422 and \$1,359 respectively.

#### **(d) Acquisition of other businesses**

In July 2015, the Corporation completed the acquisition of an individually immaterial business complementary to the Corporation's existing lines of business. This acquisition is expected to support Parkland's growing Retail Fuels segment. The preliminary fair value of the identifiable assets and liabilities of the individually immaterial acquisition is presented below. The corporation expects to finalize these amounts no later than one year from the acquisition date.

## Parkland Fuel Corporation

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|   | <b>Other businesses</b> |
|---|-------------------------|
| <b>Assets</b>   |                         |
| Inventory   | <b>18</b>               |
| Property, plant and equipment (Note 8)                    | <b>998</b>              |
| Deferred tax asset  | <b>33</b>               |
|   | <b>1,049</b>            |
| <b>Liabilities</b>  |                         |
| Asset retirement obligations (Note 14)                    | <b>(120)</b>            |
|   | <b>(120)</b>            |
| Goodwill arising on acquisition (Note 10)                 | <b>88</b>               |
| Purchase consideration transferred                        | <b>1,017</b>            |
| Fair value analysis of purchase consideration transferred |                         |
| Cash paid on date of acquisition                          | <b>1,017</b>            |
| Purchase consideration transferred                        | <b>1,017</b>            |

The transaction has been accounted for using the acquisition method. The allocation of the purchase price was based on the preliminary fair value of identifiable assets, including assets acquired and liabilities assumed at the effective date of the acquisition, with the excess of the purchase price over the fair value being allocated to goodwill. Given the recent timing of the transaction, Parkland is still assessing the fair value of the net assets acquired. As a result, these amounts are subject to change.

Goodwill arising on acquisition is attributable to the earnings capacity of the acquired business in excess of the net tangible assets and net intangible assets acquired, the geographic presence of the acquired business, the benefits of acquiring the established business with certain capabilities in the industry, as well as expected synergies and other benefits from the acquisition. A portion of the amounts assigned to goodwill may be deductible for income tax purposes.

Revenue and net income of the identifiable assets and liabilities of the individually immaterial acquisition included in the consolidated statement of comprehensive income since the acquisition date were \$375 and \$1, respectively.

#### **Other information**

The estimated revenue and net income of the Corporation for the nine months ended September 30, 2015 would have been approximately \$5,574,446 and \$40,345, respectively, if the acquisition date for all business combinations occurred on January 1, 2015. Although these amounts represent the Corporation's best estimate, there can be no assurance that this would have been the actual results had the business combinations occurred on January 1, 2015. Acquisition costs are recognized as an expense in marketing, general and administrative expenses within acquisition, integration and other costs.

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

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## 18. INCOME TAXES

|   | Three months ended<br>September 30, |       | Nine months ended<br>September 30, |         |
|---|-------------------------------------|-------|------------------------------------|---------|
|   | 2015                                | 2014  | 2015                               | 2014    |
| Current tax:                                      |                                     |       |                                    |         |
| Current tax (recovery) on earnings for the period | 7,703                               | 5,284 | 17,343                             | 20,759  |
| Adjustments in respect of prior years             | (248)                               | -     | 2,281                              | -       |
| Current income tax expense                        | 7,455                               | 5,284 | 19,624                             | 20,759  |
| Deferred tax:                                     |                                     |       |                                    |         |
| Origination and reversal of temporary differences | (2,420)                             | (390) | (5,619)                            | (4,729) |
| Adjustments in respect of prior years             | 53                                  | -     | 91                                 | 548     |
| Deferred income tax recovery                      | (2,367)                             | (390) | (5,528)                            | (4,181) |
| Income tax expense                                | 5,088                               | 4,894 | 14,096                             | 16,578  |

Income tax expense reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of the difference between income tax expense and earnings before income taxes multiplied by Parkland's Canadian statutory tax rate was as follows:

|   | Three months ended<br>September 30, |        | Nine months ended<br>September 30, |        |
|---|-------------------------------------|--------|------------------------------------|--------|
|   | 2015                                | 2014   | 2015                               | 2014   |
| Canada  | 19,109                              | 13,508 | 38,027                             | 55,347 |
| United States   | 546                                 | 1,806  | (110)                              | 884    |
| Earnings (loss) before income taxes                                       | 19,655                              | 15,314 | 37,917                             | 56,231 |
| Canadian statutory tax rate   | 26.3%                               | 25.6%  | 26.3%                              | 25.6%  |
| Tax calculated at statutory Canadian tax rate                             | 5,166                               | 3,925  | 9,965                              | 14,412 |
| Tax effects of:   |                                     |        |                                    |        |
| Non-taxable portion of loss (gain) on sale of property, plant & equipment | (4)                                 | -      | (8)                                | (8)    |
| Non-deductible expenses   | 387                                 | 239    | 1,693                              | 1,303  |
| Non-taxable change in Redemption Option                                   | (132)                               | 224    | 304                                | 224    |
| Effect of foreign tax rate differential                                   | 104                                 | 298    | 9                                  | 157    |
| Adjustments in respect of prior years                                     | (195)                               | -      | 2,372                              | 548    |
| Rate differential and other items   | (238)                               | 208    | (239)                              | (58)   |
| Income tax expense  | 5,088                               | 4,894  | 14,096                             | 16,578 |

The Alberta statutory corporate income tax rate increased from 10% to 12%, effective July 1, 2015. Changes during the period are pro-rated resulting in a 1% increase to the Alberta statutory tax rate for the 2015 year.

## 19. SEGMENT INFORMATION

The Corporation has the following operating segments: i) Retails Fuels, ii) Commercial Fuels, iii) SPF Energy, and iv) Wholesale, Supply and Distribution. These reportable operating segments are differentiated by the nature of their products, services and national geographic boundaries. The Corporation also reports activities not directly attributable to an operating segment under Corporate. These segments are defined as follows:



## **Parkland Fuel Corporation**

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#### **Retail Fuels**

Retail Fuels operates and services a network of retail service stations that serve motorists in Canada. Parkland is a retail branded distributor for Esso in British Columbia, Alberta, Saskatchewan, Ontario and the Northwest Territories, and a retail branded distributor for Chevron in British Columbia. Parkland also maintains three proprietary brands: Pioneer, Fas Gas Plus and Race Trac.

#### **Commercial Fuels**

Commercial Fuels 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 Fuels' brands include Bluewave Energy, Columbia Fuels, Sparlings Propane Co. Ltd. and Island Petroleum.

#### **SPF Energy**

SPF Energy operates and services a network of retail service stations in the United States. In addition, SPF Energy delivers gasoline, distillates, propane and lubricating oils across the Northwestern United States.

#### **Wholesale, Supply and Distribution**

Wholesale, Supply and Distribution is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, distribution through third party rail and highway carriers as well as serving wholesale and reseller customers. This segment includes profits from Parkland's February 2013 acquisition of Elbow River Marketing, profits derived through supply management and profits from wholesale fuel sales.

#### **General information**

Intersegment sales are accounted for at market values and included, for segment reporting, in revenues of the segment making the transfer and expenses of the segment receiving the transfer. Intersegment transactions are eliminated upon consolidation.

Depreciation and amortization, finance costs, loss (gain) on disposal of property, plant and equipment, acquisition related costs, unrealized (gains) loss from the change in fair value commodities swap and forward contracts, future contracts and US dollar forward exchange contracts included in risk management activities, unrealized (gain) loss on foreign exchange 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.

Acquisition, integration and other costs for the three months ended September 30, 2015 were comprised of acquisition costs of \$4,364 and integration costs of \$1,109 (three months ended September 30, 2014 – acquisition costs of \$3,261). Acquisition, integration and other costs for the nine months ended September 30, 2015 were comprised of acquisition costs of \$11,976, a refinery billing adjustment of \$3,184, integration costs of \$4,177 and other one-time costs (nine months ended September 30, 2014 – acquisition costs of \$7,897).

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

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

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During the fourth quarter of 2014, the Corporation revised its segment information reporting structure. SPF Energy was presented as its own segment in the Annual Consolidated Financial Statements. To conform to the presentation used in the Annual Consolidated Financial Statements:

- a) Certain comparative intersegment revenues and intersegment cost of sales amounts have been reclassified.
- b) Certain comparative non-fuel revenues have been presented on a net basis based on the related contracts.

Furthermore, during the first quarter of 2015, the Corporation completed a review of the sales activities within the Commercial Fuels segment and determined that certain revenue and cost of sales activities would be more appropriately presented on a net basis. As a result, these intersegment revenues and intersegment cost of sales for the comparative period have been presented on a net basis to conform to the presentation used in the current period.

Comparative period information has been reclassified to reflect these changes in presentation, and there was no impact on adjusted gross margin, adjusted EBITDA, or net earnings. The impact of these changes is summarized as follows:

|   | Three months<br>ended<br>September 30, 2014 | Nine months<br>ended<br>September 30, 2014 |
|---|---|--|
| <b>Impact on sales and operating revenue</b>                              |   |  |
| Fuel and petroleum product revenue  | (21,100)                                    | (60,193)                                   |
| Non-fuel revenue  | (15,715)                                    | (45,148)                                   |
| Total sales and operating revenue - external and intersegmental           | (36,815)                                    | (105,341)                                  |
| Less: Intersegment revenues   | 29,659                                      | 85,237                                     |
| Sales and operating revenue   | (7,156)                                     | (20,104)                                   |
|   | -   | -  |
| <b>Cost of sales, excluding depreciation</b>                              |   |  |
| Fuel and petroleum product cost of sales                                  | (23,800)                                    | (67,781)                                   |
| Non-fuel costs of sales   | (12,491)                                    | (37,036)                                   |
| Total cost of sales, excluding depreciation - external and intersegmental | (36,291)                                    | (104,817)                                  |
| Less: Intersegment cost of sales  | 29,135                                      | 84,713                                     |
| Cost of sales, excluding depreciation                                     | (7,156)                                     | (20,104)                                   |
|   | -   | -  |
| <b>Impact on adjusted gross margin, adjusted EBITDA and net earnings</b>  |   |  |
|   | -   | -  |

# Parkland Fuel Corporation

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

For the three and nine months ended September 30, 2015

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| Segment information<br>For the three months ended September 30,  | Retail Fuels   |         | Commercial Fuels |         | SPF Energy     |         | Wholesale, Supply<br>and Distribution |             | Corporate      |         | Consolidated     |             |
|--|----------------|---------|------------------|---------|----------------|---------|---------------------------------------|-------------|----------------|---------|------------------|-------------|
|  | 2015           | 2014    | 2015             | 2014    | 2015           | 2014    | 2015                                  | 2014        | 2015           | 2014    | 2015             | 2014        |
| <b>Fuel and petroleum products volume (000's of litres)</b>  | <b>996,746</b> | 477,379 | <b>312,176</b>   | 328,686 | <b>288,982</b> | 307,561 | <b>1,132,663</b>                      | 1,219,021   | -              | -       | <b>2,730,567</b> | 2,332,647   |
| <b>Sales and operating revenue</b>   |                |         |                  |         |                |         |                                       |             |                |         |                  |             |
| Fuel and petroleum product revenue   | <b>786,212</b> | 469,558 | <b>216,347</b>   | 304,239 | <b>181,167</b> | 262,478 | <b>1,365,938</b>                      | 1,819,523   | -              | -       | <b>2,549,664</b> | 2,855,798   |
| Non-fuel revenue   | <b>47,470</b>  | 5,061   | <b>52,176</b>    | 56,276  | <b>29,059</b>  | 22,835  | <b>19,917</b>                         | 16,940      | <b>140</b>     | (239)   | <b>148,762</b>   | 100,873     |
| Total sales and operating revenue - external and intersegmental  | <b>833,682</b> | 474,619 | <b>268,523</b>   | 360,515 | <b>210,226</b> | 285,313 | <b>1,385,855</b>                      | 1,836,463   | <b>140</b>     | (239)   | <b>2,698,426</b> | 2,956,671   |
| Less: Intersegmental revenues  | -              | -       | -                | -       | -              | -       | <b>(836,192)</b>                      | (1,058,320) | -              | 339     | <b>(836,192)</b> | (1,057,981) |
| Sales and operating revenue  | <b>833,682</b> | 474,619 | <b>268,523</b>   | 360,515 | <b>210,226</b> | 285,313 | <b>549,663</b>                        | 778,143     | <b>140</b>     | 100     | <b>1,862,234</b> | 1,898,690   |
| <b>Cost of sales, excluding depreciation</b>   |                |         |                  |         |                |         |                                       |             |                |         |                  |             |
| Fuel and petroleum product cost of sales   | <b>730,103</b> | 444,333 | <b>188,582</b>   | 276,062 | <b>171,527</b> | 252,856 | <b>1,330,347</b>                      | 1,796,543   | -              | -       | <b>2,420,559</b> | 2,769,794   |
| Non-fuel costs of sales  | <b>34,562</b>  | -       | <b>40,227</b>    | 41,708  | <b>20,790</b>  | 15,467  | <b>14,791</b>                         | 12,798      | <b>(3)</b>     | 215     | <b>110,367</b>   | 70,188      |
| Total cost of sales, excluding depreciation - external and intersegmental  | <b>764,665</b> | 444,333 | <b>228,809</b>   | 317,770 | <b>192,317</b> | 268,323 | <b>1,345,138</b>                      | 1,809,341   | <b>(3)</b>     | 215     | <b>2,530,926</b> | 2,839,982   |
| Less: Intersegment cost of sales   | -              | -       | -                | -       | -              | -       | <b>(836,192)</b>                      | (1,058,320) | -              | 24      | <b>(836,192)</b> | (1,058,296) |
| Cost of sales, excluding depreciation  | <b>764,665</b> | 444,333 | <b>228,809</b>   | 317,770 | <b>192,317</b> | 268,323 | <b>508,946</b>                        | 751,021     | <b>(3)</b>     | 239     | <b>1,694,734</b> | 1,781,686   |
| <b>Adjusted gross profit</b>   |                |         |                  |         |                |         |                                       |             |                |         |                  |             |
| Fuel and petroleum product adjusted gross profit (before risk management)  | <b>56,109</b>  | 25,225  | <b>27,765</b>    | 28,177  | <b>9,640</b>   | 9,622   | <b>35,591</b>                         | 22,980      | -              | -       | <b>129,105</b>   | 86,004      |
| Realized (loss) gain on risk management activities   | -              | -       | -                | -       | -              | -       | <b>(283)</b>                          | 222         | -              | -       | <b>(283)</b>     | 222         |
| Realized (loss) gain on foreign exchange   | -              | -       | -                | -       | -              | -       | <b>(141)</b>                          | 587         | <b>(118)</b>   | 6       | <b>(259)</b>     | 593         |
| Fuel and petroleum product adjusted gross profit (loss)  | <b>56,109</b>  | 25,225  | <b>27,765</b>    | 28,177  | <b>9,640</b>   | 9,622   | <b>35,167</b>                         | 23,789      | <b>(118)</b>   | 6       | <b>128,563</b>   | 86,819      |
| Non-fuel adjusted gross profit   | <b>12,908</b>  | 5,061   | <b>11,949</b>    | 14,568  | <b>8,269</b>   | 7,368   | <b>5,126</b>                          | 4,142       | <b>143</b>     | (139)   | <b>38,395</b>    | 31,000      |
| Total adjusted gross profit (loss)   | <b>69,017</b>  | 30,286  | <b>39,714</b>    | 42,745  | <b>17,909</b>  | 16,990  | <b>40,293</b>                         | 27,931      | <b>25</b>      | (133)   | <b>166,958</b>   | 117,819     |
| Customer finance (income) loss   | <b>(57)</b>    | -       | <b>(341)</b>     | (387)   | <b>(52)</b>    | (62)    | <b>(33)</b>                           | 19          | <b>(1)</b>     | (69)    | <b>(484)</b>     | (499)       |
| Operating costs  | <b>23,820</b>  | 6,709   | <b>28,401</b>    | 29,854  | <b>9,933</b>   | 9,160   | <b>11,817</b>                         | 11,603      | -              | (3)     | <b>73,971</b>    | 57,323      |
| Marketing, general and administration  | <b>6,236</b>   | 3,195   | <b>5,742</b>     | 5,694   | <b>1,710</b>   | 1,842   | <b>10,718</b>                         | 5,936       | <b>15,466</b>  | 12,356  | <b>39,872</b>    | 29,023      |
| (Gain) loss on risk management activities  | -              | -       | -                | (10)    | -              | -       | -                                     | -           | -              | 7       | -                | (3)         |
| Less: Acquisition, integration and other costs   | -              | -       | -                | -       | -              | -       | -                                     | -           | <b>(5,473)</b> | (3,261) | <b>(5,473)</b>   | (3,261)     |
| <b>Adjusted EBITDA</b>   | <b>39,018</b>  | 20,382  | <b>5,912</b>     | 7,594   | <b>6,318</b>   | 6,050   | <b>17,791</b>                         | 10,373      | <b>(9,967)</b> | (9,163) | <b>59,072</b>    | 35,236      |
| Depreciation and amortization  |                |         |                  |         |                |         |                                       |             | <b>26,630</b>  | 18,612  | <b>26,630</b>    | 18,612      |
| Finance costs  |                |         |                  |         |                |         |                                       |             | <b>8,361</b>   | 6,295   | <b>8,361</b>     | 6,295       |
| Loss (gain) on disposal of property, plant and equipment   |                |         |                  |         |                |         |                                       |             | <b>57</b>      | (89)    | <b>57</b>        | (89)        |
| Acquisition, integration and other costs   |                |         |                  |         |                |         |                                       |             | <b>5,473</b>   | 3,261   | <b>5,473</b>     | 3,261       |
| Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and future contracts |                |         |                  |         |                |         |                                       |             | <b>57</b>      | (7,054) | <b>57</b>        | (7,054)     |
| Unrealized gain on foreign exchange  |                |         |                  |         |                |         |                                       |             | <b>(1,161)</b> | (1,103) | <b>(1,161)</b>   | (1,103)     |
| Income tax expense   |                |         |                  |         |                |         |                                       |             | <b>5,088</b>   | 4,894   | <b>5,088</b>     | 4,894       |
| <b>Net earnings</b>  |                |         |                  |         |                |         |                                       |             |                |         | <b>14,567</b>    | 10,420      |
| <b>Additions to property, plant and equipment</b>  | <b>11,151</b>  | 5,681   | <b>4,471</b>     | 5,709   | <b>2,665</b>   | 1,899   | <b>1,272</b>                          | 541         | <b>1,076</b>   | 461     | <b>20,635</b>    | 14,291      |

# Parkland Fuel Corporation

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

### For the three and nine months ended September 30, 2015

In 000's of Canadian Dollars, shares and options, except per share amounts

| Segment information<br>For the nine months ended September 30,   | Retail Fuels     |           | Commercial Fuels |           | SPF Energy     |         | Wholesale, Supply<br>and Distribution |             | Corporate       |          | Consolidated     |             |
|--|------------------|-----------|------------------|-----------|----------------|---------|---------------------------------------|-------------|-----------------|----------|------------------|-------------|
|  | 2015             | 2014      | 2015             | 2014      | 2015           | 2014    | 2015                                  | 2014        | 2015            | 2014     | 2015             | 2014        |
| <b>Fuel and petroleum products volume (000's of litres)</b>  | <b>1,840,260</b> | 1,307,003 | <b>1,063,218</b> | 1,164,976 | <b>819,687</b> | 875,578 | <b>3,276,335</b>                      | 3,179,778   | -               | -        | <b>6,999,500</b> | 6,527,335   |
| <b>Sales and operating revenue</b>   |                  |           |                  |           |                |         |                                       |             |                 |          |                  |             |
| Fuel and petroleum product revenue   | 1,418,243        | 1,300,631 | 759,048          | 1,138,319 | 503,707        | 772,837 | 3,933,022                             | 5,422,677   | -               | -        | 6,614,020        | 8,634,464   |
| Non-fuel revenue   | 60,376           | 14,393    | 170,453          | 182,557   | 81,249         | 64,707  | 47,427                                | 48,068      | 348             | 281      | 359,853          | 310,006     |
| Total sales and operating revenue - external and intersegmental  | 1,478,619        | 1,315,024 | 929,501          | 1,320,876 | 584,956        | 837,544 | 3,980,449                             | 5,470,745   | 348             | 281      | 6,973,873        | 8,944,470   |
| Less: Intersegmental revenues  | -                | -         | -                | -         | -              | -       | (2,330,103)                           | (3,155,311) | -               | -        | (2,330,103)      | (3,155,311) |
| Sales and operating revenue  | 1,478,619        | 1,315,024 | 929,501          | 1,320,876 | 584,956        | 837,544 | 1,650,346                             | 2,315,434   | 348             | 281      | 4,643,770        | 5,789,159   |
| <b>Cost of sales, excluding depreciation</b>   |                  |           |                  |           |                |         |                                       |             |                 |          |                  |             |
| Fuel and petroleum product cost of sales   | 1,320,036        | 1,236,778 | 638,578          | 1,020,951 | 476,186        | 746,138 | 3,829,426                             | 5,318,533   | -               | -        | 6,264,226        | 8,322,400   |
| Non-fuel costs of sales  | 36,807           | -         | 132,887          | 136,365   | 58,634         | 44,069  | 35,826                                | 36,230      | (127)           | 119      | 264,027          | 216,783     |
| Total cost of sales, excluding depreciation - external and intersegmental  | 1,356,843        | 1,236,778 | 771,465          | 1,157,316 | 534,820        | 790,207 | 3,865,252                             | 5,354,763   | (127)           | 119      | 6,528,253        | 8,539,183   |
| Less: Intersegmental cost of sales   | -                | -         | -                | -         | -              | -       | (2,330,103)                           | (3,155,311) | -               | 24       | (2,330,103)      | (3,155,287) |
| Cost of sales, excluding depreciation  | 1,356,843        | 1,236,778 | 771,465          | 1,157,316 | 534,820        | 790,207 | 1,535,149                             | 2,199,452   | (127)           | 143      | 4,198,150        | 5,383,896   |
| <b>Adjusted gross profit</b>   |                  |           |                  |           |                |         |                                       |             |                 |          |                  |             |
| Fuel and petroleum product adjusted gross profit (before risk management)  | 98,207           | 63,853    | 120,470          | 117,368   | 27,521         | 26,699  | 103,596                               | 104,144     | -               | -        | 349,794          | 312,064     |
| Realized loss on risk management activities  | -                | -         | (5)              | -         | -              | -       | (3,023)                               | (6,926)     | -               | -        | (3,028)          | (6,926)     |
| Realized gain (loss) on foreign exchange   | -                | -         | -                | -         | -              | -       | 3,051                                 | 913         | (480)           | 6        | 2,571            | 919         |
| Fuel and petroleum product adjusted gross profit (loss)  | 98,207           | 63,853    | 120,465          | 117,368   | 27,521         | 26,699  | 103,624                               | 98,131      | (480)           | 6        | 349,337          | 306,057     |
| Non-fuel adjusted gross profit   | 23,569           | 14,393    | 37,566           | 46,192    | 22,615         | 20,638  | 11,601                                | 11,838      | 475             | 138      | 95,826           | 93,199      |
| Total adjusted gross profit (loss)   | 121,776          | 78,246    | 158,031          | 163,560   | 50,136         | 47,337  | 115,225                               | 109,969     | (5)             | 144      | 445,163          | 399,256     |
| Customer finance (income) loss   | (56)             | -         | (1,012)          | (1,611)   | (150)          | (203)   | (118)                                 | (72)        | (314)           | (109)    | (1,650)          | (1,995)     |
| Operating costs  | 37,893           | 19,443    | 95,590           | 101,091   | 28,835         | 26,783  | 38,524                                | 35,379      | -               | -        | 200,842          | 182,696     |
| Marketing, general and administration  | 13,102           | 9,667     | 17,454           | 18,915    | 5,500          | 5,085   | 27,384                                | 23,912      | 53,366          | 36,741   | 116,806          | 94,320      |
| Gain on risk management activities   | -                | -         | (4)              | (10)      | -              | -       | -                                     | -           | -               | -        | (4)              | (10)        |
| Less: Acquisition, integration and other costs   | -                | -         | -                | -         | -              | -       | -                                     | -           | (21,091)        | (7,897)  | (21,091)         | (7,897)     |
| <b>Adjusted EBITDA</b>   | <b>70,837</b>    | 49,136    | <b>46,003</b>    | 45,175    | <b>15,951</b>  | 15,672  | <b>49,435</b>                         | 50,750      | <b>(31,966)</b> | (28,591) | <b>150,260</b>   | 132,142     |
| Depreciation and amortization  |                  |           |                  |           |                |         |                                       |             | 63,927          | 57,494   | 63,927           | 57,494      |
| Finance costs  |                  |           |                  |           |                |         |                                       |             | 25,832          | 19,258   | 25,832           | 19,258      |
| Loss on disposal of property, plant and equipment  |                  |           |                  |           |                |         |                                       |             | 188             | 1,088    | 188              | 1,088       |
| Acquisition, integration and other costs   |                  |           |                  |           |                |         |                                       |             | 21,091          | 7,897    | 21,091           | 7,897       |
| Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and future contracts |                  |           |                  |           |                |         |                                       |             | 2,242           | (8,143)  | 2,242            | (8,143)     |
| Unrealized gain on foreign exchange  |                  |           |                  |           |                |         |                                       |             | (937)           | (1,683)  | (937)            | (1,683)     |
| Income tax expense   |                  |           |                  |           |                |         |                                       |             | 14,096          | 16,578   | 14,096           | 16,578      |
| <b>Net earnings</b>  |                  |           |                  |           |                |         |                                       |             |                 |          | <b>23,821</b>    | 39,653      |
| <b>Additions to property, plant and equipment</b>  | <b>141,108</b>   | 12,740    | <b>8,933</b>     | 13,753    | <b>14,208</b>  | 28,680  | <b>3,211</b>                          | 2,151       | <b>1,401</b>    | 1,048    | <b>168,861</b>   | 58,372      |

## Parkland Fuel Corporation

### Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015

In 000's of Canadian Dollars, shares and options, except per share amounts

#### Geographic Information

|   | Three months ended<br>September 30, |           | Nine months ended<br>September 30, |           |
|---|-------------------------------------|-----------|------------------------------------|-----------|
|   | 2015                                | 2014      | 2015                               | 2014      |
| Revenue from external customers - Canada        | 1,652,008                           | 1,613,377 | 4,058,814                          | 4,951,615 |
| Revenue from external customers - United States | 210,226                             | 285,313   | 584,956                            | 837,544   |
| Sales and operating revenue                     | 1,862,234                           | 1,898,690 | 4,643,770                          | 5,789,159 |

|                               | September 30, 2015 |               |              |
|-------------------------------|--------------------|---------------|--------------|
|                               | Canada             | United States | Consolidated |
| Property, plant and equipment | 443,946            | 47,271        | 491,217      |
| Intangible assets             | 138,715            | 53,158        | 191,873      |
| Goodwill                      | 472,514            | 51,278        | 523,792      |
| Total                         | 1,055,175          | 151,707       | 1,206,882    |

|                               | December 31, 2014 |               |              |
|-------------------------------|-------------------|---------------|--------------|
|                               | Canada            | United States | Consolidated |
| Property, plant and equipment | 326,587           | 32,918        | 359,505      |
| Intangible assets             | 113,572           | 50,261        | 163,833      |
| Goodwill                      | 142,377           | 37,230        | 179,607      |
| Total                         | 582,536           | 120,409       | 702,945      |

## 20. CONTINGENCIES AND COMMITMENTS

### (a) Legal

The Corporation is involved in various legal claims and legal notices arising from the ordinary course of business. Parkland has made adequate provisions for such legal claims. The Corporation also accrues a liability for legal claims, primarily for the mitigation of contamination at sites where the Corporation has had operations and where the amounts were more likely than not to be incurred.

### (b) Commitments

Capital expenditures contracted but not yet incurred are as follows:

|                               | September 30, 2015 | December 31, 2014 |
|-------------------------------|--------------------|-------------------|
| Property, plant and equipment | 27,717             | 8,361             |

## 21. SEASONALITY

Parkland's Retail Fuels segment typically experiences higher volumes during the second and third quarters of the year, due to consumer purchases during the summer months. The Commercial Fuels segment typically experiences higher volumes during the first and fourth quarters of the year, due to higher heating fuel demand during the colder months.

## **Parkland Fuel Corporation**

### **Notes to the Interim Condensed Consolidated Financial Statements (unaudited) For the three and nine months ended September 30, 2015**

In 000's of Canadian Dollars, shares and options, except per share amounts

#### **22. SUBSEQUENT EVENTS**

In October 2015, the Corporation completed the acquisition of two retail sites located in North Dakota and an individually immaterial business complementary to the Corporation's existing lines of business for a combined base consideration of approximately \$12,202. These individually immaterial acquisitions are expected to support Parkland's growing SPF Energy and Commercial Fuels segments. The Corporation is in the process of assessing the purchase price allocation and the final adjusted purchase price will be determined subject to customary post-closing adjustments.