



2017



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DEAR FELLOW SHAREHOLDERS

2017 was a record year on many fronts for Parkland. We closed two major acquisitions, have tracked well ahead of our announced performance with CST and Chevron as well as demonstrated growth in the base business. Our Supply team continues to demonstrate our ability to create an industry leading supply position. The above has resulted in a record year, with adjusted EBITDA of \$418M. In addition, the Parkland team demonstrated exceptional teamwork and leadership by welcoming over 2,000 employees to Parkland. Our Company continues to demonstrate successful implementation on all facets of its strategy.

BOB ESPEY
PRESIDENT & CEO





Strategic Highlights from 2017:

- **Completed two strategic acquisitions for Parkland which almost triples the size of the business adding significant scale in fuel and convenience;**
- **Added industry leading Chevron and Ultramar brands to our portfolio of fuel marketing brands;**
- **Achieved national network coverage in both our retail and commercial businesses;**
- **Improved our Pacific supply position with the Parkland Burnaby refinery and affiliated strategic distribution assets including the Burnaby and Vancouver Island terminals;**
- **Acquired the Pipeline brand from CST providing Parkland with a cardlock and proprietary payment system that can be rolled out nationally; and**
- **Refreshed the On the Run brand to become Canada's convenience store and created the 59th Street Food Company Private label offer.**

In 2018, the Parkland team will focus on building one Parkland team through integrating onto one technology platform and leveraging our national network, leading brands, and strong supply position to create a downstream supply and marketing champion. Our team will also be focusing on these priorities:

- **Building a common culture around Parkland's values which places Safety first;**
- **Exceeding our integration profitability targets for both of our newly acquired businesses;**
- **Accelerating non-fuel growth through the piloting of our newly refreshed On the Run brand, further expansion of our private label offer and delivering fresh food through trusted branded partners;**
- **Uniting our customers across our family of brands by developing a mobile based loyalty program;**
- **Continuing to build on our supply capability by optimizing supply for Burnaby, adding further import capability in the East and expanding our export capability in the West;**
- **Investing in our Commercial Fuels business by starting to roll out the Pipeline card lock brand nationally and continuing to add propane across our network; and**
- **Ramping up our growth in the United States both organically and through acquisition.**

Never in Parkland's history have we been as well positioned to continue to deliver growth as we are today. I would like to thank the Parkland team for their continued commitment and dedication to serving our customers and growing our business. I look forward to another successful year in 2018.

Bob Espey
President and CEO

Parkland at a Glance

Parkland Fuel Corporation ("Parkland") is Canada's largest and one of North America's fastest growing independent suppliers and marketers of fuel and petroleum products and a leading convenience store operator. Parkland services customers through three channels: Retail, Commercial and Wholesale. Parkland optimizes its fuel supply across these three channels by operating the Parkland Burnaby Refinery, and leveraging a growing portfolio of supply relationships and storage infrastructure. Parkland provides trusted and locally relevant fuel brands and convenience store offerings, including its On the Run/Marché Express banners, in the communities it serves.

Parkland creates value for shareholders by focusing on its proven strategy of growing organically, realizing a supply advantage and acquiring prudently and integrating successfully. At the core of our strategy are our people, as well as our values of safety, integrity, community and respect, which are embraced across our organization.

Parkland is listed on the Toronto Stock Exchange and trades under the symbol PKI. We operate through four operating segments: Retail Fuels, Commercial Fuels, Supply (formerly "Supply and Wholesale"), and Parkland USA.



For more information,
visit www.parkland.ca.



Parkland.ca

PARKLAND IS THE

#1 Fuel Retailer*
by site count in Canada



* Kent Group Ltd. (December 11, 2017). Data as of end of Q3 2017. Parkland plus Chevron sites purchased.

Our Mission

Great people working together to be the partner of choice for our customers and suppliers

Our 2017 Results

\$197.8

Q4 2017 ADJUSTED EBITDA

157%

GROWTH IN Q4 2017 ADJUSTED EBITDA

4.4

BILLION LITRES OF FUEL VOLUME

59%

GROWTH IN Q4 2017 FUEL VOLUME FROM PRIOR YEAR

\$417.8

2017 ADJUSTED EBITDA

65%

GROWTH IN 2017 ADJUSTED EBITDA

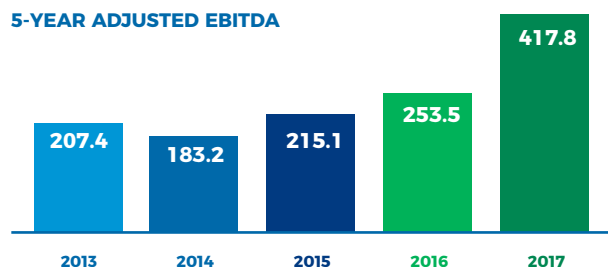
13.3

BILLION LITRES OF FUEL VOLUME

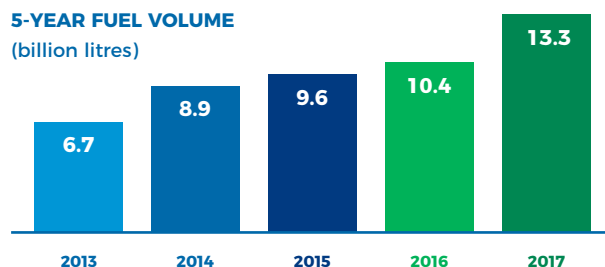
28%

GROWTH IN 2017 FUEL VOLUME

5-YEAR ADJUSTED EBITDA



5-YEAR FUEL VOLUME (billion litres)



All numbers are in millions of Canadian dollars unless otherwise stated.

2017 In Review

Q1

2017

Commercial Fuels delivered **57% more** propane than in Q1 2016 due to strong organic growth, recent customer wins, and 2016 acquisitions



Recently completed Hamilton transloading facility provides greater security of supply for our customers and increases our supply optionality



Parkland monthly dividend increased from \$0.0945 per share to **\$0.0962** per share

\$0.0962

NEW DIVIDEND

Adjusted EBITDA for Q1 2017 was **17% higher** than Q1 2016

+17%

ADJUSTED EBITDA

Q2

2017

Completed the acquisition of the majority of the Canadian business and assets of CST Brands, Inc.



Announced the acquisition of Chevron Canada R & M ULC, which includes:
129 Chevron-branded retail service stations, 37 commercial cardlock locations, 3 marine fueling locations, a refinery, 3 terminals, and a wholesale business that includes aviation fuel sales



Completed a \$662.0 million bought deal private placement and a \$500.0 million Senior Unsecured Note private placement



6% Company C-Store same-store sales growth vs. Q2 2016



2017 Q3



Developed a newly refreshed On the Run / Marché Express store design



Successful first full quarter after the Ultramar acquisition



Sponsored the first national Convenience Store Day fundraiser for Children's Wish



Launched new private label brand "59th Street Food Co.", which will be featured in select convenience stores



Completed the acquisition of Chevron Canada R & M ULC



Introduced Doug Haugh as our new President, Parkland USA responsible for driving growth in the United States

2017 Q4

Fuelling Canadians, Coast to Coast

Retail Fuels



Parkland Retail Fuels supplies and supports a network of 1,848 retail gas stations in Canada. Parkland operates under six key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates the leading convenience store brand, On the Run / Marché Express. Parkland has other convenience store brands, and those that meet the required standards for On the Run / Marché Express will be migrated over time. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments:



~1 in 6

GAS STATIONS IN CANADA
OWNED OR SUPPLIED BY
PARKLAND ⁽¹⁾



1,848

CANADIAN
RETAIL SITES



1,252

DEALER SITES
IN CANADA



596

COMPANY SITES
IN CANADA



14.3%

GAS MARKET
SHARE ⁽²⁾



16.0%

DIESEL MARKET
SHARE ⁽²⁾

(1) Kent's National Retail Petroleum Site Census 2016. Parkland plus Ultramar and Chevron sites purchased.

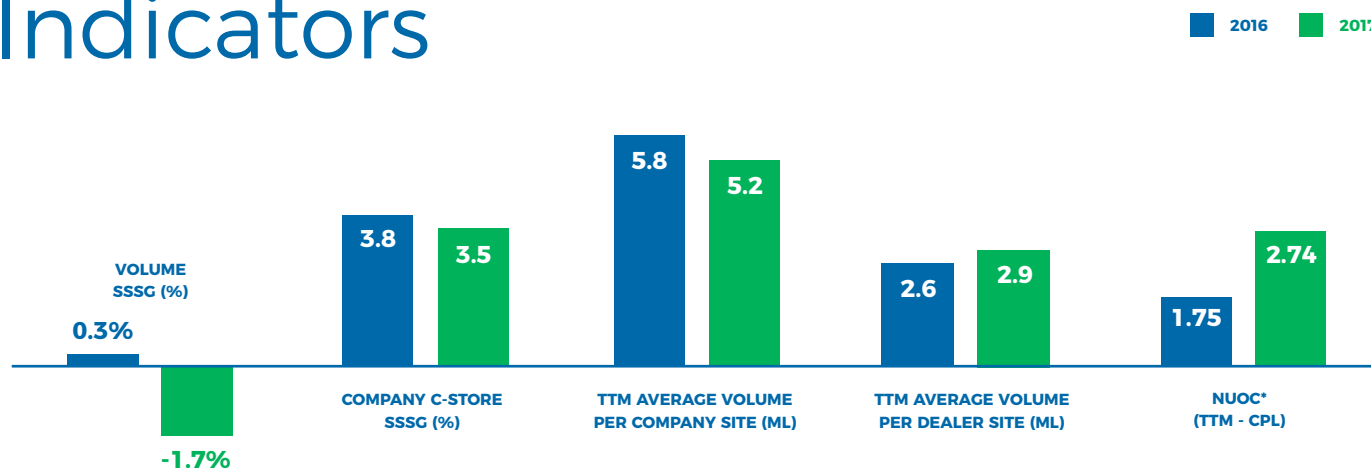
(2) Kent Group Ltd. (December 11, 2017). Data as of end of Q3 2017. Parkland plus Chevron sites purchased.



RETAIL
DEALER
& COMPANY
SITES IN CANADA



Key Performance Indicators



* For this metric, a reduction from 2016 to 2017 is considered an improvement.

TTM: trailing-twelve-month
CPL: cents-per-litre
SSSG: same-store sales growth
NUOC: net unit operating costs
ML: million litres

Retail Fuel and Convenience Store Brands



Delivering Excellence to Local Homes & Businesses

Commercial Fuels



Parkland Commercial Fuels delivers bulk fuel, bulk and cylinder exchange propane, heating oil, lubricants and other related products and services to commercial, industrial and residential customers in Canada through an extensive delivery network. Parkland Commercial Fuels uses a variety of regionally relevant trade names, service marks and trademarks in the businesses that are considered important and valuable in marketing its products. The family of brands in this segment include Chevron, Ultramar, Bluewave Energy, Columbia Fuels, Sparlings Propane, Island Petroleum, Pipeline Commercial, Propane Nord-Ouest ("PNO") and PNE Propane ("PNE"). Parkland Commercial Fuels' customer base is diverse, supplying a broad cross-section of industries across Canada including oil and gas, construction, mining, forestry, fishing and transportation. Parkland Commercial Fuels also sells propane and heating oil to residential customers.



~300

BRANCHES & CARDLOCKS



~78,000

PROPANE TANKS



~650

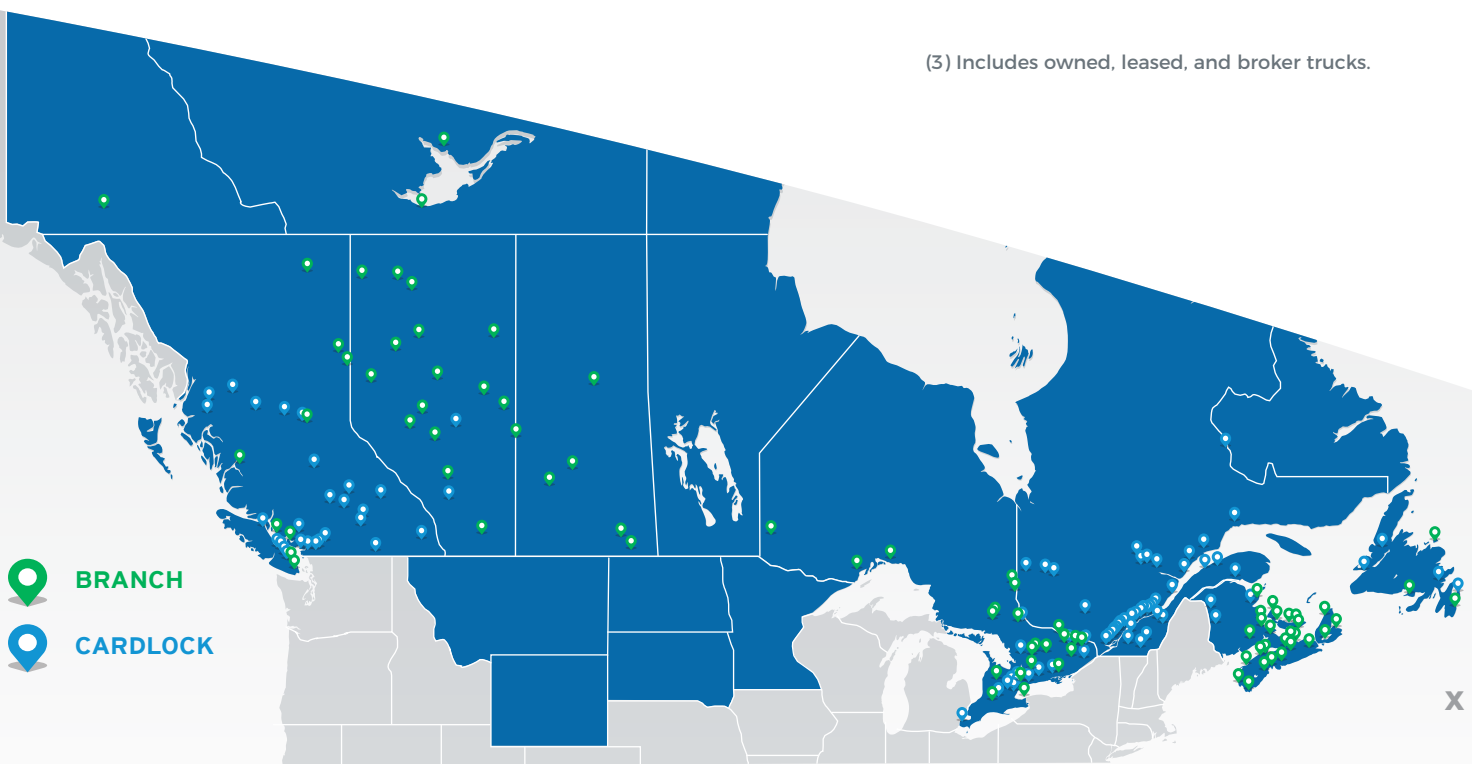
FLEET TRUCKS IN USE ⁽³⁾



240,000+

CUSTOMERS

(3) Includes owned, leased, and broker trucks.



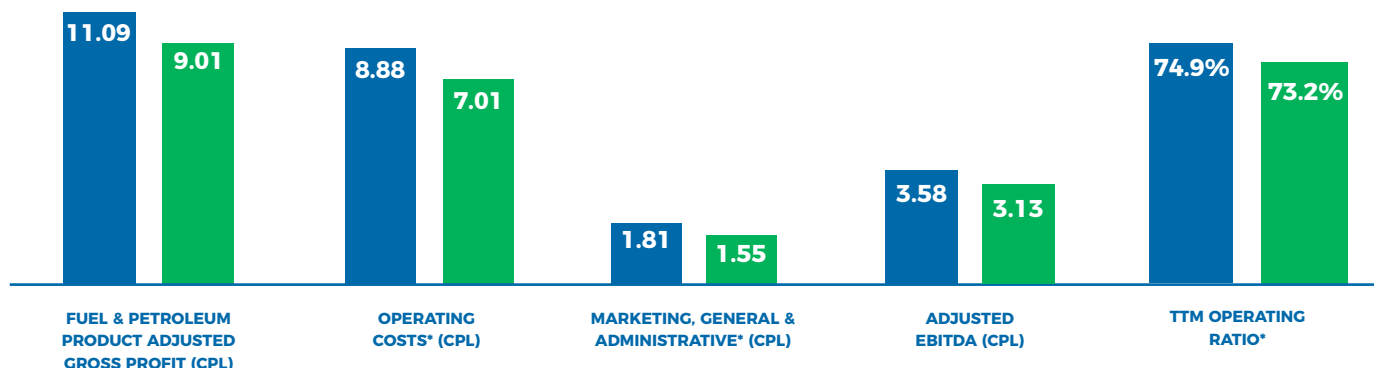
BRANCH



CARDLOCK



Key Performance Indicators



* For these metrics, a reduction from 2016 to 2017 is considered an improvement.

■ 2016 ■ 2017

Offerings



Brands



Supply



Dependable Partner of Choice for Our Suppliers and Customers

Parkland's Supply segment optimizes fuel supply by operating the Burnaby Refinery, contracting and purchasing fuel from other refiners and suppliers, distributing through third-party rail and highway carriers, storing fuel in owned and leased facilities, serving wholesale and reseller customers in North America, and producing and selling aviation fuel to airlines operating out of the Vancouver International Airport. Supply serves internal Parkland operating segments as well as external customers and markets products via the "Parkland", "Les Pétroles Parkland", "Elbow River Marketing" and "Chevron" brands. Major sales categories are: gas and diesel; liquid petroleum gas ("LPG"), which includes propane and butane; and other fuel and petroleum products, which include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.



94.4%

Q4 REFINERY UTILIZATION



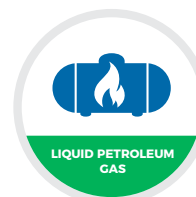
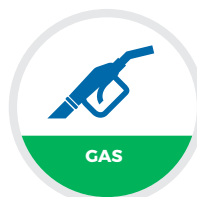
1,600+

LEASED RAIL CARS

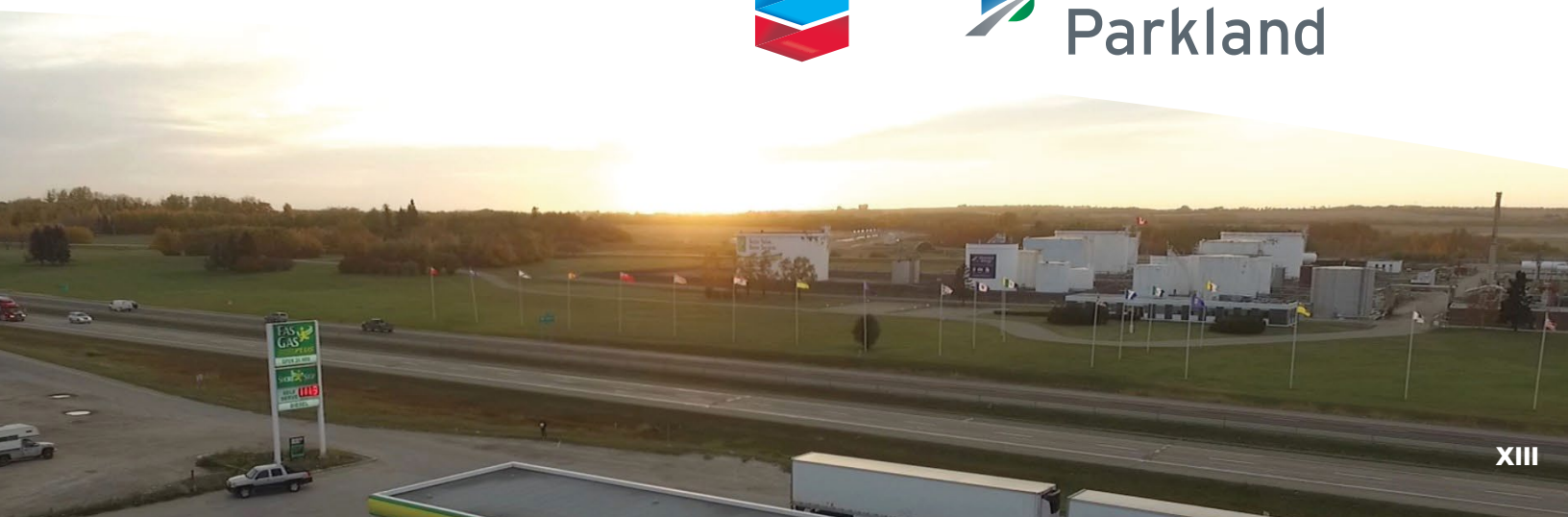


ADJUSTED EBITDA

Offerings



Brands

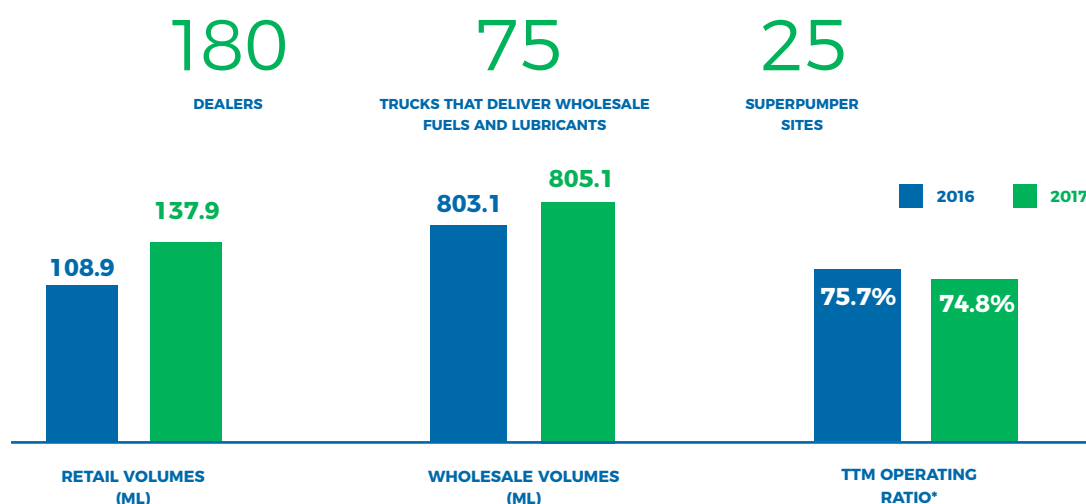


Platform for Growth

Parkland USA



Parkland USA is an independent fuel marketer headquartered in Minot, North Dakota. Parkland USA supplies and distributes refined petroleum products throughout North Dakota, Montana, Minnesota, South Dakota and Wyoming. Parkland USA is a platform for growth in the Northwest United States and provides Parkland export opportunities for products from Western Canada. Additionally, this segment enhances supply capabilities by leveraging Parkland's rail assets. The brands in this segment include Farstad Oil and Superpumper. Parkland USA operates and generates profits from the following divisions: Wholesale, Retail, and Lubricants.



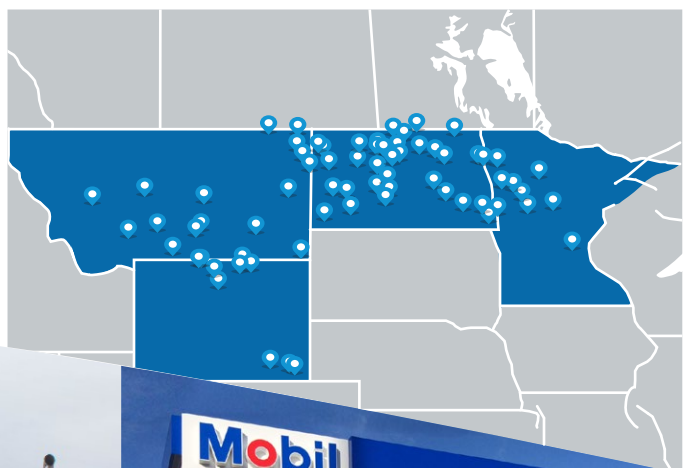
* For this metric, a reduction from 2016 to 2017 is considered an improvement.



FARSTAD OIL, INC.



RETAIL DEALERS
AND COMPANY SITES
IN USA





Driving Future Strategic Growth



4.3%

DIVIDEND YIELD USING SHARE PRICE OF \$26.85 & ANNUAL DIVIDEND OF \$1.154 AS AT DEC. 31, 2017



\$137.7

GROSS DIVIDENDS PAID



87.5%

ELIGIBLE CANADIAN PARKLAND EMPLOYEES WHO ARE SHAREHOLDERS OF PARKLAND

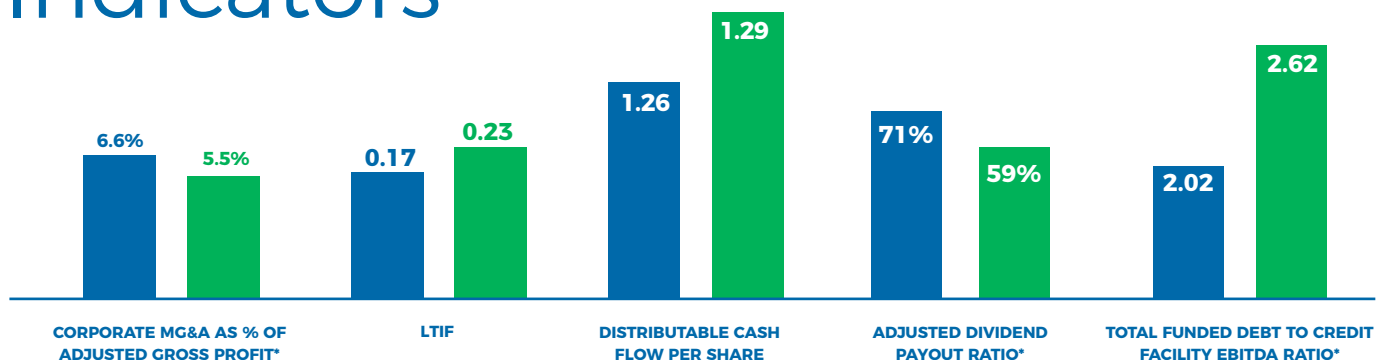


\$224.2

AVAILABLE CASH, CASH EQUIVALENTS AND UNUSED CREDIT FACILITIES

Key Performance Indicators

■ 2016 ■ 2017



CORPORATE MG&A AS % OF ADJUSTED GROSS PROFIT*

LTIF

DISTRIBUTABLE CASH FLOW PER SHARE

ADJUSTED DIVIDEND PAYOUT RATIO*

TOTAL FUNDED DEBT TO CREDIT FACILITY EBITDA RATIO*

LTIF: Lost time injury frequency

* For these metrics, a reduction from 2016 to 2017 is considered an improvement.



Building an IT Platform for Growth

Successful JDE 9.2 technical upgrade as part of our ERP modernization program to build a back office platform that is scalable for growth.

Board of Directors



Jim Pantelidis



Deborah Stein



Domenic Pilla



Lisa Colnett



John Bechtold



David Spencer



Steven Richardson



Tim Hogarth

Senior Leadership Team



Bob Espey
PRESIDENT & CEO



Mike McMillan
CFO



Peter Kilty
SVP OPERATIONS



Ian White
VP MARKETING



Christy Elliott
VP ASSOCIATE GENERAL COUNSEL
AND CORPORATE SECRETARY



Pierre Magnan
VP CORPORATE DEVELOPMENT &
INTERIM SENIOR VP SUPPLY
AND TRADING



Darren Smart
VP INTEGRATION AND
STRATEGY



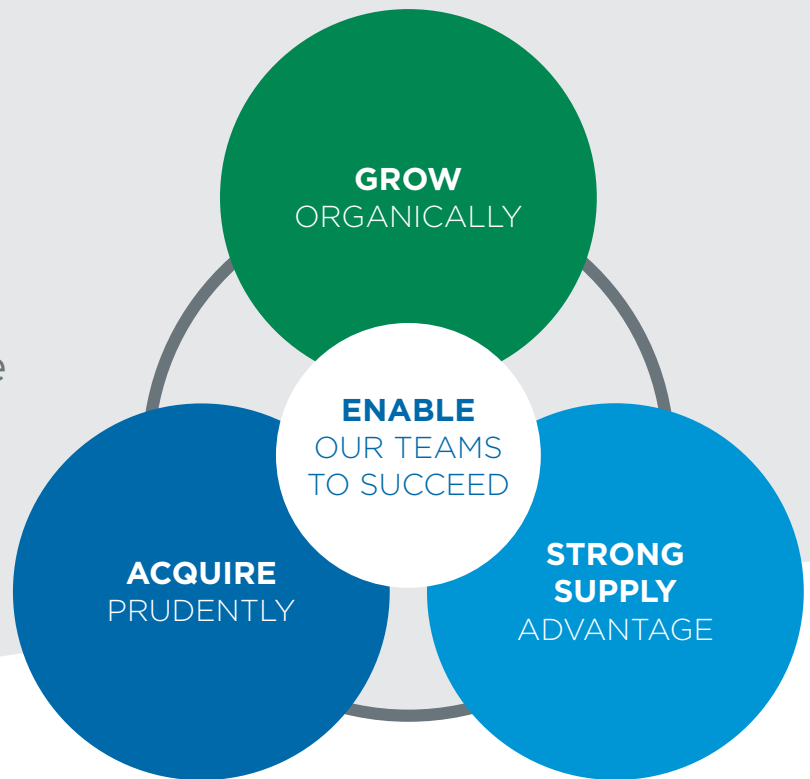
Melody Appelman
VP PEOPLE & CULTURE



Doug Haugh
PRESIDENT, PARKLAND USA

Strategy, Values & Behaviours

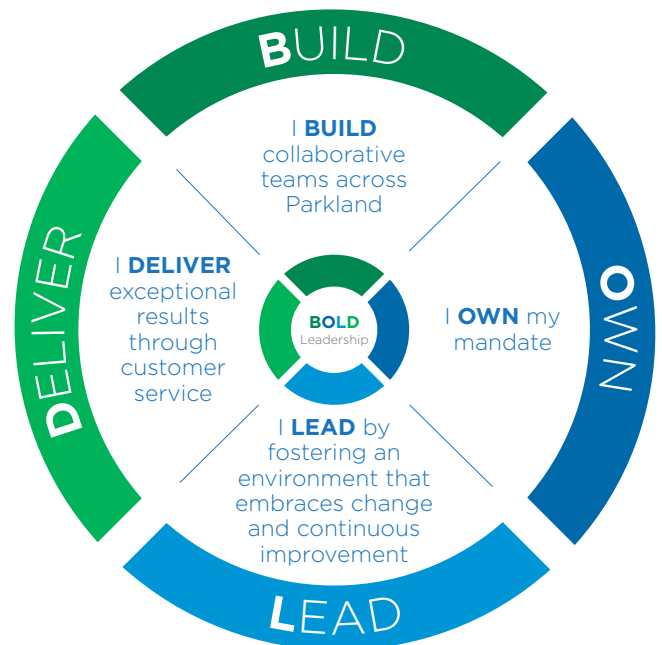
Build a supply, logistical and marketing advantage that cannot be replicated



Our **4** Values



Our **4** Behaviours



Health, Safety & Environment

Parkland Fuel Corporation is committed to protecting our employees, customers and the environment.



Together, We Will:



Ensure our employees have the knowledge and skills necessary to perform their work safely



Measure and track our performance



Continually improve and reduce injuries and incidents in the workplace

Report to shareholders

Management's Discussion and Analysis

Q4 2017

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated March 1, 2018 should be read in conjunction with our December 31, 2017 audited consolidated financial statements (the "Annual Consolidated Financial Statements"). The Annual Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 of the Annual Consolidated Financial Statements. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland including quarterly and annual reports, and the annual information form for the fiscal year ended December 31, 2016 dated March 31, 2017 ("Annual Information Form") is available online at www.sedar.com and Parkland's website, www.parkland.ca.

Non-GAAP financial measures and key performance indicators

Parkland has identified several key operating performance measures that management believes provide meaningful information in assessing Parkland's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Section 12 of this MD&A for a list of defined non-GAAP financial measures and key performance indicators ("KPIs").

Adjusted EBITDA and adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 24 of the Annual Consolidated Financial Statements. Refer to Section 12 of this MD&A for more information on these measures of segment profit.

Risks and forward-looking information

Parkland's financial and operational performance is potentially affected by a number of factors including, but not limited to, the factors described within the Forward-Looking Information section and Risk Factors section of this MD&A and the Annual Information Form. The information within these sections of this MD&A is based on Parkland's current expectations, estimates, projections and assumptions that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is subject to a number of risks and uncertainties beyond Parkland's control including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under Section 10 of this MD&A and the Risk Factors section of the Annual Information Form. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 14 of this MD&A for further details.

1. PARKLAND OVERVIEW

Who we are

Parkland Fuel Corporation ("Parkland") is Canada's largest and one of North America's fastest growing independent suppliers and marketers of fuel and petroleum products and a leading convenience store operator. Parkland services customers through three channels: Retail, Commercial and Wholesale. Parkland optimizes its fuel supply across these three channels by operating the Parkland Burnaby Refinery, and leveraging a growing portfolio of supply relationships and storage infrastructure. Parkland provides trusted and locally relevant fuel brands and convenience store offerings, including its On the Run/Marché Express banners, in the communities it serves.

Parkland creates value for shareholders by focusing on its proven strategy of growing organically, realizing a supply advantage and acquiring prudently and integrating successfully. At the core of our strategy are our people, as well as our values of safety, integrity, community and respect, which are embraced across our organization.

Parkland is listed on the Toronto Stock Exchange and trades under the symbol PKI. We operate through four operating segments: Retail Fuels, Commercial Fuels, Supply (formerly "Supply and Wholesale"), and Parkland USA.

Our mission

Great people working together to be the partner of choice for our customers and suppliers.

Our four strategic imperatives

Parkland is committed to delivering competitive and sustainable returns to shareholders by being the partner of choice to both our suppliers and our customers. Parkland's strategy consists of the following four strategic imperatives:

1. Grow organically

Parkland drives organic growth by innovatively pursuing opportunities to increase gross profit, focusing on selling great products under highly valued brands while delivering a great customer experience and continuously improving efficiencies. Parkland effectively deploys growth capital, operates safely and efficiently, and is a responsible steward of the environment. We believe these activities enable us to grow organically in all fuel marketing channels. Our annual Adjusted EBITDA strategic organic growth target is 3-5%.

2. Strong supply advantage

Parkland delivers a supply advantage by effectively operating the Burnaby Refinery, leveraging market inefficiencies and being a partner of choice for refiners. We work hard to reliably and consistently purchase large volumes of the full range of refined products produced by refineries in the geographic markets we operate. We sell our products through a variety of "owned" marketing channels including Company retail gas stations, commercial diesel cardlocks, and commercial fuel, propane and lubricant delivery branches. We also use our large Dealer retail network and wholesale activities to supplement our volumes and to optimize our supply activities.

3. Acquire prudently

Parkland is a disciplined acquirer that actively seeks complementary scale and scope opportunities. We build and leverage relationships with the objective of being the buyer of choice for prospective vendors, and effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value. As the fuel distribution market remains significantly fragmented in North America, we believe that we are well-placed to be a leader in its consolidation given our potential supply and cost synergies on acquisitions and experience across all fuel marketing channels. We believe that our combination of acquisitive and organic growth enables us to earn a competitive return for our shareholders.

4. Enable our teams to succeed

At the core of our strategic imperatives are our people. We are committed to enabling our teams to succeed by recruiting great, high-calibre people, fostering engagement, building an industry-leading people culture and investing in technology. We champion the Parkland BOLD leadership model by empowering our employees to build, own, lead and deliver on their mandate. Our employees also embrace our Parkland values of safety, integrity, community and respect. At Parkland, our employees are our most important resource and by investing in our people, we are directly contributing in the success of our organization.

⁽¹⁾ See pages 5 and 17 for discussion on the Burnaby Refinery.

2. FINANCIAL AND OPERATING SUMMARY

(\$ millions, unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2017	2016	2015	2017	2016	2015
Financial Summary						
Sales and operating revenue	3,369.2	1,740.0	1,655.8	9,560.5	6,266.0	6,299.6
Adjusted gross profit ⁽¹⁾	468.9	197.2	182.3	1,093.8	707.7	627.5
Adjusted EBITDA ⁽¹⁾	197.8	77.1	64.8	417.8	253.5	215.1
Net earnings	49.0	3.0	15.6	82.3	47.2	39.5
Per share – basic	0.37	0.03	0.17	0.70	0.50	0.45
Per share – diluted	0.37	0.03	0.17	0.69	0.49	0.45
Distributable cash flow ⁽²⁾	43.7	29.2	35.3	150.9	120.2	109.8
Per share ⁽²⁾⁽⁵⁾	0.33	0.30	0.39	1.29	1.26	1.26
Adjusted distributable cash flow ⁽²⁾	84.4	43.2	42.2	234.6	152.6	137.7
Per share ⁽²⁾⁽⁵⁾	0.64	0.45	0.46	2.00	1.60	1.58
Dividends	38.8	27.5	25.4	137.7	109.1	97.6
Dividends declared per share outstanding	0.29	0.28	0.27	1.15	1.13	1.08
Dividend payout ratio ⁽²⁾	89%	94%	72%	91%	91%	89%
Adjusted dividend payout ratio ⁽²⁾	46%	64%	60%	59%	71%	71%
Total assets	5,411.8	2,561.5	1,818.7	5,411.8	2,561.5	1,818.7
Total long-term liabilities	2,469.2	691.5	591.6	2,469.2	691.5	591.6
Shares outstanding (millions)	131.2	96.2	93.9	131.2	96.2	93.9
Weighted average number of common shares (millions)	131.0	96.0	91.5	117.3	95.3	87.1
Operating Summary						
Fuel and petroleum product volume (million litres) ⁽⁴⁾	4,431.4	2,783.4	2,613.9	13,332.3	10,415.2	9,613.4
Fuel and petroleum product adjusted gross profit ⁽¹⁾ (cpl) ⁽⁵⁾ :						
Retail Fuels	8.95	5.39	5.07	7.17	5.48	5.25
Commercial Fuels	8.29	11.47	11.59	9.01	11.09	11.39
Parkland USA	3.48	3.62	3.44	3.32	3.46	3.38
Operating costs ⁽⁶⁾ (cpl)	4.50	2.93	3.05	3.63	2.96	2.90
Marketing, general and administrative (cpl)	1.62	1.39	1.45	1.44	1.40	1.39

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽³⁾ Calculated using the weighted average number of common shares.

⁽⁴⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes, including volumes produced by the refinery and transferred to the Retail Fuels and Commercial Fuels segments, are excluded from this reported volume.

⁽⁵⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 12 of this MD&A.

⁽⁶⁾ Operating costs (cpl) were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

3. PERFORMANCE OVERVIEW

2017 Highlights

Parkland saw strong Q4 2017 consolidated results, driven by an outstanding first quarter of operations from the Chevron Acquisition⁽⁷⁾ completed on October 1, 2017 and continuation of strong results from the Ultramar Acquisition⁽⁷⁾ completed on June 28, 2017 (collectively, the "Chevron and Ultramar Acquisitions" or "the Acquisitions"). Furthermore, Parkland achieved the high end of its 3-5% strategic organic growth target in the existing business excluding the Acquisitions (the "Base Business") as well as strong KPI results, finishing off a pivotal year for Parkland. Acquisition synergy targets are pacing above plan and ahead of expectations while Parkland continues to make strong progress towards its strategic plan.

⁽⁷⁾ Details of the Chevron and Ultramar Acquisitions are defined and discussed on page 5.

Grow

- Parkland achieved a record Adjusted EBITDA in the fourth quarter of 2017 of \$197.8 million, representing over 2.5 times growth compared to \$77.1 million in the same quarter of 2016. Similarly, Parkland achieved a record annual Adjusted EBITDA of \$417.8 million in 2017, representing 65% growth compared to \$253.5 million in 2016. This exceptional growth was driven by the Chevron and Ultramar Acquisitions, as well as strong organic growth and performance in the Base Business operations across the Retail Fuels, Commercial Fuels and Supply segments with the Corporate segment supporting the growth. The robust crack spreads and higher refining margins also contributed to a higher than expected Adjusted EBITDA of \$417.8 million in 2017, exceeding our previously announced guidance of \$350 million to \$390 million.
- We delivered 59% more fuel and petroleum products at 4.4 billion litres in the fourth quarter of 2017 compared to 2.8 billion litres in the same quarter of 2016. Similarly, we delivered 28% more fuel and petroleum products in 2017 at 13.3 billion litres compared to 10.4 billion litres in 2016. The additional volume was driven by the successful completion of the Chevron and Ultramar Acquisitions as well as strong organic growth in Commercial Fuels and Parkland USA volumes.
- Sales and operating revenue doubled in the fourth quarter of 2017, from \$1.7 billion in the fourth quarter of 2016 to \$3.4 billion, and increased 53% year-over-year to \$9.6 billion in 2017 from \$6.3 billion in 2016. This increase was driven by greater volume from organic growth and the Acquisitions as well as higher commodity and fuel prices.
- Retail Fuels achieved strong Company C-Store same-store sales growth ("SSSC") of 3.5% in 2017 excluding the impact of the Acquisitions and 3.3% during the fourth quarter of 2017 including the impact of the Acquisitions. This growth is a result of improved national category management and promotion planning with improved scale and continued focused execution on converting forecourt fuel sales to backcourt C-store sales. Parkland also saw robust KPI results across all segments.
- Parkland developed a newly refreshed On the Run / Marché Express store design and is in the process of testing two concepts in key national markets: (i) "Flagship" sites, where new, full-offer facilities are constructed at "New-To-Industry" or "Replacement" locations, and (ii) "Retrofit" sites, where existing locations are upgraded to the new concept. Parkland delivered its first Flagship site in January 2018 and plans to deliver approximately 40 Retrofit sites by the end of the second quarter of 2018. The first Retrofit site in Cobourg, Ontario, which opened in the third quarter of 2017, continues to be highly successful and is pacing above expectations. These new concepts elevate the customer experience and support the shift to higher margin categories while growing basket size and forecourt to backcourt conversion rates.
- Parkland developed a new proprietary private label brand, "59th Street Food Co.", which was launched at selected Parkland locations in the fourth quarter of 2017 with strong results to date, particularly from the bundled "3 for \$5" offer, which represents nearly half of initial sales. The private label brand allows Parkland to provide high quality proprietary products at competitive price points with increased margin contributions. Initial private label products include various types of confectionery, with additional private label product extensions planned for the future.
- Net earnings for the fourth quarter of 2017 were \$49.0 million compared to \$3.0 million the fourth quarter of 2016. Net earnings for 2017 were \$82.3 million compared to \$47.2 million for 2016. This increase was primarily driven by growth in Adjusted EBITDA due to the Acquisitions and Base Business organic growth, partially offset by increased depreciation and amortization expenses, finance costs and acquisition, integration and other costs as a result of the Acquisitions.

Supply

- The fourth quarter of 2017 marked our first quarter of successful operations of the Burnaby Refinery. The Burnaby Refinery saw strong refinery utilization rates of 94.4%, which were above plan and expectations. This was further aided by robust crack spreads and higher refining margins in the fourth quarter of 2017. The Parkland refinery team focused on operating the refinery safely, reliably and profitably, and is currently completing activities for the Turnaround (as defined and discussed in Section 13), which is progressing well and in accordance with plan.
- Parkland continues to benefit from improved supply economics and optionality as demonstrated by the Supply Adjusted EBITDA growth of 64% for 2017 and 175% for the fourth quarter of 2017 compared to the respective periods in 2016. This was driven by contributions from the Chevron Acquisition, continued efforts in executing Parkland's supply strategy, and lower Base Business operating costs, demonstrating Parkland's continued focus on cost management initiatives.
- Supply's external fuel and petroleum product volumes increased 27% for the fourth quarter of 2017 and 12% for 2017 compared to the respective periods in 2016. This was primarily as a result of the aviation fuel business acquired with the Chevron Acquisition, as well as increases in Base Business gas and diesel volumes driven by strong market share gains and strategic initiatives to drive volume growth and scale. The growth was offset partially by softer performance in the crude and liquid petroleum gas ("LPG") businesses.

Acquire

- **Chevron Acquisition**

On October 1, 2017, Parkland completed the acquisition of all outstanding shares of Chevron Canada R & M ULC from Chevron Canada Ltd. for a purchase price of \$1,697.6 million (the "Chevron Acquisition"). The Parkland team worked very closely with teams from the Burnaby Refinery and Chevron Canada Ltd. to ensure a successful close on the first day of the previously announced target close period of fourth quarter of 2017, thus allowing Parkland to benefit of a full quarter of contribution from the Chevron Acquisition.

The acquired businesses consist of: (i) 129 Chevron-branded retail service stations attractively located in Metro Vancouver, Vancouver Island and other parts of British Columbia, which complement Parkland's existing Chevron-branded sites in British Columbia, (ii) 37 commercial cardlock locations and three marine fuelling locations, and (iii) a complementary refinery in Burnaby, British Columbia (the "Burnaby Refinery"), (iv) terminals located in Burnaby, Hatch Point and Port Hardy, British Columbia, and (v) a wholesale business that includes aviation fuel sales to the Vancouver International Airport (collectively, the "Chevron Assets"). The Chevron Acquisition extends Parkland's network coverage in British Columbia and adds significant strategic supply infrastructure and logistics capability to support Parkland's existing operations and future growth opportunities. With this acquisition, Parkland becomes an exclusive marketer of Chevron-branded fuels.

The Chevron Acquisition was funded through an equity private placement of \$662.0 million on May 9, 2017 (the "Equity Offering"), the issuance of 5.625% Senior Notes⁽¹⁾ on May 9, 2017, cash from operations, and drawdown on the Credit Facility⁽¹⁾.

- **Ultramar Acquisition**

On June 28, 2017, Parkland completed the acquisition of the majority of the Canadian business and assets of CST Brands, Inc. from Alimentation Couche-Tard Inc. ("Couche-Tard") for a preliminary purchase price of \$977.7 million (the "Ultramar Acquisition"). The acquired businesses include: (i) 495 dealer-operated retail fuel sites, (ii) 73 commercial cardlock sites, (iii) 30 commercial and home heating sites, (iv) 159 company-operated retail sites, and (v) a corporate presence in Montréal. These businesses operate under a number of highly recognizable brands including Ultramar, Dépanneur du Coin / Corner Store, Dépan Express / ExpressMart and Pipeline Commercial. Parkland has the exclusive rights to use the Ultramar brand with the exception of Couche-Tard's right to use the brand at certain retail sites retained by Couche-Tard. The Ultramar Acquisition extends Parkland's network coverage in Quebec and Atlantic Canada and enhances Parkland's presence in Ontario.

The Ultramar Acquisition was partially financed by subscription receipts issued on September 7, 2016 and the 5.75% Senior Notes issued on September 16, 2016.

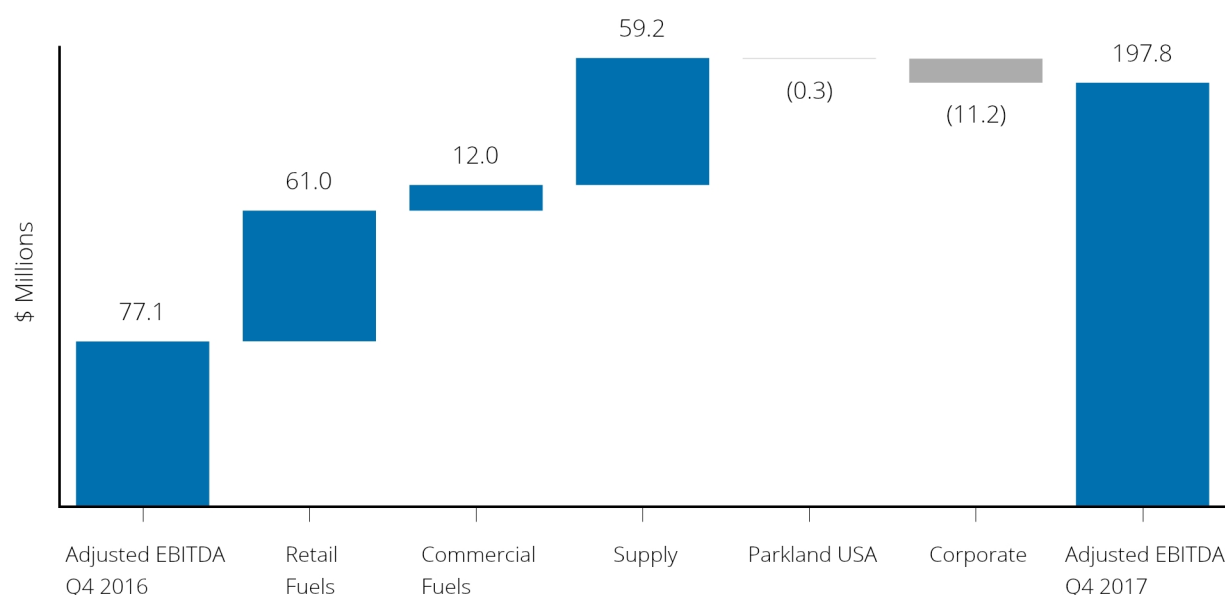
- **Acquisition integration update**

Parkland's first three and six months of operating the businesses acquired in the Chevron Acquisition and Ultramar Acquisition respectively were highly successful. Business operating results have been strong as demonstrated by positive fourth quarter results. Acquisition synergy targets are pacing above internal plan, reinforcing Parkland's ability and commitment to acquire prudently and integrate successfully. Parkland has a comprehensive systems integration plan for both Acquisitions and its implementation is well under way. Parkland is continuing the process of integrating the businesses acquired as part of the Acquisitions, driving synergies and future growth.

⁽¹⁾ See Section 8 for discussion on the 5.625% Senior Notes and Credit Facility.

Q4 2017 vs. Q4 2016 overall performance

Adjusted EBITDA growth by segment



Adjusted EBITDA is a measure of segment profit. See Section 12 of this MD&A.

Adjusted EBITDA to Net Earnings

For the three months ended December 31 (\$ millions)	2017	2016	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail Fuels	94.4	33.4	61.0	183 %
Commercial Fuels	27.7	15.7	12.0	76 %
Supply	93.1	33.9	59.2	175 %
Parkland USA	3.9	4.2	(0.3)	(7)%
Corporate	(21.3)	(10.1)	(11.2)	111 %
	197.8	77.1	120.7	157 %
Less:				
Depreciation and amortization	69.1	20.0	49.1	246 %
Finance costs				
Interest on long-term debt	31.8	12.6	19.2	152 %
Change in fair value of Redemption Options	9.7	14.2	(4.5)	(32)%
Other finance costs ⁽²⁾	6.2	0.4	5.8	1,450 %
	47.7	27.2	20.5	75 %
Loss on asset sales and disposals	2.8	1.2	1.6	133 %
Acquisition, integration and other costs	40.7	14.0	26.7	191 %
Loss on risk management and other derivatives - unrealized	6.4	5.4	1.0	19 %
Loss on Intermediation Facility Derivatives in cost of purchases - unrealized	8.6	—	8.6	100 %
(Gain) loss on foreign exchange - unrealized	(0.3)	0.1	(0.4)	(400)%
Income tax (recovery) expense	(26.2)	6.2	(32.4)	(523)%
Net earnings	49.0	3.0	46.0	1,533 %

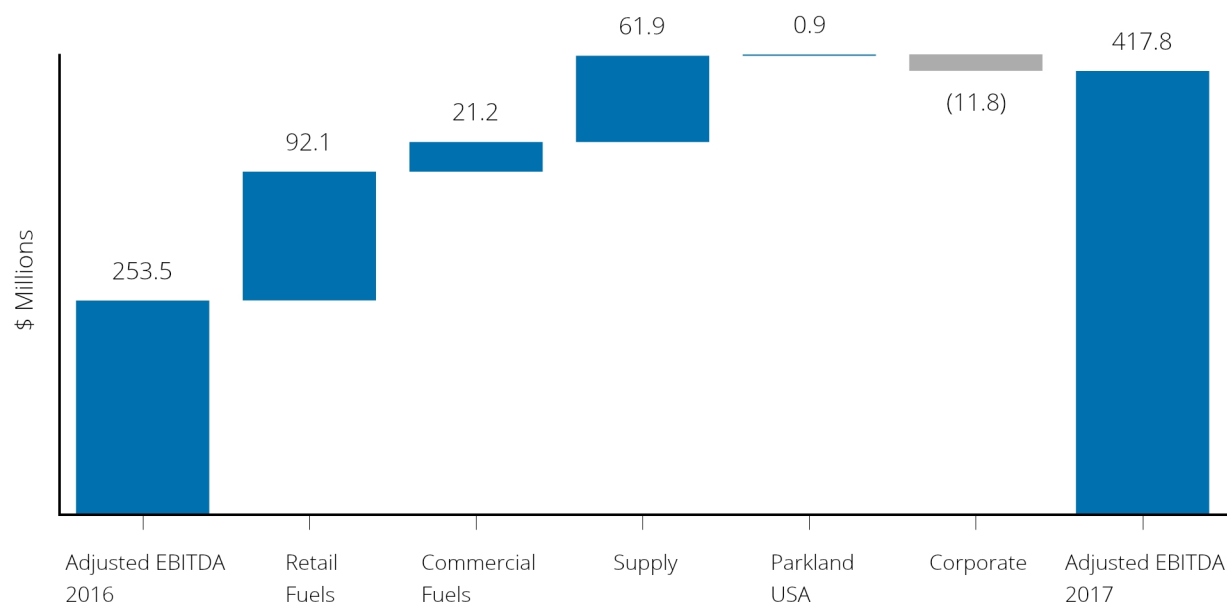
⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Includes amortization of deferred financing costs, accretion on asset retirement obligations, amortization of debt premium arising from Redemption Options and interest income. See Note 21 of the Annual Consolidated Financial Statements.

- Parkland achieved a record fourth quarter Adjusted EBITDA of \$197.8 million, representing growth of \$120.7 million through a combination of successful acquisitions and organic growth. Retail Fuels grew 183% due to the impact of the Acquisitions and higher fuel margins in the Base Business. Commercial Fuels grew 76% due to the impact of the Acquisitions, higher propane and diesel volumes and higher fuel margins in the Base Business. Supply grew 175% as a result of the Acquisitions and continued efforts in executing Parkland's supply strategy. The strong growth was partially offset by \$11.2 million higher corporate costs as a result of merging the corporate functions of the Acquisitions with that of the Base Business.
- Finance costs increased in the fourth quarter of 2017 as expected, driven by a \$19.2 million increase in interest on long-term debt as a result of the September 16, 2016 private placement of the 5.75% Senior Notes to fund the Ultramar Acquisition and the May 9, 2017 private placement of the 5.625% Senior Notes to fund the Chevron Acquisition. Furthermore, other finance costs increased primarily due to Parkland's refinancing activities related to the Acquisitions, resulting in \$4.5 million higher amortization of deferred finance costs. Furthermore, a \$9.7 million non-cash loss was recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, driven by higher market interest rates. The fair value of the Redemption Options embedded derivatives represents the non-cash value of the options that allow Parkland to early redeem the Senior Unsecured Notes at any time prior to their maturity and takes into account the redemption premium, credit spread, risk-free yield curve and other factors that are driven by changing debt market conditions.
- Acquisition, integration and other costs increased by \$26.7 million primarily due to costs incurred to integrate the Acquisitions. These costs include integration, IT consulting and professional services that enable Parkland to successfully integrate and fully realize the synergies of its two largest acquisitions efficiently and effectively.
- The unrealized loss on risk management and other derivatives was \$6.4 million due to rising commodity prices on undelivered products compared to \$5.4 million in the fourth quarter of 2016. The unrealized loss in the fourth quarter of 2017 was primarily due to narrower differentials from crude sell-side swap positions taken by Parkland. These contracts form part of Parkland's risk management strategy, as contracts are used to lock in margins with customers on commodities to be delivered. Any unrealized gains or losses on risk management contracts recognized under IFRS are expected to partially offset any unrealized losses or gains on physical products to be delivered in the future.
- The \$8.6 million unrealized loss on Intermediation Facility Derivatives in cost of purchases was driven by the impact of rising crude prices on Intermediation Facility Derivatives during the fourth quarter of 2017. Any unrealized gains or losses on derivatives recognized in cost of purchases are expected to partially offset any losses or gains on physical products to be sold by the refinery in the future. The Intermediation Facility Derivatives, which are used to manage exposure to movements in commodity prices, are further discussed in Section 10.
- Income tax recovery of \$26.2 million was recorded in the fourth quarter of 2017 compared to an expense of \$6.2 million in the fourth quarter of 2016. The income tax recovery in the fourth quarter of 2017 was primarily due to a \$19.0 million deferred tax recovery on the tax attribute of purchased goodwill relating to a past acquisition and a \$6.6 million deferred tax recovery for changes in US tax rates.
- As a result of the above main drivers, net earnings of \$49.0 million were recorded for the fourth quarter of 2017 compared to \$3.0 million in the fourth quarter of 2016.

2017 vs. 2016 overall performance

Adjusted EBITDA growth by segment



Adjusted EBITDA is a measure of segment profit. See Section 12 of this MD&A.

Adjusted EBITDA to Net Earnings

For the years ended December 31 (\$ millions)	2017	2016	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail Fuels	230.9	138.8	92.1	66 %
Commercial Fuels	70.4	49.2	21.2	43 %
Supply	158.6	96.7	61.9	64 %
Parkland USA	16.3	15.4	0.9	6 %
Corporate	(58.4)	(46.6)	(11.8)	25 %
	417.8	253.5	164.3	65 %
Less:				
Depreciation and amortization	165.6	102.9	62.7	61 %
Finance costs				
Interest on long-term debt	83.4	33.6	49.8	148 %
Change in fair value of Redemption Options	(8.8)	3.6	(12.4)	(344)%
Other finance costs ⁽²⁾	15.0	3.0	12.0	400 %
	89.6	40.2	49.4	123 %
Loss on asset sales and disposals	2.1	1.0	1.1	110 %
Acquisition, integration and other costs	83.7	32.4	51.3	158 %
(Gain) loss on risk management and other derivatives - unrealized	(1.6)	8.9	(10.5)	(118)%
Loss on Intermediation Facility Derivatives in cost of purchases - unrealized	8.6	—	8.6	100 %
Loss on foreign exchange - unrealized	1.4	1.1	0.3	27 %
Income tax (recovery) expense	(13.9)	19.8	(33.7)	(170)%
Net earnings	82.3	47.2	35.1	74 %

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Includes amortization of deferred financing costs, accretion on asset retirement obligations, amortization of debt premium arising from Redemption Options, and interest income. See Note 21 of the Annual Consolidated Financial Statements.

- Parkland achieved a record annual Adjusted EBITDA of \$417.8 million in 2017 compared to \$253.5 million in 2016. Retail fuels grew 66% primarily as a result of the Acquisitions as well as higher fuel margins in the Base Business. Commercial Fuels grew 43% largely due to the Acquisitions as well as strong organic growth in the Base Business from higher propane volumes and strong non-fuel contributions. Parkland USA grew 6% primarily as a result of growth in the lubricants business. Supply grew 64% as a result of the Acquisitions as well as continued efforts in executing Parkland's supply advantage strategy. Overall, growth was partially offset by 25% higher corporate costs as a result of merging the corporate functions of the Acquisitions with that of the Base Business.
- As expected, finance costs in 2017 increased by \$49.4 million primarily due to a \$49.8 million increase in interest on long-term debt as a result of the 5.75% Senior Notes to fund the Ultramar Acquisition and the 5.625% Senior Notes to fund the Chevron Acquisition issued in September 2016 and May 2017, respectively. Furthermore, other finance costs increased primarily due to Parkland's refinancing activities related to Acquisitions, resulting in \$16 million higher amortization of deferred finance costs. These higher expenses were offset by a \$8.8 million non-cash gain recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, driven by favourable credit spreads.
- Acquisition, integration and other costs increased by \$51.3 million primarily due to costs incurred to close and integrate the Chevron and Ultramar Acquisitions within 95 days of each other. These costs include integration, IT consulting and professional services that enable Parkland to successfully acquire, integrate and fully realize the synergies of its two largest acquisitions efficiently and effectively.
- The unrealized gain from risk management and other derivatives was \$1.6 million in 2017 compared to an unrealized loss of \$8.9 million in 2016. The unrealized gain this year was primarily due to the settlement of transactions that had accumulated unrealized losses in 2016, partially offset by unrealized losses from narrower differentials from crude sell-side swap positions taken by Parkland.
- The \$8.6 million unrealized loss on Intermediation Facility Derivatives in cost of purchases was driven by the impact of rising crude prices on Intermediation Facility Derivatives during the fourth quarter of 2017. Any unrealized gains or losses on derivatives recognized in cost of purchases are expected to partially offset any losses or gains on physical products to be sold by the refinery in the future. The Intermediation Facility Derivatives, which are used to manage exposure to movements in commodity prices, are further discussed in Section 10.
- Income tax recovery of \$13.9 million was recorded in 2017 compared to expense of \$19.8 million in 2016 primarily due to a \$19.0 million deferred tax recovery on the tax attribute of purchased goodwill relating to a past acquisition and a \$6.6 million deferred tax recovery for changes in US tax rates, partially offset by higher net earnings before income taxes.
- As a result of the above main drivers, net earnings in 2017 were \$82.3 million compared to \$47.2 million for the same period in 2016.

4. SEGMENT RESULTS

Refer to Note 24 of the Annual Consolidated Financial Statements for a description of Parkland's segments.

Retail Fuels

Overview

Parkland Retail Fuels supplies and supports a network of 1,848 retail gas stations in Canada. Parkland operates under six key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates the leading convenience store brand, On the Run / Marché Express. Parkland has other convenience store brands, and those that meet the required standards for On the Run / Marché Express will be migrated over time. Parkland's multi-brand strategy, as described below, provides a robust offering to satisfy many fuel market segments:

- **Ultramar** - Ultramar is one of the most recognized retail fuel brands in Quebec and Atlantic Canada. Parkland has exclusive rights to use the Ultramar brand with the exception of Couche-Tard's right to use the brand at certain retail sites that were retained by Couche-Tard as part of the Ultramar Acquisition.
- **Esso** - The Esso-branded wholesaler agreement provides Parkland with the opportunity to offer Esso's nationally recognized premium brand to Parkland's own network and to independent dealers.

- **Fas Gas Plus** - Fas Gas Plus is a community-focused independent brand that brings consumers an urban offering in non-urban markets through large, well-merchandised convenience stores, a strong loyalty program and knowledgeable and friendly retailer operators and dealers. Parkland's strategy is to continue maximizing penetration of this brand throughout our traditional non-urban markets by acquiring new sites as well as modernizing and maintaining existing sites to the highest of Parkland's standards.
- **Chevron** - Chevron is a premium brand principally located in the Greater Vancouver area with locations across British Columbia. Other services include Town Pantry branded convenience stores and Triple O branded franchise restaurants. Parkland is an exclusive distributor of Chevron-branded fuels.
- **Pioneer** - Pioneer is an Ontario-based brand with high customer value largely located in suburban/commuter markets that offers a market leading competitive fuel price, a regionally relevant loyalty program and convenient locations.
- **Race Trac** - Race Trac is designed for dealers who want to operate independently in the retail market and not be restricted by the requirements of other brand offerings. Parkland has focused on enhancing the brand value of Race Trac.
- **On the Run / Marché Express convenience store brand** - Parkland owns the franchisor rights to approximately 80 On the Run / Marché Express convenience store franchise agreements and the associated trademarks in Canada. On the Run / Marché Express provides Parkland with a nationally recognized and reputable convenience store brand that is expected to grow and enhance our convenience store offering.
- **Other** - In most cases, "Other" represents brands that are being migrated to Parkland's primary brand offerings over time.

On June 28, 2017, Parkland closed the Ultramar Acquisition, adding 654 sites to our network primarily operating under the Ultramar brand and also as a branded wholesaler for Esso and Shell. With many of the Ultramar-branded retail sites located in prime urban locations, the Ultramar Acquisition extends Parkland's Retail Fuels network coverage in Quebec and Atlantic Canada and further enhances our presence in Ontario.

On October 1, 2017, Parkland closed the Chevron Acquisition, adding 129 Chevron-branded retail sites centred primarily in the greater Vancouver area and enhancing Parkland's Retail Fuels network coverage in British Columbia.

Business models

Parkland Retail Fuels operates under several main business models:

- **Company**
The Company business model includes sites that are owned or leased by Parkland, and are operated and managed by either Parkland or by independent retailers on its behalf. Parkland owns the fuel inventory and maintains control of the retail selling price at the pumps. Convenience store inventory may be owned by the retailer or Parkland. If the site is operated by a retailer, Parkland pays the retailer a "cents-per-litre" commission on the fuel sales and collects from the retailer a fixed rent for the facilities, plus a percentage rent on the convenience store sales or gross margin. Sites operating under industry models such as "company-owned retailer-operated" (also known as "CORO") and "company-owned company-operated" (also known as "COCO") are included under the Company business model.
- **Dealer**
The Dealer business model includes sites owned or leased by an independent dealer or Parkland, and are operated and managed by the independent dealer. Parkland secures long-term fuel supply contracts with the dealer, usually between 5 and 20 years of length, and supplies fuel to the dealer based on independently published rack prices. The dealer owns the fuel inventory and maintains control of the retail price selling at the pumps, unless the inventory was sold to the dealer by Parkland on consignment, in which case Parkland owns the fuel inventory and maintains control of the retail price selling at the pumps. Convenience store inventory is owned by the dealer. Sites operating under industry models such as "dealer-owned dealer-operated" (also known as "DODO"), "company-owned dealer-operated" (also known as "CODO"), or consignment dealer-operated are included under the Dealer business model.

Ultramar Retail Fuels operating model

Ultramar Company sites include company-operated sites where Parkland is fully responsible for managing the site, including hiring employees to operate the site. This is different from the Company sites of Parkland's Base Business, where sites are managed by independent retailers who earn a cents-per-litre commission on fuel sales and where Parkland collects rent from the retailer based on fuel volumes and convenience store sales. As a result, the introduction of the Ultramar Company sites increases fuel and petroleum adjusted gross profit in Retail Fuels, while also increasing operating costs and marketing, general and administrative expenses as well as net unit operating costs ("NUOC") in Retail Fuels.

Chevron Retail Fuels operating model

The sites acquired as part of the Chevron Acquisition are substantially Company sites that operate under the CORO model, in contrast to Parkland's Base Business, which contains a mix of Company and Dealer sites with Dealer sites as a majority. Company sites earn higher fuel margins but run higher operating costs and marketing, general and administrative expenses compared to Dealer sites. As a result, the introduction of Chevron Retail Fuels increases fuel and petroleum adjusted gross profit, operating costs, marketing, general and administrative expenses and NUOC for the Retail Fuels segment.

Site count by brand and business model

The following table provides site count by brand and business model within the Retail Fuels segment:

	Ultramar	Esso	Fas Gas Plus	Chevron	Pioneer	Race Trac	Other	Total
Company sites	146	70	90	160	118	1	11	596
Dealer sites	493	518	104	18	36	65	18	1,252
Site count, as at December 31, 2017	639	588	194	178	154	66	29	1,848
Company sites	—	68	87	31	120	1	—	307
Dealer sites	—	526	87	13	34	73	35	768
Site count, as at December 31, 2016	—	594	174	44	154	74	35	1,075
Net change in site count	639	(6)	20	134	—	(8)	(6)	773

The increase in retail sites was primarily attributable to the Ultramar Acquisition on June 28, 2017, which added 654 Company and Dealer sites in Quebec, Ontario and Atlantic Canada, including 632 Ultramar-branded service stations. In addition, the Chevron Acquisition on October 1, 2017 added 129 Chevron-branded sites in British Columbia. The remaining change in site counts during the year is primarily attributable to site divestitures in connection with the Acquisitions, network plan optimization, as well as routine site count fluctuations from new dealers, conversions, sold sites, or closed or de-branded sites.

Retail Fuels segment performance highlights

Retail Fuels Adjusted EBITDA grew 183% to \$94.4 million for the fourth quarter and increased 66% to \$230.9 million for the year ended December 31, 2017 compared to the respective periods in the prior year. These increases were primarily driven by the addition of 773 sites in the Parkland network and seeing improvements as Parkland begins to leverage our scale to drive synergies, efficiency and margin improvements. Excluding the impact of the Acquisitions, the Base Business showed strong organic growth for both the fourth quarter of 2017 and for the year ended December 31, 2017, which were well in line with Parkland's strategic organic growth targets. This was primarily driven by improved fuel margins on gasoline and diesel sales partially offset by softer volume.

The Retail Fuels segment experienced continued success in Company C-Store SSSG. Overall Company C-Store SSSG was 3.3% for the three months ended December 31, 2017 (which includes the Acquisitions) and 3.5% for the year ended December 31, 2017 (which excludes the Acquisitions). These growth rates are well within Parkland's strategic organic growth targets. Company C-Store SSSG continued its trend of positive quarter-on-quarter organic growth, driven by improved national category management and promotion planning with improved scale, and continued focused execution on converting forecourt fuel sales to backcourt C-store sales.

	Three months ended December 31,				Year ended December 31,			
(\$ millions, unless otherwise noted)	2017	2016	Change	%	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,730.5	935.9	794.6	85 %	5,208.8	3,716.8	1,492.0	40%
Sales and operating revenue	1,599.9	725.7	874.2	120 %	4,504.3	2,751.6	1,752.7	64%
Fuel and petroleum product adjusted gross profit ⁽²⁾	154.8	50.4	104.4	207 %	373.4	203.7	169.7	83%
Non-fuel adjusted gross profit ⁽²⁾	36.1	14.5	21.6	149 %	96.3	56.2	40.1	71%
Adjusted gross profit ⁽²⁾	190.9	64.9	126.0	194 %	469.7	259.9	209.8	81%
Operating costs ⁽⁸⁾	80.7	25.1	55.6	222 %	197.0	97.0	100.0	103%
Marketing, general and administrative	15.8	6.4	9.4	147 %	41.8	24.1	17.7	73%
Adjusted EBITDA ⁽²⁾	94.4	33.4	61.0	183 %	230.9	138.8	92.1	66%
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	8.95	5.39	3.56	66 %	7.17	5.48	1.69	31%
Operating costs ⁽⁸⁾ (cpl)	4.66	2.68	1.98	74 %	3.78	2.61	1.17	45%
Marketing, general and administrative (cpl)	0.91	0.68	0.23	34 %	0.80	0.65	0.15	23%
Adjusted EBITDA ⁽²⁾ (cpl)	5.46	3.57	1.89	53 %	4.43	3.73	0.70	19%
Volume same-store sales growth ("SSSC") ⁽⁵⁾⁽⁶⁾	(2.2)%	2.1%	(4.3p.p.)		(1.7)%	0.3%	(2.0p.p.)	
Company C-Store same-store sales growth ("SSSC") ⁽⁵⁾	3.3 %	0.9%	2.4p.p.		3.5 %	3.8%	(0.3p.p.)	
TTM net unit operating cost ("NUOC") ⁽⁵⁾ (cpl)	2.74	1.75	0.99	57 %				
Company sites:								
TTM volume ⁽⁴⁾⁽⁶⁾ (million litres)	2,463.0	1,791.4	671.6	37 %				
TTM average number of active sites ⁽⁴⁾⁽⁷⁾	470	307	163	53 %				
TTM average volume per active site ⁽⁴⁾⁽⁶⁾ (million litres)	5.2	5.8	(0.6)	(10)%				
Dealer sites:								
TTM volume ⁽⁴⁾⁽⁶⁾ (million litres)	2,742.4	1,921.3	821.1	43 %				
TTM average number of active sites ⁽⁴⁾⁽⁷⁾	962	751	211	28 %				
TTM average volume per active site ⁽⁴⁾⁽⁶⁾ (million litres)	2.9	2.6	0.3	12 %				

⁽¹⁾ Includes diesel, gasoline and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽⁵⁾ See Section 12 of this MD&A for an explanation of this KPI. Results of the Acquisitions are included in this KPI for the three months ended December 31, 2017 and 2016, but excluded from the years ended December 31, 2017 and 2016.

⁽⁶⁾ Volume includes diesel and gasoline volumes, but excludes propane volumes sold at retail sites.

⁽⁷⁾ Calculated on a weighted average basis.

⁽⁸⁾ Operating costs and operating costs (cpl) were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Q4 and Q4 YTD - 2017 vs. 2016

Fuel volumes increased 85% for the fourth quarter of 2017 and 40% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, Base Business fuel volumes decreased slightly during the fourth quarter due to the divestiture of certain sites in connection with the closing of the Acquisitions. Base Business volume remained relatively consistent with prior year for the year ended December 31, 2017.

Sales and operating revenue increased 120% for the fourth quarter of 2017 and 64% for the year ended December 31, 2017 as a result of the Acquisitions and rising fuel and petroleum commodity prices for the Base Business.

Adjusted gross profit consists of: (i) fuel and petroleum product adjusted gross profit primarily from gasoline and diesel sales, and (ii) non-fuel adjusted gross profit primarily from convenience store rents, car wash revenue, sales of select merchandise, and other ancillary sales. Fuel and petroleum product adjusted gross profit increased 207% for the fourth quarter of 2017 and 83% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, fuel and petroleum product adjusted gross profit for the Base Business increased for both periods mainly as a result of improved fuel margins. Non-fuel adjusted gross profit increased 149% for the fourth quarter and 71% for the year ended December 31, 2017 largely due to the contribution of the Acquisitions. Excluding the impact of the Acquisitions, Base Business non-fuel adjusted gross profit remained relatively consistent with prior year, primarily due to strong Company C-store SSSG from backcourt convenience store optimization resulting in better conversion rates, offset by lower non-fuel gross profit on select merchandise and lower vendor rebates.

Operating costs are expenses incurred primarily at Company sites, including retailer fuel commissions, supplies and costs associated with owning and maintaining the property, building and equipment such as rents, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs increased 222% for the fourth quarter of 2017 and 103% for the year ended December 31, 2017 mainly as a result of the Acquisitions. Excluding the impact of the Acquisitions, operating costs increased slightly for both periods primarily due to higher variable credit card transaction fees due to higher street pump prices and additional larger format new-to-industry Company site locations.

Marketing, general and administrative expenses in Retail Fuels include marketing, real estate, finance, operations, credit, network development and infrastructure expenses. Marketing, general and administrative expenses increased 147% for the fourth quarter of 2017 and 73% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, these expenses increased during the three months and year ended December 31, 2017 primarily as a result of investments made in On the Run / Marché Express new store concepts and merchandise marketing programs to drive long-term future growth in volume and backcourt convenience store sales, along with increases in labour and contracted service costs associated with growing our legacy operations in Quebec.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased 66% for the fourth quarter of 2017 and 31% for the year ended December 31, 2017 primarily due to the Acquisitions, which have a different operating model from the Base Business that earn higher adjusted gross profit as discussed in the "Ultramar Retail Fuels operating model" and "Chevron Retail Fuels operating model" sections above. Excluding the impact of the Acquisitions, fuel and petroleum adjusted gross profit on a cpl basis for the Base Business increased 21% for the fourth quarter of 2017 and 7% for the year ended December 31, 2017 mainly due to stronger fuel margins.

Operating costs on a cpl basis increased 74% for the fourth quarter of 2017 and 45% for the year ended December 31, 2017 primarily due to the Acquisitions, which have higher cost operating models as discussed in the "Ultramar Retail Fuels operating model" and "Chevron Retail Fuels operating model" sections above. Excluding the impact of the Acquisitions, operating costs on a cpl basis increased 8% for the fourth quarter of 2017 and 5% for the year ended December 31, 2017 largely due to twelve new-to-industry retail stations added within the last year as well as new larger format Company sites introduced in 2016 that have the effect of increasing operating costs on a cpl basis. Furthermore, increased variable credit card transaction fees due to higher street pump prices contributed to an increase in operating costs on a cpl basis.

Marketing, general and administrative expenses on a cpl basis increased 34% for the fourth quarter of 2017 and 23% for the year ended December 31, 2017 primarily due to the Acquisitions, which have a different operating model with higher marketing, general and administrative expenses as described above. Excluding the Acquisitions, expenses on a cpl basis increased 13% for the fourth quarter of 2017 and 16% for the year ended December 31, 2017 due to investments made in On the Run / Marché Express new store concepts and merchandise marketing programs to drive long-term future growth in volume and backcourt convenience store sales.

For the purposes of this MD&A, Volume SSSG and Company C-Store SSSG include the results of the Acquisitions for the three months ended December 31, 2017 and 2016, but exclude the results of the Acquisitions for the years ended December 31, 2017 and 2016.

Volume SSSG was -2.2% for the fourth quarter of 2017 compared to 2.1% growth in the prior year, and -1.7% for the year ended December 31, 2017 compared to 0.3% for the same period in 2016.

Company C-Store SSSG improved to 3.3% for the fourth quarter of 2017 compared to 0.9% for the same period of 2016 as a result of the Acquisitions as well as 2.3% Company C-Store SSSG in the Base Business. These increases, experienced in both Western and Eastern Canada, were driven by improved national category management and promotion planning with improved scale, and continued focused execution on converting forecourt fuel sales to backcourt C-store sales. Parkland also saw growth in higher margin, sustainable categories such as confectionery. On a full-year basis, while the Base Business saw excellent Company C-Store SSSG of 3.5% for the year ended December 31, 2017, the previous year saw slightly stronger growth at 3.8% as a result of convenience store refresh programs associated with the Pioneer Energy acquisition and other improvement initiatives that led to a high improvement in same-store sales in Eastern Canada. Overall, in 2017, Parkland experienced encouraging results in the west, and continues to focus on maintaining momentum in the east.

NUOC was higher by 57% in the trailing twelve months ended December 31, 2017 compared to the same period in 2016 primarily due to the Acquisitions, which have different operating models with higher NUOC, as described above. Excluding the impact of the Acquisitions, NUOC increased 12% in the trailing twelve months ended December 31, 2017 largely due to higher operating costs associated with twelve new-to-industry retail stations added within the last year, new larger format Company sites introduced in 2016 that have higher operating costs, higher variable credit card transaction fees from higher pump prices, and higher marketing, general and administrative expenses for investments in marketing initiatives to drive long-term future growth.

Average volume per active site decreased 10% for Company sites and increased 12% for Dealer sites primarily due to the Ultramar Acquisition, which has lower volumes per Company site and higher volumes per Dealer site due to the nature and location of the sites acquired. Excluding the impact of the Acquisitions, average volume per active Company and Dealer site for the Base Business remained relatively consistent year-over-year.

Commercial Fuels

Overview

Parkland Commercial Fuels delivers bulk fuel, bulk and cylinder exchange propane, heating oil, lubricants and other related products and services to commercial, industrial and residential customers in Canada through an extensive delivery network. Parkland Commercial Fuels uses a variety of regionally relevant trade names, service marks and trademarks in the businesses that are considered important and valuable in marketing its products. The family of brands in this segment include Chevron, Ultramar, Bluewave Energy, Columbia Fuels, Sparlings Propane, Island Petroleum, Pipeline Commercial, Propane Nord-Ouest ("PNO") and PNE Propane ("PNE"). Parkland Commercial Fuels' customer base is diverse, supplying a broad cross-section of industries across Canada including oil and gas, construction, mining, forestry, fishing and transportation. Parkland Commercial Fuels also sells propane and heating oil to residential customers.

The Ultramar Acquisition that closed on June 28, 2017 added 73 commercial cardlock sites and 30 commercial and home heating sites to our network primarily under the Pipeline Commercial and Ultramar brands, extending our network coverage in Quebec and Atlantic Canada and further enhancing our presence in Ontario.

The Chevron Acquisition that closed on October 1, 2017 added 37 commercial cardlock locations, enhancing Parkland's Commercial Fuels network coverage in British Columbia and Alberta.

Ultramar Commercial Fuels operating model

Ultramar Commercial Fuels includes a cardlock business with commercial truck fuelling stations located near highways as well as a commercial and home heat business that distributes heating oil and motor fuels to residential and commercial customers. Unlike Parkland's Base Business, Ultramar Commercial Fuels does not have significant propane, bulk fuel or lubricant operations, and does not operate a cylinder exchange program, which all carry higher operating costs. As a result, the introduction of Ultramar Commercial Fuels reduces fuel and petroleum adjusted gross profit, operating costs and marketing, general and administrative expenses on a cpl basis for Commercial Fuels.

Chevron Commercial Fuels operating model

Chevron's Commercial Fuels business includes a cardlock business with truck fuelling stations as well as a commercial business that serves large wholesale customers. As such, Chevron Commercial Fuels is a higher volume, lower margin business and unlike Parkland's Base Business, it does not serve residential customers or operate a cylinder exchange, which carry relatively higher operating costs. Moreover, it has lower overhead costs since it does not have branches or bulk storage facilities, and uses third-party carriers instead of owned trucks to deliver fuel. As a result, the introduction of Chevron Commercial Fuels reduces fuel and petroleum adjusted gross profit, operating costs and marketing, general and administrative expenses on a cpl basis for Commercial Fuels.

Commercial Fuels segment performance highlights

Adjusted EBITDA grew 76% for the fourth quarter of 2017 and 43% for the year ended December 31, 2017 compared to the same periods in 2016, primarily due to the impact of the Chevron and Ultramar Acquisitions. Excluding the impact of the Acquisitions, the Commercial Fuels Base Business saw exceptional results in both periods with excellent growth driven by an increase in fuel volumes and related service contributions across the segment from strong organic growth efforts, the impact of recent customer wins, and contributions from PNE's propane cylinder exchange business acquired in December 2016. In particular, Base Business propane volume increased 26% for the fourth quarter of 2017 and 36% for the year ended December 31, 2017 against the respective periods in 2016. Furthermore, marketing, general and administrative expenses on a cpl basis decreased 6% for the Base Business for the year ended December 31, 2017 as a result of effective cost management. In addition, the Base Business trailing-twelve-month operating ratio improved from 74.9% to 73.9% as a result of successful cost control initiatives, despite increased volumes and adjusted gross profit through organic growth and acquisitions.

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2017	2016	Change	%	2017	2016	Change	%
Gas and diesel volume (million litres)	753.4	275.4	478.0	174 %	1,845.0	1,080.3	764.7	71 %
Propane volume (million litres)	134.3	105.6	28.7	27 %	401.7	295.4	106.3	36 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	887.7	381.0	506.7	133 %	2,246.7	1,375.7	871.0	63 %
Sales and operating revenue	685.4	303.1	382.3	126 %	1,780.0	1,063.9	716.1	67 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	73.6	43.7	29.9	68 %	202.5	152.5	50.0	33 %
Non-fuel adjusted gross profit ⁽²⁾	16.1	11.2	4.9	44 %	60.3	43.8	16.5	38 %
Adjusted gross profit ⁽²⁾	89.7	54.9	34.8	63 %	262.8	196.3	66.5	34 %
Operating costs ⁽⁵⁾	49.6	32.9	16.7	51 %	157.5	122.2	35.3	29 %
Marketing, general and administrative	12.4	6.3	6.1	97 %	34.9	24.9	10.0	40 %
Adjusted EBITDA ⁽²⁾	27.7	15.7	12.0	76 %	70.4	49.2	21.2	43 %
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	8.29	11.47	(3.18)	(28)%	9.01	11.09	(2.08)	(19)%
Operating costs ⁽⁵⁾ (cpl)	5.59	8.64	(3.05)	(35)%	7.01	8.88	(1.87)	(21)%
Marketing, general and administrative (cpl)	1.40	1.65	(0.25)	(15)%	1.55	1.81	(0.26)	(14)%
Adjusted EBITDA ⁽²⁾ (cpl)	3.12	4.12	(1.00)	(24)%	3.13	3.58	(0.45)	(13)%
TTM operating ratio ⁽³⁾⁽⁴⁾	73.2%	74.9%	(1.7p.p.)					

⁽¹⁾ Includes diesel, gasoline and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽⁵⁾ Operating costs and operating costs (cpl) were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Q4 and Q4 YTD - 2017 vs. 2016

Fuel volumes increased 133% for the fourth quarter of 2017 and 63% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, Base Business fuel volumes grew for both the three months and year ended December 31, 2017, driven by 26% and 36% growth in propane volumes respectively as a result of strong organic growth and the impact of business acquisitions completed in 2016. Furthermore, Base Business gas and diesel volumes increased for the year ended December 31, 2017, driven by early signs of increased economic activity in the oil and gas sector in Western Canada, along with increased industrial volumes in Eastern Canada.

Sales and operating revenue increased 126% for the fourth quarter of 2017 and 67% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, sales and operating revenue increased for the year ended December 31, 2017 largely due to growth in fuel and petroleum product volume, driven by propane volume growth in both Western and Eastern Canada as well as rising fuel and petroleum commodity prices.

Adjusted gross profit increased 63% for the fourth quarter of 2017 and 34% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, adjusted gross profit saw excellent growth during both periods primarily due to an increase in fuel volumes and related service contributions across the segment. The increase in non-fuel adjusted gross profit is mainly attributable to contribution from PNE's propane cylinder exchange business acquired in December 2016.

Operating costs include driver and administrative labour, fleet maintenance and operating costs, third-party delivery expenses, and costs associated with owning and maintaining land, buildings and equipment such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs increased 51% for the fourth quarter of 2017 and 29% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, operating costs increased for both periods mainly as a result of additional labour and other fuel delivery costs, driven by higher volumes in 2017 as well as the growth impact of various business acquisitions completed in 2016. Removing the impact of PNE, which has a different operating model, operating costs in the Base Business increased minimally despite greater volumes and increased business as a result of meaningful progress made in driving efficiencies and reducing costs.

Marketing, general and administrative expenses in the Commercial Fuels business are typically fixed in nature and do not vary significantly with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses increased 97% for the fourth quarter of 2017 and 40% for the year ended December 31, 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, these expenses increased slightly for both periods despite increased sales, operations and the activities of PNE Propane acquired in December 2016, as Parkland continues to place a strong emphasis on cost management.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 28% for the fourth quarter of 2017 and 19% for the year ended December 31, 2017 primarily due to the Acquisitions, which have a different business sales mix and margin structure as discussed in the "Ultramar Commercial Fuels operating model" and "Chevron Commercial Fuels operating model" sections above. Excluding the impact of the Acquisitions, Base Business fuel and petroleum product adjusted gross profit on a cpl basis remained consistent with the prior year for both periods due to strengthening distillate margins, offset by growth in propane volumes that have inherently lower margins.

Operating costs on a cpl basis decreased 35% for the fourth quarter of 2017 and 21% for the year ended December 31, 2017 primarily due to the Acquisitions, which have lower operating cost models, as discussed above. Excluding the impact of the Acquisitions, operating costs on a cpl basis decreased 2% for the fourth quarter of 2017 as a result of successful cost control initiatives, such as the roll out of fleet routing and dispatch automation. For the year ended December 31, 2017, operating costs on a cpl basis increased by 4% due to the impact of PNE's propane cylinder exchange business, which is seasonally focused in the summer months and has a higher operating cost base and has seen significant volume growth year-over-year. Excluding the impact of PNE, operating costs for the Base Business improved on a cpl basis for both periods as a result of Parkland's continued focus on cost control.

Marketing, general and administrative expenses on a cpl basis decreased 15% for the fourth quarter of 2017 and 14% for the year ended December 31, 2017 primarily due to the Acquisitions, which have lower operating cost models as explained above. For the Base Business, this metric remained relatively stable for the fourth quarter of 2017 and decreased 6% for the year ended December 31, 2017 despite increased fuel volumes, due to an emphasis on cost management.

The TTM operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, improved from 74.9% to 73.2% primarily due to the impact of the different operating model of the Acquisitions. Excluding the impact of the Acquisitions, the improvement from 74.9% to 73.9% was a result of successful cost control initiatives, despite increased volumes and adjusted gross profit through organic growth and acquisitions.

Supply

Parkland's Supply segment optimizes fuel supply by operating the Burnaby Refinery, contracting and purchasing fuel from other refiners and suppliers, distributing through third-party rail and highway carriers, storing fuel in owned and leased facilities, serving wholesale and reseller customers in North America, and producing and selling aviation fuel to airlines operating out of the Vancouver International Airport. Supply serves internal Parkland operating segments as well as external customers and markets products via the "Parkland", "Les Pétroles Parkland", "Elbow River Marketing" and "Chevron" brands. Major sales categories are:

- gas and diesel;
- liquid petroleum gas ("LPG"), which includes propane and butane; and
- other fuel and petroleum products, which include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.

Contracts - Parkland maintains fuel supply contracts with multiple oil refiners, wholesale and trading suppliers. This diversity of supply contracts, combined with strategic storage and logistics infrastructure, allows Parkland to obtain fuel at competitive prices and enhances fuel supply security for Parkland owned sites and for all Parkland customers.

Purchases - Supply sources fuel from third-party suppliers and sells, at an arm's length transfer price, to Parkland's Retail Fuels, Commercial Fuels, Parkland USA and external wholesaler customers. Supply also provides transportation services to the Retail Fuels and Commercial Fuels segments. Parkland utilizes its leased rail car fleet and leverages its network of North American relationships with a view to match purchase and sales contracts and execute on a strategy of geographic arbitrage.

Storage - Parkland's supply network has access to owned fuel storage terminals at uniquely situated geographical areas in Burnaby, Hatch Point and Port Hardy, British Columbia and Bowden, Alberta, as well as leased terminals in Montréal, Quebec and other parts of North America.

Burnaby Refinery

As part of the Chevron Acquisition, Parkland acquired a 55,000 bpd light / sweet crude refinery in Burnaby, British Columbia, which is ideally located to serve the British Columbia market given its access to cost advantaged sources of crude. It is the only refinery in the Vancouver area, and is the largest of only two refineries in the province. Additionally, the Burnaby Refinery is highly integrated with the Retail Fuels, Commercial Fuels and Supply wholesale business purchased as part of the Chevron Acquisition, with the majority of its production sold internally to these operating segments.

Supply segment performance highlights

Supply Adjusted EBITDA for the fourth quarter of 2017 was \$93.1 million compared to \$33.9 million in the fourth quarter of 2016, and grew from \$96.7 million in 2016 to \$158.6 million in 2017 primarily due to the impact of the Acquisitions and continued efforts in executing Parkland's supply strategy, aided by robust crack spreads and higher refining margins. Excluding the impact of the Acquisitions, Base Business Adjusted EBITDA decreased for both periods primarily due to softer performance in the crude and LPG business, partially offset by meaningful progress made in our supply strategy, stronger performance in gas and diesel, and decreases in Base Business operating costs and marketing, general and administrative expenses. The team is committed to driving ongoing improvements to our supply economics and supply optionality as part of our supply strategy, while implementing cost control initiatives to reduce operating costs.

The Parkland refinery team is currently completing activities for the Turnaround, which is progressing well and in accordance with plan. Amounts capitalized within maintenance capital expenditures for the Turnaround was \$15.9 million for the three months and year ended December 31, 2017. Amounts expensed as operating costs for the Turnaround was \$2.7 million for the three months and year ended December 31, 2017. See Section 13 for a detailed discussion on the Turnaround.

	Three months ended December 31,				Year ended December 31,			
(\$ millions, unless otherwise noted)	2017	2016	Change	%	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,583.4	1,248.5	334.9	27%	4,933.8	4,410.7	523.1	12 %
Sales and operating revenue	898.5	558.7	339.8	61%	2,565.1	1,863.8	701.3	38 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	164.4	58.5	105.9	181%	280.8	173.1	107.7	62 %
Non-fuel adjusted gross profit ⁽²⁾	6.6	3.2	3.4	106%	13.9	14.7	(0.8)	(5)%
Adjusted gross profit ⁽²⁾	171.0	61.7	109.3	177%	294.7	187.8	106.9	57 %
Operating costs ⁽³⁾	59.0	13.8	45.2	328%	88.5	48.8	39.7	81 %
Marketing, general and administrative	18.9	14.0	4.9	35%	47.6	42.3	5.3	13 %
Adjusted EBITDA ⁽²⁾	93.1	33.9	59.2	175%	158.6	96.7	61.9	64 %
KPI:								
Refinery utilization	94.4 %							

⁽¹⁾ Includes external diesel, gasoline, propane, crude oil and other volumes. Intersegment volumes, including volumes produced by the refinery and transferred to the Retail Fuels and Commercial Fuels segments, are excluded from these reported volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Operating costs were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Q4 and Q4 YTD - 2017 vs. 2016

Fuel volumes increased 27% for the fourth quarter of 2017 and 12% for the year ended December 31, 2017 primarily due the Chevron Acquisition. Excluding the impact of the Chevron Acquisition, Base Business fuel volumes decreased for the fourth quarter of 2017 due to softer volumes in the crude and LPG businesses, partially offset by volume increases in gas and diesel. Meanwhile, Base Business fuel volumes for the year ended December 31, 2017 increased primarily due to increases in LPGs, gas and diesel volumes on an overall annual basis.

Sales and operating revenue increased 61% for the fourth quarter of 2017 and 38% for the year ended December 31, 2017 mainly due to the Chevron Acquisition. In addition, Base Business sales and operating revenue showed strong increases for both periods due to higher commodity prices as well as volume increases primarily in propane, gas and diesel.

Adjusted gross profit increased 177% for the fourth quarter of 2017 and 57% for the year ended December 31, 2017 due to the Chevron Acquisition. Excluding the impact of the Chevron Acquisition, Base Business adjusted gross profit decreased for both periods primarily due to narrower margins in the crude business and softer contributions from the LPG business, partially offset by improvements in supply economics.

Operating costs increased 328% for the fourth quarter of 2017 and 81% for the year ended December 31, 2017 primarily as a result of the Chevron Acquisition, including Turnaround costs. Excluding the impact of the Chevron Acquisition, Base Business operating costs decreased for both periods due to lower leased rail car costs and lower storage costs from the optimization of Parkland's distribution network. Parkland is committed to driving ongoing cost improvements in our storage and distribution capabilities as part of our supply advantage strategy.

Marketing, general and administrative expenses, which relate to employee and market development costs, increased 35% for the fourth quarter of 2017 and 13% for the year ended December 31, 2017 largely due to the Chevron Acquisition. Excluding the impact of the Chevron Acquisition, Base Business marketing, general and administrative expenses decreased for both periods due to lower variable compensation expenses and the successful implementation of continued cost control initiatives.

Refinery utilization is a key performance indicator that measures the throughput of the Burnaby Refinery, and is expressed as a percentage of the capacity of the units at the Burnaby Refinery. Refinery utilization for the fourth quarter of 2017 was 94.4%.

Parkland USA

Overview

Parkland USA is an independent fuel marketer headquartered in Minot, North Dakota. Parkland USA supplies and distributes refined petroleum products throughout North Dakota, Montana, Minnesota, South Dakota and Wyoming. Parkland USA is a platform for growth in the Northwest United States and provides Parkland export opportunities for products from Western Canada. Additionally, this segment enhances supply capabilities by leveraging Parkland's rail assets. The brands in this segment include Farstad Oil and Superpumper. Parkland USA operates and generates profits from the following divisions:

- **Wholesale** - Farstad Oil manages Parkland USA's fuel supply contracts, purchases fuel from suppliers, distributes through third-party rail and highway carriers, and serves wholesale customers, retailers, small resellers and commercial operators. Parkland USA operates a fleet of approximately 75 trucks that deliver wholesale fuels and commercial lubricants to customers.
- **Retail** - This division operates and services a network of retail service stations. Parkland USA owns and operates Superpumper, a proprietary convenience store brand. Parkland USA operates service stations under the following business models:
 - **Company sites:** Parkland USA owns 25 Superpumper sites and directly operates them with Parkland USA employees, often co-branded with a major refinery brand in the forecourt.
 - **Dealer sites:** Dealers own or lease their own sites and enter into a contract with Parkland USA for fuel supply, the rights to a brand offering, and a point-of-sale system. Over the term of the agreement, Parkland USA supplies fuel to the dealer based on rack prices that can fluctuate frequently. The dealer owns the fuel inventory and maintains control of the retail selling price at the pumps. This division supplies to 180 dealer sites, which include a number of multi-site dealer chains with both branded and unbranded relationships.
- **Lubricants** - Parkland USA delivers Exxon Mobil and private label lubricants to commercial, industrial and wholesale customers through an extensive delivery network in the regions we operate.

Parkland USA segment performance highlights

Adjusted EBITDA increased 6% for the year ended December 31, 2017 primarily due to growth in the lubricants business, growth in the retail division with the addition of three new sites in Wyoming, as well as organic growth at existing sites. For the fourth quarter of 2017, Adjusted EBITDA decreased 7% as a result of restructuring related expenses. Excluding these non-recurring costs, Adjusted EBITDA increased 5% for the fourth quarter of 2017 and 9% for the year ended December 31, 2017.

The Parkland USA segment experienced strong sales and operating revenue increases of 22% for the fourth quarter of 2017 and 21% for the year ended December 31, 2017, in part due to volume increases of 5% and 3% respectively, driven by gas and diesel. In addition, lubricant volumes increased 21% and 11% for the three months and year ended December 31, 2017, respectively. In addition, despite the increase in volumes and business, operating costs remained relatively stable for the year ended December 31, 2017 and the TTM operating ratio improved from 75.7% to 74.8%. This reflects our commitment to successfully implement cost control measures while driving business growth.

	Three months ended December 31,				Year ended December 31,			
(\$ millions, unless otherwise noted)	2017	2016	Change	%	2017	2016	Change	%
Retail volume (million litres)	35.4	29.7	5.7	19 %	137.9	108.9	29.0	27 %
Wholesale volume (million litres)	194.4	188.3	6.1	3 %	805.1	803.1	2.0	— %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	229.8	218.0	11.8	5 %	943.0	912.0	31.0	3 %
Sales and operating revenue	185.4	152.4	33.0	22 %	710.4	586.2	124.2	21 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	8.0	7.9	0.1	1 %	31.3	31.6	(0.3)	(1) %
Non-fuel adjusted gross profit ⁽²⁾	8.2	8.0	0.2	3 %	33.5	31.8	1.7	5 %
Adjusted gross profit ⁽²⁾	16.2	15.9	0.3	2 %	64.8	63.4	1.4	2 %
Operating costs ⁽⁵⁾	9.9	9.7	0.2	2 %	40.6	40.4	0.2	— %
Marketing, general and administrative	2.4	2.0	0.4	20 %	7.9	7.6	0.3	4 %
Adjusted EBITDA ⁽²⁾	3.9	4.2	(0.3)	(7) %	16.3	15.4	0.9	6 %
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	3.48	3.62	(0.14)	(4) %	3.32	3.46	(0.14)	(4) %
Operating costs ⁽⁵⁾ (cpl)	4.31	4.45	(0.14)	(3) %	4.31	4.43	(0.12)	(3) %
Marketing, general and administrative (cpl)	1.04	0.92	0.12	13 %	0.84	0.83	0.01	1 %
Adjusted EBITDA ⁽²⁾ (cpl)	1.70	1.93	(0.23)	(12) %	1.73	1.69	0.04	2 %
TTM operating ratio ⁽³⁾⁽⁴⁾	74.8%	75.7%	(0.9p.p.)					

⁽¹⁾ Includes diesel, gasoline and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽⁵⁾ Operating costs and operating costs (cpl) were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Q4 and Q4 YTD - 2017 vs. 2016

Fuel volumes increased 5% for the fourth quarter of 2017 and 3% for the year ended December 31, 2017 primarily due to the acquisition of three service stations in Wyoming in late 2016 and new customer wins.

Sales and operating revenue increased 22% for the fourth quarter of 2017 and 21% for the year ended December 31, 2017 primarily as a result of rising fuel and petroleum commodity prices and in part due to increased volumes.

Adjusted gross profit increased 2% for both periods primarily due to growth in the lubricants business as well as growth in the retail division with the addition of three new sites in Wyoming and organic growth at existing sites.

Operating costs are incurred at company-owned wholesale or lubricant branches and the 25 Superpumper retail sites. Expenses in this category include wages and benefits for employees, along with the costs associated with owning and maintaining the land, buildings and equipment such as rents, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs increased 2% for the fourth quarter of 2017 and remained consistent with the prior year for the year ended December 31, 2017 as a result of the addition of three sites in Wyoming, offset by successful cost control initiatives despite increased business.

Marketing, general and administrative expenses are typically fixed in nature and do not vary with volume. Expenditures in this category include marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses increased 20% for the fourth quarter of 2017 and 4% for the year ended December 31, 2017 due to restructuring related expenses in the fourth quarter of 2017.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 4% for both periods primarily due to compressed margins and the strengthening of the Canadian dollar against the US dollar.

Operating costs on a cpl basis decreased 3% for both periods due to continued cost control measures despite increased volumes.

Marketing, general and administrative expenses on a cpl basis increased 13% for the fourth quarter of 2017 and 1% for the year ended December 31, 2017 due to the impact of restructuring related expenses in the fourth quarter of 2017. This was partially offset by continued cost control measures, despite additional overhead expenses associated with the acquisition of three service stations in Wyoming.

The TTM operating ratio improved from 75.7% to 74.8% as a result of successful cost control initiatives despite increased volumes from acquisitions and organic growth.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they grow at a slower pace than Parkland's adjusted gross profit.

Corporate segment performance highlights

	Three months ended December 31,				Year ended December 31,			
(\$ millions, unless otherwise noted)	2017	2016	Change	%	2017	2016	Change	%
Marketing, general and administrative	22.4	9.9	12.5	126%	60.2	46.9	13.3	28%
Adjusted EBITDA ⁽¹⁾	(21.3)	(10.1)	(11.2)	111%	(58.4)	(46.6)	(11.8)	25%
Acquisition, integration and other costs	40.7	14.0	26.7	191%	83.7	32.4	51.3	158%
KPI:								
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	4.8%	5.0%	(0.2p.p.)		5.5%	6.6%	(1.1p.p.)	

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

Q4 and Q4 YTD - 2017 vs. 2016

Compared to the equivalent periods in the prior year, marketing, general and administrative expenses increased 126% for the fourth quarter of 2017 and 28% for the year ended December 31, 2017, and corporate Adjusted EBITDA expense increased 111% for the fourth quarter of 2017 and 25% for the year ended December 31, 2017. This increase in corporate expenses was primarily due to the additional corporate functions of the Chevron and Ultramar Acquisitions, partially offset by cost control initiatives in the Base Business and integration synergies.

On a consolidated basis, Parkland achieved a meaningful improvement in corporate marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit, which improved from 5.0% to 4.8% in the fourth quarter of 2017 and from 6.6% to 5.5% for the year ended December 31, 2017 as a result of economies of scale achieved, a focus on driving synergies and successful cost management strategies.

Acquisition, integration and other costs increased from \$14.0 million to \$40.7 million for the fourth quarter of 2017 and from \$32.4 million to \$83.7 million for the year ended December 31, 2017, primarily as a result of closing and integration activities incurred for the Acquisitions.

Acquisition costs were \$14.1 million for the fourth quarter of 2017 (2016 – \$13.3 million) and \$49.7 million for the year ended December 31, 2017 (2016 – \$26.6 million). Costs were higher in 2017 compared to 2016 due to the closing of the Chevron and Ultramar Acquisitions within 95 days of each other. These costs include the legal, consulting and professional expenses, land transfer taxes related to the Acquisitions, as well as the costs of Parkland's in-house corporate development team. The use of an in-house corporate development team with deep industry knowledge provides unique strategic value to Parkland and ensures our ability to acquire prudently and closing acquisitions successfully. Parkland's prudent planning allowed for the Chevron Acquisition to close on October 1, 2017, the first day of the previously announced target close period of the fourth quarter of 2017, and allowed Parkland to benefit of a full quarter of contribution from the Chevron Acquisition.

Integration costs were \$20.6 million for the fourth quarter of 2017 (2016 – \$0.7 million) and \$26.4 million for the year ended December 31, 2017 (2016 – \$4.2 million). Costs were higher in 2017 compared to 2016 due to the integration activities of the Chevron and Ultramar Acquisitions within 95 days of each other. These costs includes IT, consulting and professional expenses and costs. Parkland is working with strategic partners to successfully integrate these acquisitions and drive synergies.

Health and safety

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. We comply with all applicable federal, provincial and local health, safety and environmental requirements in the communities we operate. Parkland is committed to reducing injuries and incidents in our workplaces and at customer sites, actively involving our workers in enhancing our performance, tracking and measuring our performance, and training our workers to ensure they have the knowledge and skills necessary to perform their work safely. Further, Parkland employees have the right to refuse any work they consider to be unsafe.

Lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF") are industry measures of health and safety that provide the number of lost-time incidents and total recordable incidents, respectively, that occurred within a given period relative to a standardized number of hours worked. These measures are calculated by multiplying the number of incidents by 200,000, divided by the total number of employee hours worked. A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift.

The LTIF metric represents the number of people for every 100 employees injured to an extent that they cannot perform any work for a minimum of one day, post-injury.

The table below presents Parkland's consolidated LTIF and TRIF calculated on a trailing-twelve-month basis, including the results of the Acquisitions since the date of their acquisition.

	December 31, 2017	December 31, 2016
TTM LTIF	0.23	0.17
TTM TRIF	2.04	2.59

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted) For the three months ended	2017				2016			
	Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	June 30	Mar 31
Financial Summary								
Sales and operating revenue	3,369.2	2,600.6	1,806.2	1,784.5	1,740.0	1,638.1	1,569.8	1,318.1
Adjusted gross profit ⁽¹⁾	468.9	266.3	167.6	191.0	197.2	171.1	166.6	172.8
Adjusted EBITDA ⁽¹⁾								
Retail Fuels	94.4	73.7	37.4	25.4	33.4	40.9	36.1	28.4
Commercial Fuels	27.7	8.7	5.5	28.5	15.7	4.7	6.5	22.3
Supply	93.1	24.4	17.8	23.3	33.9	23.5	23.1	16.2
Parkland USA	3.9	4.3	5.1	3.0	4.2	4.3	3.4	3.5
Corporate	(21.3)	(14.7)	(12.2)	(10.2)	(10.1)	(13.1)	(12.7)	(10.7)
Consolidated	197.8	96.4	53.6	70.0	77.1	60.3	56.4	59.7
Net earnings (loss)	49.0	12.7	(1.4)	22.0	3.0	14.7	4.6	24.9
Per share – basic	0.37	0.10	(0.01)	0.23	0.03	0.15	0.05	0.26
Per share – diluted	0.37	0.10	(0.01)	0.22	0.03	0.15	0.05	0.26
Distributable cash flow ⁽²⁾	43.7	46.2	22.2	38.8	29.2	27.9	28.3	34.9
Per share ⁽²⁾⁽³⁾	0.33	0.35	0.20	0.40	0.30	0.29	0.30	0.37
Adjusted distributable cash flow ⁽²⁾	84.4	65.3	38.5	46.4	43.2	33.2	36.7	39.5
Per share ⁽²⁾⁽³⁾	0.64	0.50	0.35	0.48	0.45	0.35	0.39	0.42
Dividends	38.8	38.4	32.5	28.0	27.5	27.7	27.2	26.7
Dividends declared per share outstanding	0.2886	0.2886	0.2886	0.2852	0.2835	0.2835	0.2835	0.2745
Dividend payout ratio ⁽²⁾	89%	83%	146%	72%	94%	99%	96%	77%
Adjusted dividend payout ratio ⁽²⁾	46%	59%	84%	60%	64%	83%	74%	68%
Total assets	5,411.8	4,829.7	4,281.4	2,469.1	2,561.5	2,424.0	1,834.1	1,772.0
Shares outstanding (million shares)	131.2	130.7	130.4	96.6	96.2	95.9	95.4	94.7
Weighted average number of common shares (million shares)	131.0	130.5	110.8	96.4	96.0	95.6	95.1	94.3
Operating Summary								
Fuel and petroleum product volume (million litres)	4,431.4	3,556.6	2,588.7	2,755.6	2,783.4	2,658.6	2,536.1	2,437.1
Fuel and petroleum product adjusted gross profit ⁽¹⁾								
Retail Fuels (cpl)	8.95	7.10	5.78	5.25	5.39	5.69	5.64	5.16
Commercial Fuels (cpl)	8.29	6.71	9.36	13.16	11.47	8.64	10.47	13.11
Parkland USA (cpl)	3.48	2.97	3.31	3.58	3.62	3.26	3.17	3.86
Operating costs ⁽⁴⁾ (cpl)	4.50	3.40	3.00	3.11	2.93	2.79	2.93	3.23
Marketing, general and administrative (cpl)	1.62	1.37	1.41	1.28	1.39	1.38	1.42	1.42

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽³⁾ Calculated using the weighted average number of common shares.

⁽⁴⁾ Operating costs (cpl) were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Over the last eight quarters, Parkland's quarterly results were primarily impacted by growth through acquisitions, fluctuations due to the variability of crude oil and petroleum prices, and the seasonality of the business. Specifically, financial results were significantly impacted by the following:

- Sales and operating revenue increased significantly in the third quarter of 2017 due to the Ultramar Acquisition on June 28, 2017 and again in the fourth quarter of 2017 due to the Chevron Acquisition on October 1, 2017. Higher fuel and petroleum product volumes and commodity prices throughout 2017 also contributed to the increase. Sales and operating revenue are generally sensitive to fluctuations in commodity prices and energy markets.
- Higher net earnings in 2017 was attributable to higher Adjusted EBITDA throughout 2017 from the Acquisitions as well as organic growth and successful cost control measures, partially offset by an increase in depreciation and amortization, financing costs, and acquisition, integration and other costs. In particular, net earnings in the second and third quarters of 2017 were lower than the comparable periods in 2016 due to the impact of financing for the Chevron and Ultramar Acquisitions, which closed on October 1, 2017 and June 28, 2017, respectively.

- Total assets, which include cash held in escrow, increased significantly: (i) during the third quarter of 2016 due to debt and equity financing raised for the Ultramar Acquisition that closed on June 28, 2017, (ii) during the second quarter of 2017 due to debt and equity financing raised for the Chevron Acquisition, (iii) during the third quarter of 2017 due to additional financing raised in anticipation of the closing of the Chevron Acquisition on October 1, 2017, (iv) during the fourth quarter of 2017 due to increased accounts receivable and inventories from rising commodity prices as well as assets under construction at the Burnaby Refinery.
- Excluding the effect of acquisitions, Commercial Fuels generally experiences higher volumes and greater Adjusted EBITDA during the first and fourth quarters of the year due to higher demand for heating oil and propane in winter. Retail Fuels generally sees higher volumes and Adjusted EBITDA in the second and third quarters of the year during the summer driving season.
- In the third and fourth quarters of 2017, there were significant changes to the fuel and petroleum adjusted gross profit for Retail Fuels and Commercial Fuels as well as operating costs and marketing, general and administrative expenses on a cpl business, primarily due to the Acquisitions, which have different operating models than that of the Base Business.
- Generally, operating costs on a cpl basis are driven by Commercial Fuels and fluctuate based on seasonality, with higher costs in the first and fourth quarters of the year due to higher demand for heating oil and propane in winter. While consolidated operating costs on a cpl basis for the third and fourth quarters of 2017 increased to 3.40 cpl and 4.50 cpl, respectively, when the impact of the Acquisitions are excluded, operating costs for the Base Business were 2.87 cpl and 3.07 cpl for those same periods, respectively.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, unless otherwise noted)	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Adjusted EBITDA ⁽¹⁾	197.8	77.1	417.8	253.5
Amounts to reconcile Adjusted EBITDA to net earnings ⁽²⁾	(148.8)	(74.1)	(335.5)	(206.3)
Net earnings	49.0	3.0	82.3	47.2
Amounts to reconcile net earnings to cash generated from operating activities ⁽⁵⁾	37.3	22.6	179.6	118.1
Cash generated from operating activities	86.3	25.6	261.9	165.3
Reverse: Change in other liabilities	(12.9)	3.5	(14.1)	2.7
Exclude: Change in other liabilities - Intermediation Facility Derivatives	8.6	—	8.6	—
Reverse: Net change in non-cash working capital	11.0	18.4	(35.8)	(8.8)
	93.0	47.5	220.6	159.2
Include: Maintenance capital expenditures	(50.1)	(18.5)	(74.7)	(45.3)
Include: Proceeds on asset sales and disposals	0.8	0.2	5.0	6.3
Distributable cash flow ⁽⁵⁾	43.7	29.2	150.9	120.2
Reverse: Acquisition, integration and other costs	40.7	14.0	83.7	32.4
Adjusted distributable cash flow ⁽⁵⁾	84.4	43.2	234.6	152.6
Weighted average number of common shares	131.0	96.0	117.3	95.3
Distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.33	0.30	1.29	1.26
Adjusted distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.64	0.45	2.00	1.60
Dividends	38.8	27.5	137.7	109.1
Dividend payout ratio ⁽⁵⁾	89%	94%	91%	91%
Adjusted dividend payout ratio ⁽⁵⁾	46%	64%	59%	71%
Cash dividends paid to shareholders, net of dividend reinvestment plan	25.6	19.5	97.0	63.8

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Refer to Section 12 of this MD&A for a detailed reconciliation from Adjusted EBITDA to net earnings.

⁽³⁾ Refer to the consolidated statements of cash flows in the Annual Consolidated Financial Statements for a detailed reconciliation.

⁽⁴⁾ Calculated using the weighted average number of common shares.

⁽⁵⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

Dividends

Dividends declared and cash dividends paid to shareholders increased primarily due to the increase in the number of common shares outstanding from 96.2 million shares as at December 31, 2016 to 131.2 million shares as at December 31, 2017, driven by shares issued from the Equity Offering to fund the Chevron Acquisition and the conversion of subscription receipts related to the Ultramar Acquisition. The higher dividends was also attributable to a \$0.02 increase in the annual dividend to \$1.154 per share, effective March 22, 2017. For the year ended December 31, 2017, the discontinuation of the Premium Dividend™ Plan on April 1, 2016 resulted in a higher cash payout that also contributed to the increase.

The dividend reinvestment plan participation rate as at the dividend record date of December 22, 2017 was 31% (December 22, 2016 - 28%).

Distributable cash flow, adjusted distributable cash flow, dividend payout ratio and adjusted dividend payout ratio

Q4 and Q4 YTD - 2017 vs. 2016

The dividend payout ratio improved by 5 percentage points to 89% for the fourth quarter of 2017 as a result of higher cash flow available for distribution in proportion to higher dividends declared. For the year ended December 31, 2017, the dividend payout ratio remained consistent at 91%. Distributable cash flow increased \$14.5 million for the fourth quarter of 2017 and \$30.7 million for the year ended December 31, 2017 mainly due to an increase in Adjusted EBITDA, partially offset by higher maintenance capital expenditures relating to refinery maintenance projects, and higher acquisition, integration and other costs relating to closing and integrating the Acquisitions. Excluding the impact of acquisition, integration and other costs, adjusted distributable cash flow increased by \$41.2 million compared to the fourth quarter of 2016 and \$82.0 million compared to 2016, and adjusted dividend payout ratio improved by 18 percentage points to 46% for the fourth quarter of 2017 and 12 percentage points to 59% for the year ended December 31, 2017 as a result of higher Adjusted EBITDA.

7. LIQUIDITY

Cash flows

The following table presents summarized information from the consolidated statements of cash flows:

	Three months ended December 31,			Year ended December 31,		
(\$ millions)	2017	2016	2015	2017	2016	2015
Cash generated from operating activities	86.3	25.6	48.3	261.9	165.3	223.4
Cash used in investing activities	(7.9)	(63.3)	(49.9)	(2,783.9)	(191.1)	(377.7)
Net cash generated (used) before financing activities	78.4	(37.7)	(1.6)	(2,522.0)	(25.8)	(154.3)
Cash (used) generated from financing activities	(72.7)	46.5	(6.1)	2,519.0	28.8	(23.7)
Increase (decrease) in net cash	5.7	8.8	(7.7)	(3.0)	3.0	(178.0)
Net foreign exchange difference	0.1	—	(0.5)	(0.1)	0.9	0.6
Net cash, beginning of period	16.7	16.8	29.9	25.6	21.7	199.1
Net cash, end of period	22.5	25.6	21.7	22.5	25.6	21.7

Operating activities

Cash flows from operating activities are used to fund maintenance capital expenditures, interest, income taxes and dividends. Excess cash flows from operating activities are also used to fund growth capital expenditures, acquisition of businesses, or debt repayment as appropriate. Parkland anticipates meeting payment obligations as they come due.

Q4 2017 vs. Q4 2016

Cash generated from operating activities was \$60.7 million higher for the fourth quarter of 2017 compared to the same period in 2016 primarily as a result of higher Adjusted EBITDA and the impact of the net change in non-cash working capital. The Chevron and Ultramar Acquisitions as well as organic growth in the Base Business contributed to a \$120.7 million increase in Adjusted EBITDA, which increased Parkland's sustainable operating cash flows. This was partially offset by \$26.7 million higher acquisition, integration and other costs relating to the closing and integration activities for the Acquisitions, and \$19.2 million higher interest on long-term debt as a result of financing for the Acquisitions, which used more cash generated from operating activities.

2017 vs. 2016

Cash generated from operating activities was \$96.6 million higher for the year ended December 31, 2017 compared to the same period in 2016 primarily due to \$164.3 million higher Adjusted EBITDA from additional cash flows generated from the Acquisitions and organic growth in the Base Business. In addition, net change in non-cash working capital generated \$27.0 million greater cash inflows in 2017 primarily due to higher accounts payable and accrued liabilities driven by larger fuel volumes. This was partially offset by \$51.3 million greater acquisition, integration and other costs and \$49.8 million greater interest on long-term debt primarily for the Acquisitions, which used more cash generated from operating activities.

Investing activities

Parkland's investing activities primarily consist of acquisitions of businesses, change in cash held in escrow, and additions to property, plant and equipment and intangible assets through maintenance and growth capital expenditures. Parkland will continue to acquire prudently as attractive investment opportunities arise while continuing to focus on its financial metrics. Investments in growth and maintenance capital expenditures are expected to support our ability to grow our existing businesses organically over the coming years.

Q4 2017 vs. Q4 2016

During the fourth quarter of 2017, investing activities used \$7.9 million of cash mainly due to \$51.8 million capital expenditures to support growth and operations, offset by \$41.3 million generated from Chevron Acquisition activities, since the change in cash held in escrow included amounts for closing costs, which are considered operating activities, that exceeded the Chevron Acquisition purchase price. In comparison, during the fourth quarter of 2016, investing activities used \$63.3 million of cash mainly due to \$52.9 million used for the acquisition of multiple businesses and \$24.8 million used for capital expenditures.

2017 vs. 2016

During the year ended December 31, 2017, investing activities used \$2,783.9 million of cash mainly due to \$1,710.5 million used for the Chevron Acquisition (including Chevron Acquisition Hedge), \$980.4 million for the Ultramar Acquisition, and \$96.3 million capital expenditures to support growth and operations. In comparison, investing activities during the same period in 2016 used \$191.1 million of cash mainly due to \$94.7 million spent on growth and maintenance capital expenditures and \$88.9 million paid for the acquisition of multiple businesses.

Financing activities

Parkland has a disciplined approach to capital investment decisions that prioritizes the use of cash flow first to committed capital investment, and then to growth opportunities, while paying dividends to shareholders.

Although Parkland's cash flow typically has seasonal fluctuations, Parkland's Board of Directors currently intends to pay consistent regular monthly dividends throughout the year based on estimated annual cash flow. In their dividend review, the Board of Directors considers current performance, historical and future trends in the business, expected sustainability of those trends, and capital requirements to sustain performance. The declaration and payment of dividends is at the discretion of Parkland's Board of Directors.

Distributable cash is not assured and the actual amount received by shareholders depends on, among other things, Parkland's financial performance, debt covenants and obligations, working capital requirements, future capital requirements, and the deductibility of items for income tax purposes, all of which are susceptible to a number of risks.

Q4 2017 vs. Q4 2016

Parkland used \$72.7 million of cash in financing activities during the fourth quarter of 2017 while it generated \$46.5 million of cash from financing activities during the same period of 2016. The cash used during the fourth quarter of 2017 was primarily attributable to the net debt repayment of \$346.8 million, offset by an \$301.2 million increase in other liabilities attributable to the Intermediation Facility that was entered into on October 6, 2017.

In addition, cash dividends increased \$6.1 million due to increases in outstanding common shares and dividends paid per share. During the fourth quarter of 2017, Parkland paid a monthly dividend of \$0.0962 per share (2016 – \$0.0945 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were \$25.6 million (2016 – \$19.5 million).

2017 vs. 2016

During the year ended December 31, 2017, Parkland generated \$2,490.2 million greater cash from financing activities than in 2016, primarily from:

- \$1,069.8 million greater net long-term debt proceeds and payments, which include the \$500.0 million gross amount raised from the issuance of the 5.625% Senior Notes with a maturity date of May 9, 2025 to partially fund the Chevron Acquisition as well as net drawdown on the Credit Facility;
- \$526.8 million of funds released from escrow upon closing of the Ultramar Acquisition on June 28, 2017. The funds were previously raised from the issuance of 9,430,000 subscription receipts on September 7, 2016 and the 5.75% Senior Notes on September 16, 2016;
- \$301.2 million increase in other liabilities attributable to the Intermediation Facility that was entered into on October 6, 2017.
- \$662.0 million gross amount raised from the Equity Offering on May 9, 2017. Parkland completed a bought deal private placement of 23,900,000 shares at \$27.70 per share in gross proceeds to partially fund the Chevron Acquisition; and
- \$31.8 million of cash used in connection with share issuance costs for the subscription receipts and Equity Offering.

In addition, 2017 cash dividends was \$33.2 million greater than in 2016 due to an increase in outstanding common shares, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan in April 2016, which increased the proportion of dividends paid out in cash. During the year ended December 31, 2017, Parkland paid a monthly dividend ranging from \$0.0945 per share to \$0.0962 per share (2016 – \$0.0900 per share to \$0.0945 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were \$97.0 million (2016 – \$63.8 million).

Contractual commitments

Parkland has contracted obligations under various debt agreements, operating leases, capital leases, capital expenditures and other contractual commitments exceeding a five-year period. The following table provides an analysis of contractual maturities for financial liabilities:

December 31, 2017 (\$ millions)	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Total
Accounts payable and accrued liabilities	941.9	—	—	—	941.9
Dividends declared and payable	13.1	—	—	—	13.1
Risk management and other derivative liabilities	8.5	—	—	—	8.5
Long-term debt commitments ⁽¹⁾	102.9	202.1	1,369.9	905.2	2,580.1
Other liabilities	309.8	43.1	7.8	—	360.7
Obligations under operating leases	59.2	80.1	49.5	110.8	299.6
Contractual commitments for property, plant and equipment	58.0	0.2	—	—	58.2
	1,493.4	325.5	1,427.2	1,016.0	4,262.1

⁽¹⁾ Includes undiscounted principal, interest and finance lease obligations.

Fuel and petroleum products and other purchase commitments

In addition to the commitments in the above table, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services, which may terminate on short notice. Such obligations include commodity purchase obligations transacted at market prices. Furthermore, Parkland has entered into various purchase agreements that require it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods, which vary based on volumes and other factors. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products and payments to the applicable suppliers of a predetermined amount of the commitments.

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at December 31, 2017 are cash and cash equivalents and available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flow to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity and management believes cash flow from operations will be adequate to fund maintenance capital, interest, income taxes and targeted dividends. Growth capital expenditures in the next twelve months will be funded by cash flow from operations, reduced cash dividends paid as the result of the Dividend Reinvestment Plan, proceeds from debt and equity offerings, and proceeds from the Credit Facility. Any future acquisitions will be funded by cash from operations, the Credit Facility, and issuance of new debt or shares. Any additional debt incurred will be serviced by the anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends paid to shareholders, issue new shares, issue new debt or repay existing debt, or enter into the Intermediation Facility. Parkland has a negative working capital balance of \$119.9 million, which is an expected result of the addition of the Intermediation Facility (\$301.2 million as at December 31, 2017). Parkland anticipates meeting its obligations as they become due through cash and cash equivalents, cash flow from operations, unused credit facilities or new facilities to the extent available. Parkland's current capital structure provides the flexibility to carry out plans for future growth, including business acquisitions and contingencies. Parkland will continue to evaluate opportunities to enhance its capital structure or reduce its debt or negative working capital through cash flow from operations or future financing activities.

The following table provides a summary of available cash and cash equivalents and unused credit facilities, excluding cash held in escrow:

(\$ millions)	December 31, 2017	December 31, 2016
Cash and cash equivalents	22.5	25.6
Unused credit facilities	201.7	219.0
	224.2	244.6

Credit Facility

On June 27, 2017, in connection with the Ultramar Acquisition, Parkland replaced its existing facility with a new revolving extendible credit facility with a maturity date of June 27, 2021 (the "Interim Credit Facility"). On September 28, 2017, in connection with the anticipated closing of the Chevron Acquisition on October 1, 2017, the Interim Credit Facility was amended and restated to expand the available facility and extend the maturity date to September 29, 2021 (the "Credit Facility"). The Credit Facility is extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. The Credit Facility consists of: (i) \$1,000.0 million for the Canadian Syndicated Facility and US\$50.0 million for the US Syndicated Facility, less the value of letters of credit issued and ii) letters of credit to a maximum of \$200.0 million and US\$25.0 million.

Senior Unsecured Notes

The following table provides a summary of Parkland's Senior Unsecured Notes (\$ millions):

Series ⁽¹⁾	Private placement date	Maturity date	Principal amount
5.50% Senior Notes	May 29, 2014	May 28, 2021	200.0
6.00% Senior Notes	November 21, 2014	November 21, 2022	200.0
5.75% Senior Notes	September 16, 2016	September 16, 2024	300.0
5.625% Senior Notes	May 9, 2017	May 9, 2025	500.0
			1,200.0

⁽¹⁾ Interest is paid semi-annually.

Intermediation Facility

On October 6, 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery operations acquired as part of the Chevron Acquisition (the "Burnaby Refinery"). The Intermediation Facility involves structured purchases and sales of crude oil, refined products and other hydrocarbons (collectively, "Hydrocarbons"). The Intermediation Facility has a funding limit of: (i) up to US\$100.0 million of accounts receivable balance and (ii) the cost of hydrocarbon inventory volumes up to 2,740.0 Mbbls. The Intermediation Facility is secured by Hydrocarbons and accounts receivable balances funded under the Intermediation Facility. The Intermediation Facility expires on December 31, 2018. The Intermediation Facility also contains Intermediation Facility Derivatives, which are further described in Section 10.

Base shelf prospectus and "at-the-market" equity finance program

On April 11, 2016, Parkland filed a base shelf prospectus (the "Shelf Prospectus") for debentures, notes and other evidence of indebtedness and common shares (collectively, the "Securities") with an aggregate offering amount of up to \$500.0 million. The Shelf Prospectus allows the offering of Securities from time to time in one or more offerings. Terms of the Securities, including but not limited to prices or maturity dates, will be determined at the date of issue.

On June 3, 2016, Parkland entered into an equity distribution agreement with Canaccord Genuity Corporation pursuant to which Parkland common shares may be sold from time to time for aggregate gross proceeds of up to \$110.0 million. The common shares will be distributed at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The volume and timing of sales, if any, will be determined at the sole discretion of Parkland's Board of Directors and management. The offering would be made pursuant to the prospectus supplement (the "Prospectus Supplement") to the Shelf Prospectus dated June 3, 2016. As at March 1, 2018, no Securities have been issued under the Shelf Prospectus or the Prospectus Supplement. The Shelf Prospectus expires in May 2018.

Dividend Reinvestment Plan and Premium Dividend™ Plan

Parkland's Dividend Reinvestment Plan is a means to incrementally raise equity capital for growth and other corporate purposes at a low cost. In addition to the option of receiving a monthly cash dividend of \$0.0962 per share, the Dividend Reinvestment Plan allows shareholders to purchase shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan. Parkland's Premium Dividend™ Plan, which was discontinued effective April 1, 2016, provided eligible shareholders with a 2% premium in addition to their regular dividend. In 2017, the Dividend Reinvestment Plan contributed \$36.8 million of shareholders' capital, net of costs (2016 - \$44.4 million from both plans) and 1.4 million shares were issued in 2017 (2016 - 1.9 million shares from both plans).

Maintenance capital expenditures and growth capital expenditures

The following table provides a summary and reconciliation of maintenance and growth capital expenditures:

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Growth Capital Expenditures				
Retail Fuels	11.3	5.1	18.3	24.6
Commercial Fuels	3.9	7.3	9.8	26.8
Supply	—	1.5	6.8	3.8
Parkland USA	—	0.4	0.4	1.8
Corporate	—	—	—	0.4
Growth Capital Expenditures	15.2	14.3	35.3	57.4
Maintenance Capital Expenditures				
Retail Fuels	8.2	9.8	14.5	21.0
Commercial Fuels	3.9	3.5	11.4	10.0
Supply	33.5	0.9	35.2	3.2
Parkland USA	1.9	1.2	4.9	5.5
Corporate	2.6	3.1	8.7	5.6
Maintenance Capital Expenditures	50.1	18.5	74.7	45.3
Additions to property, plant and equipment and intangible assets	65.3	32.8	110.0	102.7

During the three months and year ended December 31, 2017, Parkland's combined growth and maintenance capital expenditures increased by \$32.5 million and \$7.3 million, respectively, when compared to the same periods in 2016. The increase in capital expenditures is primarily driven by higher maintenance capital expenditures in the Supply segment attributable to Turnaround costs and other ongoing maintenance projects at the Burnaby Refinery. Maintenance capital expenditures related to the Turnaround was \$15.9 million for the three months and year ended December 31, 2017. Other major capital expenditure activities in 2017 include purchasing fleet and equipment to support new and existing customer contracts in Commercial Fuels, performing station rebrands and refreshes in Retail Fuels, and investing in IT and system upgrades in Corporate to drive future efficiencies and provide Parkland with a scalable platform for growth.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at December 31, 2017 were \$58.2 million (December 31, 2016 – \$3.5 million). These contractual commitments relate primarily to the Turnaround costs and other ongoing maintenance projects at the Burnaby Refinery in the first quarter of 2018. Additional projects to retrofit and rebrand the On The Run / Marché Express brand, expand facilities, increase fleet, and build new and upgrade existing retail service stations are also contributors to Parkland's committed capital expenditures. We plan to fund these commitments using cash and cash equivalents, cash flow from operations, and cash proceeds from the Credit Facility, as required.

Parkland believes that the current capital programs, based on the present state of its assets, opportunities, the outlook for fuel supply, and demand and industry conditions, are sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties for the supply of fuel and propane, general economic conditions, and weather that affects customer demand, there can be no assurance that the capital programs will be sufficient to maintain or increase production levels or cash flow from operating activities.

Acquisitions sources and uses

The following table presents the Acquisitions sources and uses and compares it to previously disclosed expectations:

	Actuals as at December 31, 2017	Expectations previously disclosed in the Q1 2017 MD&A
Sources	\$526.8 million held as cash in escrow (including equivalent dividends and fees), previously financed by subscription receipts issued on September 7, 2016 and the 5.75% Senior Notes. \$500.0 million from 5.625% Senior Notes, net of fees. \$662.0 million from the Equity Offering, net of fees. - Increase in Parkland's credit facilities to approximately \$1,000.0 million and US\$50.0 million, net of fees. - Remainder from other non-debt sources, as required.	\$536.6 million held as cash in escrow, net of equivalent dividends and fees, previously financed by subscription receipts issued on September 7, 2016 and the 5.75% Senior Notes. \$500.0 million from 5.625% Senior Notes, net of fees. \$662.0 million from the Equity Offering, net of fees. - Increase in Parkland's credit facilities to approximately \$1,000.0 million and US\$50.0 million, net of fees. - Remainder from other non-debt sources, as required.
Uses	- Ultramar Acquisition: \$977.7 million (including working capital adjustments) plus fees and expenses, closed on June 28, 2017. - Chevron Acquisition: \$1,697.6 million (including working capital and the Chevron Acquisition Hedge) plus fees and expenses, closed on October 1, 2017.	- Ultramar Acquisition: Approximately \$965.0 million plus working capital adjustments, fees and expenses, expected to close in the second quarter of 2017. - Chevron Acquisition: Approximately \$1,460 million (converted from US\$1,100.0 million) plus working capital, fees and expenses, expected to close in the fourth quarter of 2017.

There were no material variances that impacted the ability for Parkland to achieve its acquisition objectives and milestones.

Financial covenants and metrics

As at December 31, 2017, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The updated financial covenants of the Credit Facility amended on September 28, 2017 are as follows:

Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			December 31, 2017	December 31, 2016
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50 at Q1 and Q4 and first two full quarters following a material acquisition, and < 3.00 at Q2 and Q3	< 3.50 at Q1 and Q4 and first two full quarters following a material acquisition, and < 3.00 at Q2 and Q3	1.09	0.48
2. Total Funded Debt to Credit Facility EBITDA ratio	< 5.00 each quarter until and including Q1 2019, and < 4.50 each quarter from and after Q2 2019	2.00 - 3.50	2.62	2.02
3. Interest coverage ratio	> 3.00	> 3.00	7.65	7.33

The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios are well below the covenant restrictions of 3.50 and 5.00, respectively. Refer to section 12 of this MD&A for the calculation of Parkland's debt covenants.

9. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Note 2 of the Annual Consolidated Financial Statements for the description of policies or references to notes where such policies are contained.

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. The following provides a summary of Parkland's most critical accounting estimates in determining the value of items recognized in the Annual Consolidated Financial Statements and most critical judgments in applying accounting policies. Refer to Note 2 of the Annual Consolidated Financial Statements for detailed discussion of these items.

Asset retirement obligations

Asset retirement obligations represent the present value estimates of Parkland's cost to remediate sites. The measurement of the decommissioning liability involves the use of estimates and assumptions including the discount and inflation rate, the expected timing of future expenditures and the amount of estimated costs. Management applies judgment in assessing the existence and extent as well as the expected method of reclamation at the end of each reporting period. In addition, these provisions are based on estimated costs and timing of future decommissioning. Actual costs are uncertain and may vary based on the result of changes to laws and regulation, technology, prices and closure plans.

Contingencies and legal matters

Parkland becomes involved in various litigation matters as a part of our normal course of operation. The determination of other provisions is a complete process that involves judgments about the results of future outcomes, interpretation of law and regulations and requires estimates as to the timing and amount of expected future cash inflows and discount rates. As at December 31, 2017, Parkland believes the result of any settlements related to such litigation or claims would not materially affect its financial position.

Business combinations

Parkland uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. In measuring the fair value of the identifiable assets acquired and liabilities assumed and estimating their useful lives, management applies significant judgment and estimates regarding cash flow projections, economic risk and weighted cost of capital. The values placed on the acquired assets and liabilities affects the amount of goodwill recorded on an acquisition. If results differ from estimates, Parkland may increase amortization or impairment charges.

Impairment of non-financial assets

A cash-generating unit ("CGU") is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets to CGUs requires significant judgment and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations.

Parkland performs a calculation to determine the recoverability of a non-financial asset when there is an indication that it may be impaired. The assessment of whether there is any indication that an asset may be impaired is performed at the end of each reporting period, and requires the application of judgment and use of external and internal sources of information. Key estimates applied in determining the recoverable amount normally include estimated future commodity prices, future operating costs, discount rates, and tax rates. Changes in these estimates and judgments will affect the recoverable amounts of the CGUs and individual assets and resulting impairment charges. There were no impairment charges in 2016 or 2017.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates are based on past experience and industry norms, and may change as more experience is obtained or as market conditions change.

Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, Parkland uses third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may differ from these estimates.

Income taxes

Parkland evaluates tax positions annually or when circumstances require, which involves judgment and could be subject to differing interpretations and applicable tax legislation. Our tax filings are subject to audit, whose outcome could change the amount of current and deferred tax liabilities. The calculation of deferred income taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse.

Standards issued but not yet effective

The following new standards were issued by the IASB and are expected to have an impact on Parkland:

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 applied for annual periods beginning on or after January 1, 2018. Parkland will adopt IFRS 9 using the modified retrospective approach. Upon adoption, Parkland will recognize the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. Prior periods will not be retrospectively adjusted. Parkland expects that the adoption of IFRS 9 will not have a material impact to the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, and IFRIC 13 - Customer Loyalty Programs, as well as various other interpretations regarding revenue. IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers, except for contracts within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 also contains enhanced disclosure requirements.

IFRS 15 will be applied for annual periods beginning on or after January 1, 2018. Parkland will adopt IFRS 15 using the modified retrospective approach. Upon adoption, Parkland will recognize the cumulative effect of adopting this guidance as an adjustment to the opening balance of retained earnings. Prior periods will not be retrospectively adjusted. Parkland expects that the adoption of IFRS 15 will not have a material impact to the consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 - Leases ("IAS 17") and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is twelve months or less, or the underlying asset has a low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17 with the distinction between operating leases and finance leases being retained.

IFRS 16 will be applied for annual periods beginning on or after January 1, 2019. Parkland plans to adopt IFRS 16 on January 1, 2019 and is assessing the potential impact of this standard.

10. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of strategic objectives and the nature of our operations. We use a proactive approach for enterprise risk management to enable decision-making through the consistent identification of risks inherent to our activities.

Parkland performs an annual company-wide risk assessment using a systematic approach led by the risk team that includes representatives from Parkland's senior leadership team, senior management team and individuals across the business. Current risks are assessed using Parkland's uniform company-wide risk matrix and classified based on residual risk from "very low" to "very high" and emerging risks are identified. Risks are initially assessed on an inherent basis, without consideration for controls or mitigating factors, and then reassessed considering controls and mitigating factors resulting in a final residual risk ranking. In 2017, Parkland added an assessment of the velocity of risks to measure the time it takes for a risk event to manifest itself, enabling management to effectively develop risk response plans and prioritize resources. There are determined levels of accountability, responsibility and ownership for each risk based on an escalating scale. On a quarterly basis, key residual risk exposures are reassessed by divisional risk champions. Furthermore, Parkland has a Code of Conduct in place that includes a process to allow employees to anonymously report ethical concerns.

Parkland's key risks, in terms of severity of consequence and likelihood, are summarized into groups as follows:

Risk Ranking Matrix		IMPACT					
		Incidental	Minor	Moderate	Major	Extreme	
LIKELIHOOD	Frequent / Almost Certain	III	II	II	I	I	I - Exceeds Parkland's risk threshold and requires immediate action to reduce the risk or discontinue the applicable business operation to avoid the risk.
	Likely	III	III	II (3)(5)	II	I	II - Risks that require oversight by senior management to monitor effectiveness of management systems.
	Possible	IV	III	III (4)(7)	II (1)(2)(5)	II	III - Acceptable risks with strong management systems and contingency plans in effect.
	Unlikely	IV	IV	III	III (6)(8)	II	IV - Acceptable risks that are not expected to escalate in severity.
	Rare	IV	IV	IV	III	III	

(1) Risks relating to the ownership and operation of a refinery

Risks relating to refinery operations

As a result of the closing of the Chevron Acquisition, Parkland now owns and operates the Burnaby Refinery. There are risks inherent to the operations and activities of any refinery, including risks related to accidents, availability of crude oil and other feedstocks for use in the Burnaby Refinery, failure to adequately contract with third parties for offtake of products from the Burnaby Refinery or interruptions in offtake, labour and material shortages, direct and indirect risks related to legislative and regulatory requirements, and risks related to local opposition. Parkland does not have full control over the supply of power or water to the refinery. As such, a key operational risk for the Burnaby Refinery is the availability of sufficient power and water supplies to support refinery operations. Large amounts of power and large volumes of water are used in the refining of crude oil and even a temporary interruption of power or water could adversely affect operations.

Risks relating to scheduled and unscheduled maintenance

The Burnaby Refinery consists of several processing units, each of which is to undergo scheduled maintenance events every five to ten years. One or more of the units may require additional unscheduled downtime for unanticipated maintenance or repairs. Scheduled and unscheduled maintenance reduces Parkland's revenue and increases operating expenses during the period of time that the processing units are not operating and, among other things, could reduce our ability to make distributions or pay debt obligations. Furthermore, material unanticipated costs and delays may be incurred in scheduled and unscheduled maintenance, which may negatively impact our results of operations.

The Burnaby Refinery is scheduled to undergo a Turnaround (as defined in Section 13) in the first quarter of 2018 where all the processing units are expected to be offline for approximately eight weeks. If unsuccessful or delayed, the Turnaround could have a material adverse effect on our business, financial condition or results of operation.

Environmental risks relating to refinery operations

Refinery operations are subject to environmental regulation under federal and provincial legislation, regulations and initiatives, including ones designed to reduce greenhouse gas emissions, which may increase costs and adversely affect Parkland's ability to operate the Burnaby Refinery.

Parkland may be adversely affected by federal and provincial legislations, regulations and initiatives designed to reduce greenhouse gas emissions, which may increase costs and adversely affect our ability to operate the Burnaby Refinery. There are international agreements (e.g. Paris Climate Agreement and Kyoto Protocol), national agreements (e.g. carbon tax, cap-and-trade or efficiency standards) and provincial legislation (e.g. British Columbia's Greenhouse Gas Industrial Reporting and Control Act) that aim to limit or reduce greenhouse gas emissions and are currently in various stages of implementation. The ultimate effect of such greenhouse gas legislations, regulations and initiatives on Parkland's operation of the refinery, and the timing of these effects, will depend on a number of factors. Such factors include, among others, the sectors covered, the greenhouse gas emission reductions required, the extent to which Parkland would be entitled to receive emission allowance allocations or would need to purchase compliance instruments on the open market or through auctions, the price and availability of emission allowances and credits, and the extent to which Parkland is able to recover the costs incurred through the pricing of Parkland's products in the competitive marketplace.

Commodity storage, refining and transportation activities involve numerous risks that may result in environmental damage or otherwise adversely affect Parkland's operations. Environmental risks inherent in the storage, refining and transportation of crude oil and other petroleum products include, but are not limited to, accidental spills or releases of crude oil, liquid petroleum products, chemicals or other hazardous substances. The occurrence or continuance of such risks could result in significant environmental pollution; damage to local property, wildlife populations and natural resources; impairment or suspension of operations at the Burnaby Refinery; curtailment of offshore shipping activity; modifications to or revocation of existing regulatory approvals; fines; and serious reputational damage to Parkland, any of which could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition. The consequences of an accidental spill or release at or near any marine terminal used in connection with the Burnaby Refinery's operations could be even more significant, given the complexities of addressing releases occurring in marine environments and along populated coastlines. Although Parkland does not own or operate the vessels used to transport crude oil, liquid petroleum products, chemicals or other hazardous substances to and from such marine terminals, releases or other incidents involving such vessels could result in significant disruptions to offshore shipping activities and may impede Parkland's ability to operate in any affected areas.

Commodity pricing risks

Refining gross margins are primarily driven by commodity prices and are a function of the difference between the costs of raw materials (primarily crude oil) and market prices for the marketing of finished products (such as gasoline, diesel, jet fuel, lubricants, fuel oil, fuel and lubricant additives). Prices for commodities are determined by global and regional marketplaces and influenced by many factors including supply/demand balances, inventory levels, industry refinery operations, import/export balances, currency fluctuations, seasonal demand, political climate, disruptions at the refinery resulting from unplanned outages due to severe weather, fires or other operational events, and plant capacity utilization.

Parkland utilizes derivative financial and physical instruments related to the future price of crude oil and fuel products and their relationship with each other, with the intent of reducing volatility in our cash flows due to fluctuations in commodity prices and spreads. Parkland reduces such exposure through the Intermediation Facility and various commodities swaps, forwards and futures contracts. Such activities may not be effective in reducing the volatility of our cash flows and may reduce our earnings, profitability and cash flows. Furthermore, Parkland may not be able to enter into derivative financial or physical instruments to reduce the volatility of the prices of specialty products it sells if there is no established derivative market for such products. In addition, these activities are subject to the risks that a counterparty may not perform its obligations under the applicable derivative instrument, or if the terms of the derivative instruments are imperfect.

Human resource risks relating to refinery operations

The Burnaby Refinery competes with companies to attract and retain key executives and other employees and third-party contractors with appropriate technical skills and managerial experience necessary to continue operating the Burnaby Refinery. The hiring and retention of staff may be challenging if the employment market is strong and there is intense competition for skilled employees and contractors. There can be no assurance that Parkland will be able to attract and retain skilled and experienced employees and, should Parkland lose any of its key personnel or fail to attract qualified personnel for the refinery, our business may be harmed and the results of operations and financial condition could be adversely affected. In addition, future federal or provincial labour legislation could result in labour shortages and higher costs, especially during critical maintenance periods.

A significant number of employees at the Burnaby Refinery are represented by a labour union (Unifor and Teamsters). The collective bargaining agreement for the unionized employees at the Burnaby Refinery expires on January 31, 2019. At the expiry of the term, there is no assurance an agreement will be reached without a strike, work stoppage, or other labour action. Any prolonged strike, work stoppage, or other labour action will have an adverse effect on our financial condition or results of operations.

Contractor risks relating to refinery operations

The Burnaby Refinery relies on contractors to conduct some activities on-site (primarily maintenance) and is exposed to risks related to their activities. As a result, the Burnaby Refinery is subject to a number of risks, some of which are outside Parkland's full control, including:

- negotiating agreements with contractors on acceptable terms;
- reduced control over those activities that are the responsibility of contractors;
- failure of contractors to perform the requirements and obligations under their agreements, including failure to comply with safety systems and standards as well as applicable legal and regulatory requirements; and
- failure of contractors in connection with management of their workforce, labour unrest or other employment issues.

In addition, Parkland may incur liability to third parties as a result of their workforce, labour unrest and other employment issues. The occurrence of one or more of these risks could adversely affect Parkland's results of operations and financial position.

(2) Risks relating to acquisitions

Significant acquisition and related costs

Parkland has incurred a number of costs associated with completing the Acquisitions and expects to incur additional costs related thereto. The majority of such costs will be non-recurring expenses related to the Acquisitions consisting of transaction costs, facilities and systems consolidation costs, and employment-related costs. Additional unanticipated costs may be incurred in the integration of the Chevron and Ultramar assets, operations and businesses, which may negatively impact Parkland's results of operations.

Failure to realize the anticipated benefits of the recent and ongoing acquisitions

Achieving the full benefits of any acquisition includes, but is not limited to: timely and efficient consolidation of functions; integration of operations, procedures and personnel; and the ability to realize the anticipated growth opportunities, synergies and operating expense reductions.

The integration of newly acquired assets is supported by the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and other operational matters during this process. Notwithstanding Parkland's commitment to providing the labour and resources required to support the integration of newly acquired assets, there is a risk that the anticipated benefits of any given acquisition may not be fully realized if Parkland is unable to fully address and mitigate the risks of the integration process, including the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships.

Potential undisclosed liabilities associated with the Acquisitions

In pursuing acquisitions, Parkland conducts due diligence on the businesses or assets being acquired and seeks detailed representations and warranties with respect to these businesses or assets. Despite such efforts, there can be no assurance that Parkland will not become subject to undisclosed liabilities or litigation as a result of acquisitions, including but not limited to, undisclosed and unknown liabilities related to the Acquisitions. In addition, liabilities may exist which were not discovered during the due diligence process prior to completing an acquisition. This failure to discover potential liabilities may be due to various factors, such as failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with applicable laws. If this occurs, Parkland may be responsible for such liabilities, which could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

IT integration risks

Large-scale acquisitions require the integration of one or more systems into Parkland's overall information technology portfolio. The integration of different IT systems is a technical process requiring the coordination of specialized employees, time and resources, often across multiple jurisdictions. Unanticipated costs, delays, and unforeseen technical issues and limitations may arise in connection with Parkland's integration of its IT systems and could disrupt the flow of information, cause loss of data records, or delay Parkland's ability to realize the anticipated benefits of an acquisition. As Parkland's IT systems become increasingly integrated, there is an increased risk that a failure in one system could affect another system in the infrastructure.

Increased leverage

Parkland has incurred additional borrowings in connection with the Acquisitions. Such borrowings represent a material increased Parkland consolidated indebtedness, which increased our interest expense and debt service obligations, and may have a negative effect on our results of operations. The increased leverage could have other important consequences for purchasers, including the following:

- it may limit Parkland's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- it may limit Parkland's ability to declare dividends on its common shares;
- certain of Parkland's borrowings are at variable rates of interest and expose Parkland to the risk of increased interest rates;
- it may limit Parkland's ability to adjust to changing market conditions and place Parkland at a competitive disadvantage compared to its competitors that have less debt;
- Parkland may be vulnerable in a downturn in general economic conditions; and
- Parkland may be unable to make capital expenditures that are important to its growth and strategies.

Operational risks relating to the Acquisitions

The risk factors set forth in the Annual Information Form relating to the business and the operations of Parkland apply equally in respect of the Acquisitions.

(3) Health, Safety and (4) Environment

Parkland is subject to hazards and risks inherent in our operations and the industries we service. Such risks include, but are not limited to: equipment failures; vehicle accidents; human error; accidental release of harmful substances including through transportation of petroleum products by road, barge and pipeline and proximity to marine environments; explosions; toxic emissions releases; fires; and natural disasters. These risks expose Parkland to potential liability for personal injury, debilitating injury or loss of life, business interruption, property damage or destruction, and pollution and other environmental damages under applicable federal, provincial, territorial, state and municipal safety and environmental laws and regulations. A significant environmental incident involving a release of crude oil, liquid petroleum products, chemicals or other hazardous substances into marine or other environments could result in losses in excess of the insurance coverage currently maintained and could have a material adverse impact on Parkland's business, financial condition, reputation and results of operations. Refer to the "Risks relating to the ownership and operation of a refinery" subsection of this Risk Factors section for further discussion on environmental risks.

Parkland has a Health, Safety and Environmental ("HSE") management system in place that establishes safety leadership, employee awareness and training, hazard recognition and mitigation, as well as various controls, systems processes and tools to mitigate these risks and to be prepared to respond and remediate in the event Parkland experiences any such occurrences. Parkland has also obtained insurance in accordance with industry practice in an effort to address and mitigate such risks, and has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. Although Parkland has a comprehensive insurance program in effect, there can be no assurance that the potential liabilities will not exceed the applicable coverage limits under our insurance policies. Consistent with industry practice, not all hazards and risks are covered by insurance and no assurance can be given that insurance will be consistently available or available on an economically feasible basis. Parkland maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs. Liability for uninsured risks could significantly increase expenses and the occurrence of a significant event for which Parkland is not fully insured could materially and adversely affect Parkland's business, prospects, results of operations and financial condition.

Parkland is committed to ensuring a safe and healthy working environment that protects its employees, customers and the environment. As part of this commitment, Parkland's HSE program includes comprehensive policies and procedures designed to manage and mitigate risks. Additionally, employees actively engage in safety initiatives through monthly HSE committees representing all areas of Parkland's business. For example, Parkland launched its "Drive to Zero" program in 2014 with the objective to achieve zero injuries and zero serious incidents. In addition, Parkland is advancing risk, contractor safety and process safety management initiatives to further reduce related risks and advance our maturity in these areas.

(5) Regulatory risk

Parkland operates in highly regulated jurisdictions in multiple countries. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavourable tax assessments that could adversely affect our business and our operating results. Inability to comply with these laws and regulations can have a material adverse effect on our operating results and financial condition. Furthermore, transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Material increases in taxes or changes in tax legislation are possible and could have a material effect on our profitability.

Parkland has put in place mitigation efforts by hiring qualified personnel who are members of professional and industry associations and experienced in overseeing compliance requirements. Parkland will continue to strengthen in-house expertise through ongoing hiring and training. However, any changes in the laws or regulations that are adverse to us or our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time, which, if adopted, could have a material adverse effect on our operating results and financial condition.

(6) Competition law compliance

Parkland is increasingly subject to scrutiny from regulatory bodies as a result of ongoing high profile acquisitions and its growing size. As Parkland grows and acquires businesses, it becomes increasingly challenging and complex to monitor compliance with the Competition Act. This includes monitoring the dissemination of competitively sensitive information and managing channel conflict within Parkland. Furthermore, failure to comply with the Competition Act could require us to divest certain assets or result in Parkland being subject to other remedies such as margin controls in certain markets. Such remedies could have a material adverse effect on our operating results and financial condition.

The risk is partially mitigated by training and awareness programs, retention of key people from the Acquisitions, compliance certificates executed by key people and the appointment of a compliance officer to implement policies and procedures. Additionally, Parkland employees are subject to internal and external ethical standards, including a Code of Conduct.

(7) IT systems

At the operational level, Parkland relies on electronic systems for recording sales and accumulating financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. The conversion and upgrade of electronic systems or IT integration of the Acquisitions could also result in lost or corrupt data, which could impact the accuracy of financial reporting and management information. Parkland mitigates this risk by operating redundant data centres to ensure business continuity in case of unforeseen events and has safeguards in place to mitigate cyber security threats. Additionally, Parkland has specific programs to ensure compliance and adherence to regulatory guidelines as well as controls in place to ensure the privacy of customer and payment information.

Parkland continues to invest in technologies to support its current business and the Acquisitions. It utilizes best practices in its IT operations to consistently and securely support its stakeholders and is continuously improving its methodologies to integrate people, processes and technologies across our enterprise. Refer to the "Risks relating to the Acquisitions" subsection of this Risk Factors section for further discussion on IT integration risks.

(8) Pricing pressure

Petroleum, crude oil and natural gas liquids markets display significant volatility. The prices for these commodities can be influenced by global and regional supply and demand factors, which are outside of our control. Parkland is susceptible to interruptions in supply and changes in relative market pricing, including degradation of supply discounts for crude oil and natural gas liquids that drive customer demand. Volatility in fuel and petroleum product supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre.

Retail pricing for motor fuels is very competitive and influenced by a fragmented market consisting of major oil companies, international convenience operators, national grocery chains, and independent fuel retailers. From time to time, factors such as intensified price competition, seasonal over supply, and lack of responsiveness of retail pricing to changes in refined product costs may lead to margin pressure in Parkland's business. These pressures are normally restricted to relatively short, seasonal time periods and isolated market areas, but could occur more extensively across our network. Parkland partially mitigates this risk through the continued development of a national network, where geographic, industry and product diversification helps offset any short-term pricing pressures in any individual market.

Difficult market conditions may also adversely affect Parkland's major customers and create increased credit risk. These risks are partially mitigated by our other sources of revenue, conservative credit policies, geographic diversification and the wholesale business, which typically would only share in a portion of any market erosion. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

Parkland's financial instruments recorded at fair value through profit or loss include commodities swaps, forwards and futures contracts, US dollar forward contracts, Intermediation Facility Derivatives, emission credits and allowances, and Redemption Options.

Commodities swaps, forwards and futures contracts and US dollar forward contracts

Commodities swaps, forwards and futures contracts and US dollar forward contracts are recorded in risk management and other derivatives. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices and US dollar exchange rates. While these derivative contracts form a component of Parkland's overall risk management program, only the US dollar forward window contracts that were entered to hedge the US dollar purchase of the Chevron Acquisition were accounted for as cash flow hedges (the "Chevron Acquisition Hedge"). On September 29, 2017, the Chevron Acquisition Hedge contracts were exercised in connection with the closing of the Chevron Acquisition on October 1, 2017.

Intermediation Facility Derivatives

The Intermediation Facility involves concurrent monthly paired forward purchase and sale transactions (collectively "the paired forward transactions"). Under the paired forward transactions, Parkland receives payment for the relevant Hydrocarbon group purchased based on the forward price and later settles the payment received on the relevant Hydrocarbon group based on the then-current spot price. The paired forward transactions are accounted for as one unit of account and as derivative financial instruments carried at fair value (the "Intermediation Facility Derivatives"). Realized and unrealized gains and losses relating to these derivative financial instruments are recorded in cost of purchases. Parkland enters into these paired forward transactions as they are believed to be economically effective at managing exposure to movements in commodity prices. See Section 8 of this MD&A and Note 17 of the Annual Consolidated Financial Statements for a discussion of the Intermediation Facility.

Emission credits and allowances

Emission credits and allowances that are held for trading and meet the definition of a derivative are accounted for using the fair value method of accounting.

Redemption Options

The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options are accounted for as an embedded derivative financial instrument. For more information on Parkland's financial instruments and related financial risk factors, see Note 13 of the Annual Consolidated Financial Statements.

Fair value measurement

Parkland's financial assets and liabilities that are measured at fair value through profit or loss are categorized by level according to the significance of the inputs used in making the measurements in a three-level hierarchy. The fair value measurement hierarchy levels are defined as follows:

- Level 1 - Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 - Inputs that are not based on observable market data (unobservable inputs)

The fair values of Parkland's recurring measurements of the commodities swaps and forward contracts, futures contracts, US dollar forward exchange contracts, Redemption Options and Intermediation Facility Derivatives were determined based on Level 2 inputs. Parkland used the following techniques to value financial instruments categorized in Level 2:

- fair values of the outstanding NYMEX New York Harbour or WTI to heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which are compared to observable data;
- fair values of commodities forward contracts, futures contracts, US dollar forward exchange contracts and Intermediation Facility Derivatives are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes; and
- fair values of the Redemption Options are determined using a valuation model based on inputs from observable market data including independent price publications, third-party pricing services and market exchanges.

For the purpose of fair value disclosures, Parkland has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

Fair value measurement hierarchy

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy of the valuation techniques used:

(\$ millions)	Fair value as at December 31, 2017			Total
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	1.4	–	1.4
US dollar forward contracts	–	0.7	–	0.7
Other derivatives				
Emission credits and allowances	–	16.7	–	16.7
Risk management and other derivatives - assets	–	18.8	–	18.8
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	(8.4)	–	(8.4)
Other derivatives				
Emission credits and allowances	–	(0.1)	–	(0.1)
Risk management and other derivatives - liabilities	–	(8.5)	–	(8.5)
Other derivatives included in other long-term assets				
Redemption Options	–	20.1	–	20.1
Other derivatives included in other liabilities				
Intermediation Facility Derivatives	–	(8.6)	–	(8.6)

Impact on the consolidated balance sheets and consolidated statements of income

The Redemption Options are fair valued at the end of each reporting period and any change in fair value is recognized in the consolidated statements of income in finance costs. The fair value of the Redemption Options recorded in other long-term assets was \$20.1 million as at December 31, 2017 (December 31, 2016 – \$8.7 million). The change in fair value of the Redemption Options for the three months and year ended December 31, 2017 was a loss of \$9.7 million and gain of \$8.8 million respectively (2016 - loss of \$14.2 million and \$3.6 million).

During the second quarter of 2017, Parkland entered into the Chevron Acquisition Hedge to hedge the foreign currency risks related to the US dollar purchase price of the Chevron Acquisition and to provide greater certainty on the purchase price of the Chevron Acquisition. The Chevron Acquisition Hedge contracts totalling of US\$1,100.0 million had a weighted average forward rate of 1.343 and settlement window dates ranging from September 19, 2017 to May 23, 2018. These arrangements were designated as cash flow hedges and were effective in hedging against foreign currency risks on the first US\$1,100.0 million of the Chevron Acquisition purchase price. On September 29, 2017, the Chevron Acquisition Hedge contracts were exercised in connection with the closing of the Chevron Acquisition on October 1, 2017. On October 1, 2017, the other comprehensive loss of \$100.8 million resulting from the strengthening of the Canadian dollar against the US dollar was reclassified to and included as goodwill for the Chevron Acquisition. Refer to Note 19 of the Annual Consolidated Financial Statements for further details.

Gains or losses relating to the Intermediation Facility Derivatives are recognized in the consolidated statements of income in cost of purchases. For the year ended December 31, 2017, a realized loss of \$16.6 million and an unrealized loss of \$8.6 million relating to these Intermediation Facility Derivatives were included in cost of purchases.

All other risk management and other derivatives are fair valued at the end of the reporting period and any change in fair value is recognized in the consolidated statements of income in loss on risk management and other derivatives. The fair values of the risk management and other derivatives not under hedging arrangements as at December 31, 2017 were \$18.8 million and \$8.5 million respectively (December 31, 2016 - \$0.8 million and \$8.4 million). Risk management and other derivatives for the three months and year ended December 31, 2017 was a loss of \$2.6 million and gain of \$2.4 million respectively (2016 - loss of \$11.8 million and \$17.1 million) and was driven by commodities swaps and forward contracts, and US dollar forward exchange contracts.

Credit risk

Parkland is exposed to credit risk from operating activities and certain financing activities. Parkland's exposure to concentrations of significant credit risk to any individual customer is limited. Credit risk is minimized by Parkland's broad and geographically diverse customer base. In the Retail Fuels segment, credit risk is managed through a daily settlement process. Retail Fuels generally operates at a negative working capital carry. Parkland also manages its exposure to credit risk through a variety of means, including, but not limited to: (i) rigorous credit granting procedures, including review of each new customer's credit history before extending credit and imposing short payment terms or security interests where applicable; (ii) ongoing customer credit evaluations, including review of customer financial conditions and credit performance; (iii) ongoing close monitoring of outstanding amounts; and (iv) usage of standby and commercial letters of credit for certain customers, where applicable. Parkland's allowances for receivables are maintained at levels considered adequate to provide for future credit losses. Our trade accounts receivable and allowance for doubtful accounts balances as at December 31, 2017 are \$544.1 million and \$4.7 million respectively (December 31, 2016 - \$327.7 million and \$4.6 million respectively). The long-term receivables balance and corresponding allowance as at December 31, 2017 are \$38.3 million and \$5.0 million respectively (December 31, 2016 - \$32.9 million and nil).

Counterparties for all risk management and other derivatives transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

Foreign currency risk

Parkland is exposed to foreign currency risk due to fluctuations in the US dollar to Canadian dollar ("USD/CAD") exchange rate relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars, and Parkland's net investments in US subsidiaries. Parkland may mitigate foreign currency risk through a variety of means, including entering into US dollar forward exchange contracts or foreign currency options, as appropriate. For the year ended December 31, 2017, a \$0.10 change in the US dollar to Canadian dollar exchange rate on financial instruments denominated in US dollars, with all other variables held constant, would have caused a \$23.5 million decrease in net earnings (2016 - \$1.4 million increase). The increased sensitivity is primarily due to an increase in accounts payable denominated in US dollars driven by the Supply segment buying crude in US dollars for the Burnaby Refinery.

Interest rate risk

Interest rate risk arises from the impact of fluctuating interest rates on earnings, cash flows and valuations. Parkland is exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes the interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate, as appropriate. As at December 31, 2017, a 100 basis point change in these interest rates, with all other variables held constant, would have caused an increase or decrease to consolidated net earnings of approximately \$8.6 million (2016 - \$0.5 million). The increased sensitivity is due to larger balances on the Credit Facility to fund the Acquisitions, which carry a floating interest rate based on LIBOR, bankers' acceptance and prime rates.

Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland's process for managing liquidity risk includes ensuring, to the extent possible, that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates.

Parkland is committed to retaining positive credit ratings to support access to capital markets and currently has the following credit ratings:

	Standard and Poor's	Dominion Bond Rating Service
Corporate	BB-	BB
5.50% Senior Notes, due 2021	BB-	BB
6.00% Senior Notes, due 2022	BB-	BB
5.75% Senior Notes, due 2024	BB-	BB
5.625% Senior Notes, due 2025	BB-	BB

Refer to Sections 7 and 8 of the MD&A for further discussion on Parkland's liquidity and capital resources.

Commodity price risk

Commodity price risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in a financial loss, including movements in crude, heavy oil, LPGs and refined products. Parkland enters into derivative instruments including the Intermediation Facility and swaps, forwards and futures contracts to mitigate commodity price risk volatility as part of its risk management strategy. These financial instruments are subject to financial controls, risk management and monitoring procedures.

Risk management derivatives and Intermediation Facility Derivatives are recorded at fair value and are sensitive to commodity price movements. As at December 31, 2017, a 5% change in commodity prices, including crude, heavy oil, LPGs and refined products, with other variables held constant, would cause an increase or decrease of approximately \$12.2 (2016 - \$4.3) to net earnings due to the change in fair values of risk management derivatives and Intermediation Facility Derivatives.

Other risks

A detailed discussion of additional risk factors relating to Parkland and its business is presented in the Annual Information Form, which is available on SEDAR.

11. OTHER

Controls environment

Internal control over financial reporting

Parkland is mandated by the Canadian securities regulatory authorities under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109") to evaluate the design and operating effectiveness of the internal control systems. Based on the evaluation of Parkland's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in NI 52-109, the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have concluded that Parkland's DC&P and ICFR were designed and operating effectively as at December 31, 2017. In making its assessment, management used the Internal Control - Integrated Framework (2013) published by The Committee of Sponsoring

Organizations of the Treadway Commission to evaluate the effectiveness of ICFR. These controls are designed to provide reasonable assurance regarding the reliability of Parkland's financial reporting and compliance with IFRS.

In accordance with the provisions of NI 52-109, Parkland has limited the scope of its design of Parkland's DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before December 31, 2017, as Parkland closed the Chevron and Ultramar Acquisitions on October 1, 2017 and June 28, 2017, respectively. This scope limitation is primarily due to the time required for Parkland's management to assess DC&P and ICFR in a manner consistent with Parkland's other operations.

The following is a summary of certain financial information related to the Acquisitions, effective from the dates of acquisition:

	Ultramar	Chevron
(\$ millions)	Year ended December 31, 2017	
Revenue	1,638.8	691.5
Net income	11.0	33.9
	As at December 31, 2017	
Current assets	211.6	362.7
Non-current assets	1,063.0	1,785.7
Current liabilities	(211.7)	(443.1)
Non-current liabilities	(71.3)	(241.1)

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the year ended December 31, 2017 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

In the normal course of business, Parkland is obligated to make future payments, including contractual obligations and guarantees. Parkland believes all relationships or arrangements with entities that are likely to have a material effect on its liquidity or the availability of capital resources have been consolidated into the financial statements. Parkland has not created, and is not party to, any special purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business.

Guarantees

As at December 31, 2017, Parkland provided \$730.3 million (December 31, 2016 - \$743.6 million) of unsecured guarantees to counterparties of commodities swaps used in purchases and supply agreements of crude, fuel and other petroleum products.

Letters of credit and performance bonds

In the ordinary course of business, Parkland has provided guarantees in the form of letters of credit and performance bonds. As at December 31, 2017, these guarantees amount to \$175.1 (December 31, 2016 - \$137.0) and have not been recognized in the consolidated financial statements. Maturity dates of these guarantees vary and are up to and including August 18, 2019.

Shares outstanding

As at March 1, 2018, Parkland had approximately 131.2 million shares, 3.2 million share options and 0.9 million restricted share units outstanding. The share options consist of approximately 1.8 million share options that are currently exercisable into shares.

12. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 24 – Segment Information of the Annual Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 24 of the Annual Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure for the underlying core operating performance of business segments or base business activities at an operational level. Adjusted EBITDA is used by management to set targets for Parkland (including annual guidance and variable compensation targets) and is used to determine Parkland's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. Adjusted EBITDA excludes costs that are not considered representative of Parkland's underlying core operating performance, including direct and indirect costs related to potential and completed acquisitions and business integrations. Adjusted EBITDA is calculated and reconciled from net earnings as follows:

	Three months ended December 31,		Year ended December 31,	
(\$ millions)	2017	2016	2017	2016
Net earnings	49.0	3.0	82.3	47.2
Finance costs	47.7	27.2	89.6	40.2
Loss on asset sales and disposals	2.8	1.2	2.1	1.0
Income tax (recovery) expense	(26.2)	6.2	(13.9)	19.8
Loss (gain) on risk management and other derivatives - unrealized	6.4	5.4	(1.6)	8.9
Loss on Intermediation Facility Derivatives in cost of purchases - unrealized	8.6	—	8.6	—
(Gain) loss on foreign exchange - unrealized	(0.3)	0.1	1.4	1.1
Acquisition, integration and other costs	40.7	14.0	83.7	32.4
Depreciation and amortization	69.1	20.0	165.6	102.9
Adjusted EBITDA	197.8	77.1	417.8	253.5

Adjusted gross profit

Parkland uses adjusted gross profit as a measure of segment profit and loss to analyze the performance of sale and purchase transactions and performance on margin. Adjusted gross profit is calculated and reconciled as follows:

	Three months ended December 31,		Year ended December 31,	
(\$ millions)	2017	2016	2017	2016
Sales and operating revenue	3,369.2	1,740.0	9,560.5	6,266.0
Cost of purchases	(2,915.4)	(1,536.0)	(8,480.3)	(5,549.3)
Gain (loss) on risk management and other derivatives - realized	3.8	(6.4)	0.8	(8.2)
Loss on Intermediation Facility Derivatives in cost of purchases - unrealized	8.6	—	8.6	—
Gain (loss) on foreign exchange - realized	2.7	(0.4)	4.2	(0.8)
Adjusted gross profit	468.9	197.2	1,093.8	707.7
Fuel and petroleum product adjusted gross profit	401.8	160.4	889.0	560.8
Non-fuel adjusted gross profit	67.1	36.8	204.8	146.9
Adjusted gross profit	468.9	197.2	1,093.8	707.7

Non-GAAP financial measures

Certain financial measures in this MD&A are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze operating performance, leverage and liquidity. These non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Credit Facility earnings before interest, taxes, depreciation and amortization ("Credit Facility EBITDA")⁽¹⁾	Debt covenant earnings metric defined in Parkland's Credit Facility	Credit Facility EBITDA ⁽¹⁾ = Adjusted EBITDA + share incentive compensation + acquisition pro-forma EBITDA adjustment ⁽²⁾ + acquisition, integration and other costs adjustment ⁽²⁾	We use this metric to monitor Parkland's ability to service debt and meet current and future commitments.
Senior Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant ratio metric defined in Parkland's Credit facility, where Credit Facility EBITDA is compared to Senior Funded Debt as a ratio	Senior Funded Debt to Credit Facility EBITDA ⁽¹⁾ = Senior Funded Debt ÷ Credit Facility EBITDA Senior Funded Debt = [current portion of long-term debt + bank indebtedness + non-current portion of long-term debt (excluding Senior Unsecured Notes) + letters of credits and surety bonds] ÷ cash and cash equivalents and restricted cash	We use these ratios to demonstrate compliance with debt covenants and provide users with an indication of Parkland's ability to repay debt. To manage Parkland's financing requirements, we may adjust capital spending or dividends paid to shareholders, or issue new shares or new debt. These metrics are also used to monitor and guide Parkland's overall financial strength and capital structure flexibility.
Total Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Total Funded Debt as a ratio	Total Funded Debt to Credit Facility EBITDA ⁽¹⁾ = Total Funded Debt ÷ Credit Facility EBITDA Total Funded Debt = Senior Funded Debt + Senior Unsecured Notes	
Interest coverage ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to interest ⁽²⁾ as a ratio	Interest coverage ratio ⁽¹⁾ = Credit Facility EBITDA ÷ interest ⁽²⁾	We use this ratio to provide us with an indication of Parkland's ability to pay interest on its outstanding debt, in addition to demonstrating compliance with debt covenants.
Net unit operating cost ("NUOC")⁽¹⁾	Retail fuels industry metric that represents adjusted fuel gross profit required per litre for the segment to breakeven on operating costs and management, general and administrative ("MG&A") expenses	NUOC ⁽¹⁾ = [operating costs + MG&A expenses - non-fuel adjusted gross profit] ÷ fuel and petroleum product volume	We use this metric to measure performance of the Retail Fuels segment. We believe it provides transparency and predictive value for operating costs and MG&A expenses in relation to fuel sales within the segment.
TTM operating ratio⁽¹⁾	Operating metric that represents operating costs and MG&A expenses as a percentage of gross profit	TTM operating ratio ⁽¹⁾ = [operating costs + MG&A expenses] ÷ adjusted gross profit	We use this ratio to measure performance of the Commercial Fuels and Parkland USA segments as we believe it provides transparency and predictive value on operating costs and MG&A expenses.
Corporate marketing, general and administrative expenses as a % of adjusted gross profit	Ratio that measures percentage of corporate expenses in relation to Parkland's adjusted gross profit	Corporate MG&A as a % of adjusted gross profit = corporate MG&A expenses ÷ consolidated adjusted gross profit	We use this metric to measure the effectiveness of Parkland's corporate operations in relation to Parkland's overall business. We believe this metric provides transparency and predictive value for corporate MG&A in relation to Parkland's entire adjusted gross profit.
Distributable cash flow	Cash flow metric that adjusts for the impact of seasonality in Parkland's business by removing non-cash working capital items	Distributable cash flow = cash flow from operating activities - change in other liabilities - net change in non-cash working capital + maintenance capital expenditures + proceeds on asset sales and disposals	We use this metric to monitor normalized cash flows of the business by eliminating the impact of Parkland's working capital fluctuations, which can vary significantly from quarter to quarter.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Adjusted distributable cash flow	Distributable cash flow metric that excludes acquisition, integration and other costs	Adjusted distributable cash flow = distributable cash flow – acquisition, integration and other costs	We use this metric to monitor core distributable cash flows of the business without the impact of expenditures used in acquisitions, integration and other activities, which fluctuate significantly.
Distributable cash flow per share	Distributable cash flow presented on a per share basis	Distributable cash flow per share = distributable cash flow ÷ weighted average number of common shares	We measure this metric on a per share basis, as we believe this provides useful information to individual shareholders.
Adjusted distributable cash flow per share	Adjusted distributable cash flow presented on a per share basis	Adjusted distributable cash flow per share = adjusted distributable cash flow ÷ weighted average number of common shares	
Dividend payout ratio	Ratio of dividends distributed to distributable cash flow	Dividend payout ratio = dividends ÷ distributable cash flow	We use these ratios as indicators of Parkland's ability to generate cash flows to sustain monthly dividends, including those issued under the dividend reinvestment plan.
Adjusted dividend payout ratio	Ratio of dividends distributed to adjusted distributable cash flow	Adjusted dividend payout ratio = dividends ÷ adjusted distributable cash flow	

⁽¹⁾ Calculated on a trailing-twelve-month basis.

⁽²⁾ Determined pursuant to the terms of the Credit Facility.

Maintenance capital expenditures and growth capital expenditures

Parkland uses maintenance capital expenditures as a financial measure to monitor expenditures on property, plant and equipment and intangible assets to sustain the current level of economic activity and maintain cash flows from operating activities at a constant level of productive capacity. Parkland considers the volume of fuel and propane sales, volume of convenience store sales, volume of lubricant sales, agricultural inputs, and delivery to be productive capacity. Examples of maintenance capital expenditures include:

- Turnaround and other maintenance projects at the Burnaby Refinery;
- upgrades of service stations, including primarily aesthetic major renovations (also known as "refreshes") conducted on retail service stations;
- rebrand or refresh of service stations, including securing a supply agreement with a new independent retailer;
- replacement of existing concrete structures, paving, roofing, furniture and equipment;
- upgrade or replacement of trucking fleets; and
- upgrade of software systems or point-of-sale systems.

Parkland uses growth capital expenditures as a measure to monitor expenditures on property, plant and equipment and intangible assets that increase the current level of economic activity. Examples of growth capital expenditures include:

- brand new site builds within the Retail Fuels segment under the "New-To-Industry" program;
- construction of a new building on an existing site;
- acquisition of new real estate;
- addition of new trucks and trailers to increase the size of the fleet;
- addition of new equipment to increase the size and capacity of a retail fuel service station; and
- addition of new infrastructure and tanks to support large new customer contracts.

The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. The combination of maintenance and growth capital expenditures reflects all additions to property, plant and equipment and intangible assets. A reconciliation of this measure is presented in Section 8 of this MD&A.

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
Adjusted EBITDA	70.0	53.6	96.4	197.8	417.8
Share incentive compensation	1.7	1.4	1.0	6.0	10.1
	71.7	55.0	97.4	203.8	427.9
Acquisition pro-forma adjustment ⁽¹⁾					350.4
Acquisition, integration and other costs adjustment ⁽²⁾					(5.0)
Credit Facility EBITDA					773.3

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2017 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2017, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$5.0 million pursuant to the terms of the Credit Facility dated September 28, 2017. This amount is used for debt covenant calculation purposes only.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
Adjusted EBITDA	59.7	56.4	60.3	77.1	253.5
Share incentive compensation	1.1	2.4	3.3	4.7	11.5
	60.8	58.8	63.6	81.8	265.0
Acquisition pro-forma adjustment ⁽¹⁾					8.2
Acquisition, integration and other costs adjustment ⁽²⁾					(14.4)
Credit Facility EBITDA					258.8

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2016 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2016, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$14.4 million pursuant to the terms of the Credit Facility amended on June 30, 2016. This amount is used for debt covenant calculation purposes only.

Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios

(\$ millions)	December 31, 2017	December 31, 2016
Senior Funded Debt:		
Long-term debt – current portion ⁽¹⁾	4.4	1.9
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	822.1	138.8
Letters of credit and surety bonds ⁽²⁾	36.1	8.9
Less:		
Cash and cash equivalents	(22.5)	(25.6)
Senior Funded Debt ⁽¹⁾	840.1	124.0
Senior Unsecured Notes ⁽¹⁾	1,187.5	399.2
Total Funded Debt ⁽¹⁾	2,027.6	523.2
Credit Facility EBITDA	773.3	258.8
Senior Funded Debt to Credit Facility EBITDA ratio	1.09	0.48
Total Funded Debt to Credit Facility EBITDA ratio	2.62	2.02

⁽¹⁾ For the December 31, 2016 ratios, consent was provided by lenders to exclude the 5.75% Senior Notes, the subscription receipts, and the related proceeds held in escrow from the calculation of Total Funded Debt and Senior Funded Debt.

⁽²⁾ Calculated pursuant to the terms of the Credit Facility.

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	December 31, 2017	December 31, 2016
Credit Facility EBITDA	773.3	258.8
Interest ⁽¹⁾	101.1	35.3
Interest coverage ratio	7.65	7.33

⁽¹⁾ Calculated pursuant to the terms of the Credit Facility.

NUOC

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
Operating costs ⁽¹⁾	24.8	26.1	65.4	80.7	197.0
Marketing, general and administrative	6.7	6.8	12.5	15.8	41.8
Less: Non-fuel adjusted gross profit	(12.6)	(14.4)	(33.2)	(36.1)	(96.3)
	18.9	18.5	44.7	60.4	142.5
Fuel and petroleum product volume ⁽²⁾ (million litres)	844.2	966.7	1,667.4	1,730.5	5,208.8
NUOC ⁽¹⁾	2.24	1.91	2.68	3.49	2.74

⁽¹⁾ Operating costs and NUOC were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

⁽²⁾ Includes diesel, gasoline and propane volumes.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
Operating costs ⁽¹⁾	22.9	24.5	24.5	25.1	97.0
Marketing, general and administrative	6.2	5.9	5.6	6.4	24.1
Less: Non-fuel adjusted gross profit	(14.0)	(13.7)	(14.0)	(14.5)	(56.2)
	15.1	16.7	16.1	17.0	64.9
Fuel and petroleum product volume ⁽²⁾ (million litres)	843.1	936.0	1,001.8	935.9	3,716.8
NUOC ⁽¹⁾	1.79	1.78	1.61	1.82	1.75

⁽¹⁾ Operating costs and NUOC were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

⁽²⁾ Includes diesel, gasoline and propane volumes.

TTM operating ratio

Commercial Fuels

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
Operating costs ⁽¹⁾	38.0	32.5	37.4	49.6	157.5
Marketing, general and administrative	6.2	6.1	10.2	12.4	34.9
	44.2	38.6	47.6	62.0	192.4
Adjusted gross profit	72.7	44.1	56.3	89.7	262.8
TTM operating ratio					73.2%

⁽¹⁾ Operating costs were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
Operating costs ⁽¹⁾	33.0	28.6	27.7	32.9	122.2
Marketing, general and administrative	6.3	6.4	5.9	6.3	24.9
	39.3	35.0	33.6	39.2	147.1
Adjusted gross profit	61.6	41.5	38.3	54.9	196.3
TTM operating ratio ⁽¹⁾					74.9%

⁽¹⁾ Operating costs and the TTM operating ratio were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Parkland USA

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2017
	March 31, 2017	June 30, 2017	September 30, 2017	December 31, 2017	
Operating costs ⁽¹⁾	10.4	10.4	9.9	9.9	40.6
Marketing, general and administrative	1.8	2.1	1.6	2.4	7.9
	12.2	12.5	11.5	12.3	48.5
Adjusted gross profit	15.2	17.6	15.8	16.2	64.8
TTM operating ratio					74.8%

⁽¹⁾ Operating costs were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2016
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	
Operating costs ⁽¹⁾	10.6	9.9	10.2	9.7	40.4
Marketing, general and administrative	2.1	1.9	1.6	2.0	7.6
	12.7	11.8	11.8	11.7	48.0
Adjusted gross profit	16.2	15.2	16.1	15.9	63.4
TTM operating ratio ⁽¹⁾					75.7%

⁽¹⁾ Operating costs and the TTM operating ratio were restated to conform to current year's presentation in the consolidated statements of income. Specifically, customer finance income, which was formerly presented separately, is now included in operating costs.

Corporate marketing, general and administrative expenses as a % of adjusted gross profit

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2017	2016	2017	2016
Corporate marketing, general and administrative	22.4	9.9	60.2	46.9
Parkland's adjusted gross profit	468.9	197.2	1,093.8	707.7
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	4.8%	5.0%	5.5%	6.6%

Key Performance Indicators ("KPIs")

In addition to the non-GAAP financial measures, Parkland uses a number of operational KPIs to measure the success of our strategic objectives. These KPIs are not accounting measures, do not have comparable IFRS measures, and may not be comparable to similar measures presented by other issuers, as other issuers may calculate these metrics differently.

Company C-Store same-store sales growth ("Company C-Store SSSG")

Company C-Store SSSG refers to sales growth generated by retail convenience stores at Company sites. The effects of opening and closing stores, temporary closures, expansions and renovations of stores in the period are excluded to derive a comparable same store metric.

At Parkland, Company C-Store SSSG is derived from the Point-Of-Sale ("POS", i.e. cash register) values of goods and services sold to retail customers at convenience stores operated by retailers at Company sites. Specifically, current year POS sales of active sites are compared to the prior year POS sales of comparable sites. Since Parkland generally collects fixed rent for the facilities plus a percentage rent on convenience store sales from the retailer and typically does not directly own or sell the convenience store inventory, the POS amounts used to calculate Company C-Store SSSG is not a Parkland financial measure and does not form part of Parkland's consolidated financial statements.

Same-store sales growth is a metric commonly used in the retail industry. As such, Parkland believes that this measure provides meaningful information to investors in assessing the health and strength of Parkland's brands and the Retail Fuels network, which ultimately impacts its financial performance.

Results of the Chevron and Ultramar Acquisitions are included in the calculations of Company C-Store SSSG for the three months ended December 31, 2017 and 2016 but excluded from the calculations for years ended December 31, 2017 and 2016, as the current year-to-date measure does not reflect the performance of the Ultramar or Chevron assets under Parkland's stewardship.

Volume same-store sales growth ("Volume SSSG")

Volume SSSG refers to fuel and petroleum product sales growth at active Company and Dealer sites. The effects of opening and closing stores, temporary closures, expansions and renovations of stores in the period are excluded. At Parkland, Volume SSSG is derived by comparing the current year volume of active sites to the prior year volume of comparable sites.

Volume SSSG is a metric commonly used in the retail fuels industry. As such, Parkland believes that this measure provides meaningful information to investors in assessing the health and strength of Parkland's brands and the Retail Fuels network, which ultimately impacts its financial performance.

Results of the Chevron and Ultramar Acquisitions are included in the calculations of Volume SSSG for the three months ended December 31, 2017 and 2016 but excluded from the calculations for the years ended December 31, 2017 and 2016, as the current year-to-date measure does not reflect the performance of the Chevron and Ultramar assets under Parkland's stewardship.

Measures calculated on a cents-per-litre basis

Certain financial measures are calculated on a cents-per-litre ("cpl") basis by dividing the financial measure by the relevant volume of the segment. These cpl metrics are used by management to identify trends in financial measures while removing the impact of volume variability, where appropriate.

Refinery utilization

Refinery utilization refers to the amount of crude oil and feedstocks that run through crude distillation units expressed as a percentage of the capacity of these units. A higher utilization generally allows for more efficient operations and lower costs per barrel. Parkland believes that this measure provides meaningful information to investors in evaluating the operational performance of the refinery.

13. OUTLOOK

In 2018, Parkland will remain focused on integrating the Chevron and Ultramar Acquisitions and driving synergies to create shareholder value. Parkland has started the implementation of converting Chevron and Ultramar's enterprise resource planning ("ERP") system to Parkland's ERP system, which will be completed on a segment-by-segment basis, with the final segment expected to be completed by late Fall 2018.

Parkland will continue to focus on building and expanding the On The Run / Marché Express convenience store offering, which will provide a strong platform to support growth of the Parkland Retail Fuels offering across Canada. 2018 will include plans to continue the rollout of our newly refreshed On the Run / Marché Express store design and expand our private label brand, "59th Street Food Co." offerings.

As part of our supply strategy to enhance our supply advantage, Parkland will focus on continuing the successful operation of the Burnaby Refinery as well as adding volume and improving supply costs across Canada. We intend to maintain our ongoing focus on retaining existing customers and winning new customers in our various markets. Furthermore, in line with our disciplined strategy of acquiring prudently, Parkland will continue to review its acquisition pipeline for potential targets, and initiate acquisitions as strategic opportunities arise.

Burnaby Refinery Turnaround

In the first quarter of 2018, the Burnaby Refinery will undergo a major plant-wide maintenance event (a "Turnaround"). Refineries undergo periodic turnarounds to upgrade operating units and perform scheduled maintenance. While some minor turnaround activity may occur each year, larger-scale plant-wide turnarounds typically occur every five to ten years. The Turnaround is expected to last eight weeks and incur capital and operating costs of approximately \$80 million in 2018. Chevron has been planning the Turnaround since 2016 and key Turnaround personnel that were previously Chevron employees have transitioned to Parkland with the Chevron Acquisition. The early stages of the Burnaby Refinery Turnaround in the first quarter of 2018 are proceeding well and in accordance with plan.

2018 Guidance Range

Parkland is pleased to announce our 2018 Adjusted EBITDA guidance at approximately \$600 million with an anticipated variance of up to 5% (the "2018 Guidance Range"). The 2018 Guidance Range is based on certain assumptions, including but not limited to, the following:

- Estimates of future performance of the businesses acquired in the Acquisitions, with such estimates being based on prior performance.
- The Refinery utilization rate is expected to be approximately 80% in 2018. This reflects downtime during the Turnaround in the first quarter, with normalized utilization rates resuming in the second quarter.
- In 2018, Parkland expects to incur an estimated \$80 million of costs relating to the Turnaround, with approximately 85% of such costs being capitalized.

The 2018 Guidance Range includes growth scenarios that build off the 2017 Adjusted EBITDA of \$417.8 million and the assumption that the performance of the businesses purchased through the Acquisitions, general market conditions, including but not limited to fuel margins, refining margins and weather, will remain substantially consistent in 2018. Additionally, the negative 5% variance accounts for potential adverse market conditions in Western Canada and the Northern U.S. as well as lower crack spreads, while the positive 5% variance accounts for contributions from synergies relating to prior acquisitions (including the Acquisitions), higher crack spreads and Parkland achieving its previously disclosed average annual organic growth goal of 3-5%.

Other than as disclosed above, the factors and assumptions which contribute to Parkland's assessment of the 2018 Guidance Range are consistent with existing Parkland disclosure and such guidance range is subject to risks and uncertainties inherent in Parkland's business. Readers are directed to the Section 10 of this MD&A and Parkland's Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on March 1, 2018 on SEDAR at www.sedar.com for more information.

14. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

This MD&A contains certain forward-looking information. Forward-looking information can generally be identified by words such as "believes", "expects", "expected", "will", "plan", "intends", "target", "would", "seek", "could", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, this MD&A contains forward-looking information including, without limitation, forward-looking statements regarding Parkland's:

- commitment to delivering competitive and sustainable returns to shareholders by being the partner of choice for our customers and suppliers, and how we plan to accomplish this mission;
- commitment to drive organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries in the geographic markets we operate;
- goal to deliver a supply advantage by leveraging market inefficiencies and being a partner of choice for refiners;
- expectations regarding the accretive effects of acquisitions and the anticipated benefits and synergies of such acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store franchise system and related trademarks in Canada, providing a strong retail platform for Parkland to expand and support the Parkland Retail Fuels offering across Canada, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brand, "59th Street Food Co.";
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- strategy to optimize the value of other products that are not sold through its "owned" marketing channels;
- platform for growth in the United States and Canada;
- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably and the successful completion of the Turnaround;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Commercial Fuels and Retail Fuels business segments;
- ability to meet payment obligations as they come due;
- capital investment philosophy;
- intention in respect of dividend payments;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Acquisitions.

The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions. As such, readers are urged to consider the factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions including, without limitation:

- the regulatory framework that governs the operation of Parkland's business;
- Parkland's ability to successfully integrate the Acquisitions into Parkland's operations;

- commodity prices for gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products;
- crack spreads per barrel and US dollar foreign exchange rates;
- financial market conditions, including interest rates and exchange rates;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

These forward-looking statements involve numerous assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties, including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under the heading "Risk Factors" in the Annual Information Form. More specifically, certain material factors and assumptions that could cause actual results to vary materially from those anticipated include, without limitation:

- general market conditions;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to close certain previously announced transactions on terms satisfactory to Parkland or at all;
- ability to capture value in each step of the value chain;
- ability to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing, margins and crack spreads;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- the competitive environment of our industry in Canada and the United States;
- environmental impact;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Acquisitions;
- failure to meet financial operational and strategic objectives and plans; and
- availability of capital and operating funds.

Additional information on these and other factors that could affect Parkland's operations or financial results is discussed in this MD&A, the Annual Information Form and other continuous disclosure documents (available under Parkland's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or Parkland's website at www.parkland.ca).

The forward-looking statements speak only as of the date of this MD&A and Parkland does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements.

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