

Report to shareholders

Management's Discussion and Analysis

Q3 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 November 2, 2017 should be read in conjunction with our September 30, 2017 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2016 (the "Annual Consolidated Financial Statements"), our 2016 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2016 dated March 31, 2017 (the "Annual Information Form"). Information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Unless otherwise noted, all financial information is prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting within the framework of 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 and Note 2 of the Interim Condensed Consolidated Financial Statements. All information is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland, including quarterly and annual reports and the Annual Information Form, is available online under Parkland's profile 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 14 of the Interim Condensed Consolidated Financial Statements and 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. FINANCIAL AND OPERATING SUMMARY

(\$ millions, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	2015	2017	2016	2015
Financial Summary						
Sales and operating revenue	2,600.6	1,638.1	1,862.2	6,191.3	4,526.0	4,643.8
Adjusted gross profit ⁽¹⁾	266.3	171.1	167.0	624.9	510.5	445.2
Adjusted EBITDA ⁽¹⁾	96.4	60.3	59.1	220.0	176.4	150.3
Net earnings	12.7	14.7	14.6	33.3	44.2	23.8
Per share – basic	0.10	0.15	0.16	0.30	0.47	0.28
Per share – diluted	0.10	0.15	0.16	0.29	0.46	0.28
Distributable cash flow ⁽²⁾	46.2	27.8	29.2	107.2	91.0	74.5
Per share ⁽²⁾⁽³⁾	0.35	0.29	0.32	0.95	0.96	0.87
Adjusted distributable cash flow ⁽²⁾	65.3	33.2	34.6	150.2	109.4	95.6
Per share ⁽²⁾⁽³⁾	0.50	0.35	0.38	1.33	1.15	1.12
Dividends	38.4	27.7	25.4	98.9	81.6	72.2
Per share outstanding	0.29	0.29	0.28	0.76	0.85	0.80
Dividend payout ratio ⁽²⁾	83%	99%	87%	92%	90%	97%
Adjusted dividend payout ratio ⁽²⁾	59%	83%	73%	66%	75%	76%
Total assets	4,825.1	2,424.0	1,836.9	4,825.1	2,424.0	1,836.9
Total long-term liabilities	2,325.7	633.6	598.4	2,325.7	633.6	598.4
Shares outstanding (millions)	130.7	95.9	90.8	130.7	95.9	90.8
Weighted average number of common shares (millions)	130.5	95.6	90.4	112.7	95.0	85.6
Operating Summary						
Fuel and petroleum product volume (million litres)	3,556.6	2,658.6	2,730.6	8,900.9	7,631.8	6,999.5
Fuel and petroleum product adjusted gross profit ⁽¹⁾ (cpl):						
Retail Fuels	7.10	5.69	5.63	6.28	5.51	5.34
Commercial Fuels	6.71	8.64	8.89	9.48	10.94	11.33
Parkland USA	2.97	3.26	3.34	3.27	3.41	3.36
Operating costs (cpl)	3.42	2.80	2.71	3.21	2.99	2.87
Marketing, general and administrative (cpl)	1.37	1.38	1.26	1.35	1.40	1.37

⁽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.

2. PARKLAND OVERVIEW

Who we are

Parkland is Canada's largest and one of North America's fastest growing independent marketers of fuel and petroleum products and a leading convenience retailer. We deliver refined fuels, propane and other high quality fuel and petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States through three channels: retail, wholesale and commercial. We operate through four operating segments: Retail Fuels, Commercial Fuels, Supply and Wholesale, and Parkland USA. We maintain a portfolio of supply relationships, storage infrastructure, and third-party rail and highway carriers to ensure security of supply to our customers. Our mission is to be the partner of choice for our customers and suppliers; we do this by building lasting relationships through outstanding service, reliability, safety and professionalism.

Parkland's strategy

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 strategic plan consists of the following pillars:

- **Grow organically**

Parkland drives organic growth by innovatively pursuing opportunities to increase gross profit, focusing on 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.

- **Supply advantage**

Parkland delivers a supply advantage by leveraging market inefficiencies and being a partner of choice for refiners. Parkland uses market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities. To be the partner of choice for our suppliers, 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. Given that we purchase the full range of refined products, 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 optimize the value of other products that are not sold through our "owned" marketing channels.

- **Acquire prudently**

Parkland is a disciplined acquirer that actively seeks complementary scope and scale opportunities. Parkland builds and leverages relationships with the objective of being the buyer of choice for prospective vendors, and effectively integrates 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 as the industry consolidates, given our experience across all fuel marketing channels, our ability to optimize operations, and our potential supply and cost synergies.

We believe that our combination of acquisitive and organic growth enables us to earn a competitive return for shareholders.

3. PERFORMANCE OVERVIEW

Q3 2017 Highlights

Parkland saw excellent third quarter consolidated results, driven by a successful first quarter of operations from the Ultramar Business Acquisition⁽¹⁾ as well as strong organic growth in the existing businesses excluding the Ultramar Business Acquisition (the "Base Business"). Acquisition synergy targets for the Ultramar Business Acquisition are pacing above plan and ahead of expectations. Together with the Chevron Acquisition⁽¹⁾ completed on October 1, 2017, Parkland continues to make strong progress towards its five-year strategic plan.

Grow

- Parkland achieved a record third quarter Adjusted EBITDA of \$96.4 million compared to \$60.3 million for the same period in 2016. The third quarter results were driven by the highly successful Ultramar Business Acquisition on June 28, 2017 and strong organic growth and performance in the Base Business operations of Retail Fuels, Commercial Fuels, Supply and Wholesale, and Corporate.
- We achieved 33.8% growth in volume, delivering approximately 3.6 billion litres of fuel and petroleum products in the third quarter of 2017 compared to 2.7 billion litres in the third quarter of 2016. The volume increase was driven by increased volumes from the successful Ultramar Business Acquisition, as well as strong organic growth in propane volumes in Commercial Fuels and increased gas and diesel volumes in Parkland USA.

⁽¹⁾ Details of the Chevron Acquisition and Ultramar Business Acquisition are discussed on pages 4 and 8, respectively.

- Sales and operating revenue increased from \$1.6 billion in the third quarter of 2016 to \$2.6 billion in the third quarter of 2017. The revenue increase was driven primarily by rising commodity prices and higher fuel and petroleum product volume through organic growth and acquisitions.
- Retail Fuels achieved outstanding Company C-Store same-store sales growth ("SSSG") of 4.1% during the third quarter of 2017 compared to the third quarter of 2016 as a result of strong national category management, promotion planning, and focused execution on converting forecourt fuel sales to backcourt C-store sales.
- Parkland has 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 Site", where new, full-offer facilities are constructed at "New-To-Industry" or "Replacement" locations, and ii) "Retrofit Site", where existing locations are upgraded to the new concept. Parkland expects to deliver its first Flagship Site by the end of the fourth quarter of 2017. Parkland delivered its first Retrofit Site in Cobourg, Ontario in the third quarter of 2017 and plans to deliver approximately 40 additional Retrofit Sites by the end of the first quarter of 2018. These new concepts are expected to elevate the customer experience, resulting in improved C-store revenue and margin enhancement.
- Parkland developed a new private label brand, "59th Street Food Co.", which will be launched and available at selected Parkland locations in the fourth quarter of 2017. The private label brand will allow Parkland to provide high quality products at competitive price points with increased margin contributions. Initial private label products include various types of confectionary, with additional private label product offerings planned for the future.
- In the third quarter of 2017, the Commercial Fuels Base Business delivered 30% more propane than in the third quarter of 2016 primarily due to strong organic growth efforts, the impact of recent customer wins, and contributions from strategic business acquisitions completed in 2016.
- Net earnings were \$12.7 million in the third quarter of 2017 compared to \$14.7 million in the third quarter of 2016. This was primarily driven by Adjusted EBITDA growth from the Ultramar Business Acquisition and organic growth in the Base Business, offset by increased depreciation and amortization expenses due to the Ultramar Business Acquisition. Furthermore, Parkland incurred higher acquisition, integration and other costs related to integration activities for the Ultramar Business Acquisition and closing activities for the Chevron Acquisition.
- As a result of the Chevron Acquisition, we have revised our 2017 Adjusted EBITDA guidance to a range of \$350 million to \$390 million, an increase from the previous guidance of \$310 million to \$340 million. See Section 13 - Outlook of this MD&A for further details.

Supply

- Parkland continues to benefit from improved supply economics with demonstrated growth of 4% in Adjusted EBITDA in Supply and Wholesale due to continued focus on executing our supply strategy. The improvements in supply economics were partially offset by softer performance in the crude and liquid petroleum gas ("LPG") businesses during the quarter.
- Gas and diesel volumes increased 13% compared to the same quarter in 2016 as a result of strong market share gains and strategic initiatives to drive volume growth and scale. This was offset by lower volumes in crude and LPGs.
- The Parkland Supply and Wholesale team is pleased to welcome the Burnaby Refinery team as it looks to expand and optimize supply capabilities within the British Columbia region as part of Parkland's long-term supply advantage strategy. The Chevron Acquisition provides the best source of supply for the British Columbia market and allows Parkland to own key supply infrastructure, including terminals and a refinery with pipeline and tidewater access, to further build Parkland's supply advantage.

Acquire

• Chevron Acquisition

On October 1, 2017, Parkland successfully completed the acquisition of all of the outstanding shares of Chevron Canada R&M ULC from Chevron Canada Ltd. ("Chevron") for preliminary cash consideration of \$1,641.2 million (the "Chevron Acquisition"), consisting of the base purchase price of US\$1,100.0 million and estimated working capital of US\$208.7 million. The Chevron Acquisition was primarily funded through a combination of the Equity Offering, the 5.625% Senior Notes, cash from operations and drawdown on the Credit Facility.

The businesses acquired in the Chevron Acquisition 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"), terminals located in Burnaby, Hatch Point and Port Hardy, British Columbia, and 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. See Section 13 – Outlook for further details.

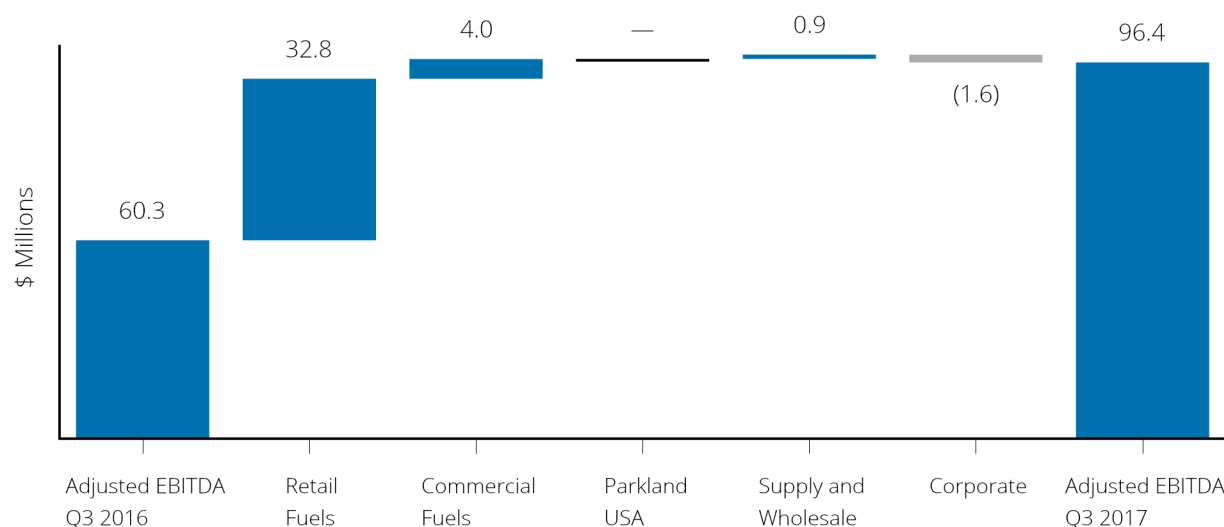
Parkland is currently in the process of assessing the purchase price allocation, which will be included in the December 31, 2017 consolidated financial statements. The preliminary purchase price is subject to change and will be finalized no later than one year from the acquisition date.

- Ultramar Business Acquisition**

Parkland completed its first full quarter of operations after the Ultramar Business Acquisition on June 28, 2017. This first quarter of performance was highly successful. Acquisition synergy targets are pacing above internal plan and ahead of expectations, reinforcing Parkland's ability and commitment to acquire prudently and integrate successfully. Parkland is continuing the process of integrating the businesses acquired as part of the Ultramar Business Acquisition, driving synergies and future growth.

Q3 2017 vs. Q3 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 September 30 (\$ millions)	2017	2016	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail Fuels	73.7	40.9	32.8	80 %
Commercial Fuels	8.7	4.7	4.0	85 %
Parkland USA	4.3	4.3	—	— %
Supply and Wholesale	24.4	23.5	0.9	4 %
Corporate	(14.7)	(13.1)	(1.6)	12 %
	96.4	60.3	36.1	60 %
Less:				
Depreciation and amortization	46.0	27.4	18.6	68 %
Finance costs				
Interest on long-term debt	23.7	7.5	16.2	216 %
Change in fair value of Redemption Options	(18.0)	(0.5)	(17.5)	3,500 %
Other finance costs ⁽²⁾	8.5	0.8	7.7	963 %
	14.2	7.8	6.4	82 %
(Gain) loss on disposal of property, plant and equipment	(1.2)	0.2	(1.4)	(700)%
Acquisition, integration and other costs	19.1	5.4	13.7	254 %
Unrealized loss from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	0.8	1.0	(0.2)	(20)%
Unrealized loss on foreign exchange	1.0	0.3	0.7	233 %
Income tax expense	3.8	3.5	0.3	9 %
Net earnings	12.7	14.7	(2.0)	(14)%

⁽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 9 of the Interim Condensed Consolidated Financial Statements.

- Parkland achieved a record third quarter Adjusted EBITDA of \$96.4 million compared to \$60.3 million for the third quarter of 2016 through a combination of successful acquisitions and organic growth. Retail Fuels grew 80% due to the Ultramar Business Acquisition as well as higher fuel margins and stronger non-fuel contributions in the Base Business. Commercial Fuels grew 85% as a result of the Ultramar Business Acquisition as well as higher propane and diesel volumes and higher fuel margins in the Base Business. Supply and Wholesale grew 4% as a result of continued efforts in executing Parkland's supply strategy. Overall growth was partially offset by \$1.6 million higher corporate costs as a result of merging the corporate functions of the Ultramar Business with that of the Base Business, offset by decreased Base Business corporate costs from a continued focus on cost control.
- Finance costs increased in the third quarter of 2017 as expected, driven by a \$16.2 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 Business Acquisition and the May 9, 2017 private placement of the 5.625% Senior Notes to prefund the Chevron Acquisition. Furthermore, other finance costs increased primarily due to Parkland conducting refinancing activities related to the Chevron Acquisition and Ultramar Business Acquisition, resulting in \$10.4 million higher amortization of deferred finance costs. These higher expenses were offset by a \$18.0 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. 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 \$13.7 million primarily due to costs incurred to integrate the Ultramar Business Acquisition and to close the Chevron Acquisition. 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 from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts was \$0.8 million due to market conditions compared to \$1.0 million in the third quarter of 2016. The unrealized loss was primarily driven by LPG sell-side swap positions taken by Parkland in an increasing market pricing environment for those physical commodities, offset by an unrealized gain on crude buy-side swaps. 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 in the future. 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, which are not recognized under IFRS until delivery to the customer is complete.
- Income tax expense increased to \$3.8 million in the third quarter of 2017 compared to \$3.5 million in the third quarter of 2016 primarily due to higher earnings before income taxes.
- As a result of the above main drivers, net earnings of \$12.7 million were recorded for the third quarter of 2017 compared to \$14.7 million in the third quarter of 2016.

Q3 2017 YTD Highlights

Grow

- Parkland achieved a record Q3 YTD Adjusted EBITDA of \$220.0 million in 2017, representing growth of 25% compared to \$176.4 million achieved during the first nine months of 2016. This increase was driven by the Ultramar Business Acquisition as well as stronger Base Business performance from organic growth in the Commercial Fuels and Supply and Wholesale segments and decreased Corporate costs.
- We delivered 8.9 billion litres of fuel and petroleum products in the first nine months of 2017, representing growth of 17% compared to 7.6 billion litres in the same period of 2016. This volume increase was driven by the Ultramar Business Acquisition as well as growth in the Base Businesses of the Commercial Fuels, Parkland USA and Supply and Wholesale segments.
- Sales and operating revenue increased to \$6.2 billion for the first nine months of 2017 compared to \$4.5 billion for the first nine months of 2016, driven by a combination of greater volume, higher commodity and fuel prices, and the contribution of the Ultramar Business Acquisition.
- Parkland's net earnings in the first nine months of 2017 were \$33.3 million compared to \$44.2 million in the first nine months of 2016. Parkland experienced strong growth in adjusted gross profit and Adjusted EBITDA. However, this was offset by higher finance costs from greater debt to fund the Ultramar Business Acquisition and prefund the Chevron Acquisition, higher depreciation and amortization expenses, as well as increased acquisition, integration and other costs related to activities for those acquisitions. The Chevron Acquisition closed subsequent to the third quarter and thus there were no contributions to offset the higher finance costs.
- Company C-Store SSSG in Retail Fuels was 3.5% overall, driven by higher Company C-Store SSSG across Canada as a result of strong national category management, promotion planning, and focused execution on converting forecourt sales to backcourt sales.

Supply

- Parkland's Supply and Wholesale team continues to drive and support growth, maintaining its commitment to ongoing improvements in supply economics and supply optionality as demonstrated by our 4% improvement in segment Adjusted EBITDA.
- Gas and diesel volumes sold by Supply and Wholesale increased by 10% year-over-year as a result of strong market share gains and strategic initiatives to drive volume growth.

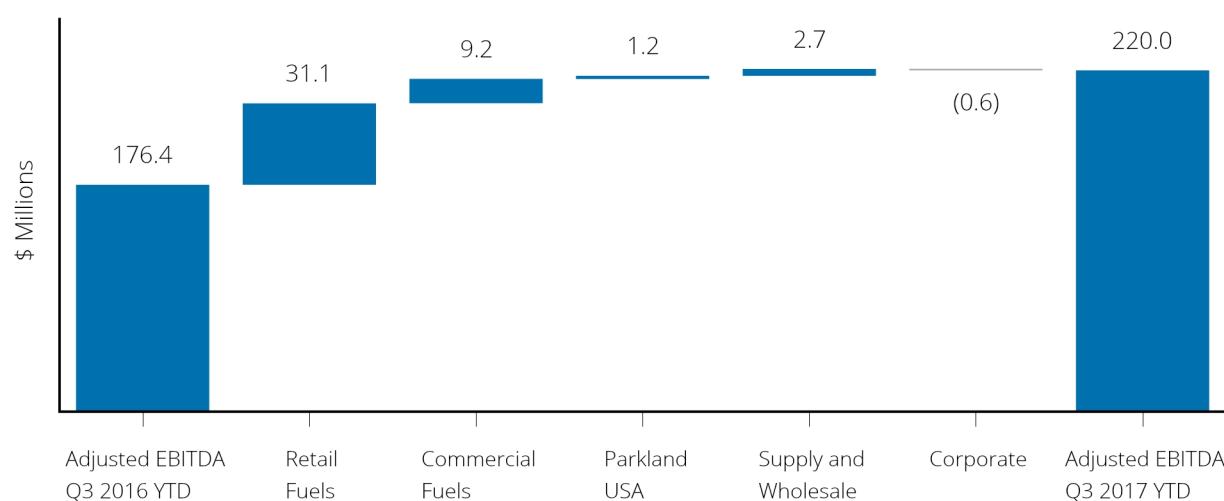
Acquire

- Ultramar Business Acquisition**

On June 28, 2017, Parkland successfully completed the acquisition of the majority of the Canadian business and assets of CST Brands, Inc. (the "Ultramar Business") from Alimentation Couche-Tard Inc. ("Couche-Tard") for a preliminary purchase price of \$972.2 million (the "Ultramar Business Acquisition"). The Ultramar Business consists of: (i) 495 dealer-operated retail 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 that were retained by Couche-Tard as part of the Ultramar Business Acquisition. The Ultramar Business Acquisition extends Parkland's network coverage in Quebec and Atlantic Canada and enhances Parkland's presence in Ontario. The Ultramar Business Acquisition was partially financed by subscription receipts issued on September 7, 2016 and the 5.75% Senior Notes issued on September 16, 2016. Parkland is currently in the process of integrating the acquisition and driving synergies. Acquisition synergy targets are pacing above internal plan and ahead of expectations.

Q3 2017 YTD vs. Q3 2016 YTD 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 nine months ended September 30 (\$ millions)	2017	2016	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail Fuels	136.5	105.4	31.1	30 %
Commercial Fuels	42.7	33.5	9.2	27 %
Parkland USA	12.4	11.2	1.2	11 %
Supply and Wholesale	65.5	62.8	2.7	4 %
Corporate	(37.1)	(36.5)	(0.6)	2 %
	220.0	176.4	43.6	25 %
Less:				
Depreciation and amortization	96.5	82.9	13.6	16 %
Finance costs				
Interest on long-term debt	51.6	21.0	30.6	146 %
Change in fair value of Redemption Options	(18.5)	(10.6)	(7.9)	75 %
Other finance costs ⁽²⁾	8.8	2.6	6.2	238 %
	41.9	13.0	28.9	222 %
Gain on disposal of property, plant and equipment	(0.7)	(0.2)	(0.5)	250 %
Acquisition, integration and other costs	43.0	18.4	24.6	134 %
Unrealized (gain) loss from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	(8.0)	3.5	(11.5)	(329)%
Unrealized loss on foreign exchange	1.7	0.9	0.8	89 %
Income tax expense	12.3	13.7	(1.4)	(10)%
Net earnings	33.3	44.2	(10.9)	(25)%

⁽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 14 of the Annual Consolidated Financial Statements.

- Parkland achieved a record Q3 YTD Adjusted EBITDA of \$220.0 million compared to \$176.4 million for the first nine months of 2016. Retail fuels grew 30% primarily as a result of the Ultramar Business Acquisition. Commercial Fuels grew 27% largely due to the Ultramar Business Acquisition as well as strong organic growth in the Base Business from higher propane volumes and higher fuel margins, the impact of recent customers wins, and contributions from PNE's propane cylinder exchange business acquired in December 2016. Parkland USA grew 11% as a result of growth in the lubricants business, which saw improved margin year-over-year. Supply and Wholesale grew 4% as a result of continued efforts in executing Parkland's supply advantage strategy. Overall, growth was partially offset by 2% higher corporate costs as a result of merging the corporate functions of the Ultramar Business with that of the Base Business, offset by decreased Base Business corporate costs from continued focus on cost control.
- Finance costs in the first nine months of 2017 increased \$28.9 million primarily due to a \$30.6 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 prefund the Ultramar Business Acquisition and the May 9, 2017 private placement of the 5.625% Senior Notes to prefund the Chevron Acquisition. Furthermore, other finance costs increased primarily due to Parkland conducting refinancing activities related to the Chevron Acquisition and Ultramar Business Acquisition, resulting in \$11.5 million higher amortization of deferred finance costs. These higher expenses were offset by a \$18.5 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 \$24.6 million primarily due to costs incurred to close and integrate the Ultramar Business Acquisition and to close the Chevron Acquisition. 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 the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts (included within gain on risk management activities) in the first nine months of 2017 was \$8.0 million compared to an unrealized loss of \$3.5 million in the same period of 2016. The unrealized gain incurred this year was primarily driven by the settlement of transactions that had accumulated unrealized losses in the prior year, as well as the recognition of unrealized gains on crude buy-side swaps. These contracts form part of Parkland's risk management strategy, as contracts are used to lock in margins with customers on commodities to be physically delivered in the future. Gains or losses on risk management contracts recognized under IFRS are expected to partially offset any gains or losses on physical products in transit, which are not recognized under IFRS until the delivery to the customer is complete.
- Income tax expense decreased to \$12.3 million in the first nine months of 2017 compared to \$13.7 million in the first nine months of 2016 primarily due to lower earnings before income taxes.
- As a result of the above main drivers, net earnings for first nine months of 2017 were \$33.3 million compared to \$44.2 million for the same period in 2016.

4. SEGMENT RESULTS

Refer to the Annual MD&A, Note 24 of the Annual Consolidated Financial Statements and Note 14 of the Interim Condensed Consolidated Financial Statements for a description of Parkland's segments.

Retail Fuels

Overview and business models

Parkland Retail Fuels supplies and supports a network of 1,712 retail gas stations in Canada. Parkland operates four retail fuel brands: Ultramar, Pioneer, Fas Gas Plus and Race Trac, and is also a branded wholesaler for Esso and Chevron. In addition, Parkland operates six proprietary convenience store brands: On the Run / Marché Express, Short Stop, Dépanneur du Coin / Corner Store, Dépan Express / ExpressMart, Snack Express, and Verve. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments. Furthermore, Parkland operates under two main models: i) Company owned, Company or retailer operated ("Company") sites and ii) Dealer or Parkland owned, dealer operated or dealer consigned ("Dealer") sites. Refer to the Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

On June 28, 2017, Parkland closed the Ultramar Business Acquisition, our largest retail acquisition to date, 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 Business Acquisition extends Parkland's Retail Fuels network coverage in Quebec and Atlantic Canada and further enhances our presence in Ontario.

Ultramar Business Retail Fuels operating model

Ultra Business 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 Parkland's Base Business Company sites 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 Business 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").

Site count by brand and business models

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

	Ultramar	Esso	Fas Gas Plus	Pioneer	Race Trac	Chevron	Other	Total
Company sites	144	71	90	117	1	32	11	466
Dealer sites	494	511	104	35	67	17	18	1,246
Site count, as at September 30, 2017	638	582	194	152	68	49	29	1,712
Company sites	—	68	87	120	1	31	—	307
Dealer sites	—	526	87	34	73	13	35	768
Site count, as at December 31, 2016	—	594	174	154	74	44	35	1,075
Net change in site count	638	(12)	20	(2)	(6)	5	(6)	637

The increase in retail sites was primarily attributable to the Ultramar Business Acquisition on June 28, 2017, which added 654 Company and Dealer sites in Quebec, Ontario and Atlantic Canada, including 632 Ultramar-branded service stations. The remaining change in site counts during the year is primarily attributable to site divestitures in connection with the Ultramar Business Acquisition, 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 80% to \$73.7 million for the third quarter of 2017 and grew 30% to \$136.5 million for the first nine months of 2017 compared to the respective periods in the prior year. This increase was primarily driven by the Ultramar Business Acquisition, with 654 sites successfully added to the Parkland network, and early improvements begin to be realized as we leverage our scale to drive efficiency and margin improvements. Excluding the impact of the Ultramar Business Acquisition, the Base Business showed good organic growth for the third quarter of 2017 and remained relatively stable for the first nine months of 2017. This was primarily driven by higher fuel margins on gasoline and diesel sales as well as higher non-fuel adjusted gross profit from investments made in merchandise marketing programs.

The Retail Fuels segment experienced continued success in Company C-Store SSSG. Overall Company C-Store SSSG was 4.1% for the three months ended September 30, 2017 (which includes the Ultramar Business Acquisition) and 3.5% for the nine months ended September 30, 2017 (which excludes the Ultramar Business Acquisition). Company C-Store SSSG continued its trend of positive quarter-on-quarter organic growth, seeing strong year-over-year growth in Western Canada and maintaining growth in Eastern Canada, exceeding strong results seen in 2016. This was driven by ongoing initiatives, refinements, and store refresh programs focused on improving conversion rates to drive backcourt convenience store sales.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,667.4	1,001.8	665.6	66 %	3,478.3	2,780.9	697.4	25%
Sales and operating revenue	1,423.5	754.2	669.3	89 %	2,904.4	2,025.9	878.5	43%
Fuel and petroleum product adjusted gross profit ⁽²⁾	118.4	57.0	61.4	108 %	218.6	153.3	65.3	43%
Non-fuel adjusted gross profit ⁽²⁾	33.2	14.0	19.2	137 %	60.2	41.7	18.5	44%
Adjusted gross profit ⁽²⁾	151.6	71.0	80.6	114 %	278.8	195.0	83.8	43%
Operating costs	65.4	24.5	40.9	167 %	116.4	72.0	44.4	62%
Marketing, general and administrative	12.5	5.6	6.9	123 %	26.0	17.7	8.3	47%
Adjusted EBITDA ⁽²⁾	73.7	40.9	32.8	80 %	136.5	105.4	31.1	30%
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	7.10	5.69	1.41	25 %	6.28	5.51	0.77	14%
Operating costs (cpl)	3.92	2.45	1.47	60 %	3.35	2.59	0.76	29%
Marketing, general and administrative (cpl)	0.75	0.56	0.19	34 %	0.75	0.64	0.11	17%
Adjusted EBITDA ⁽²⁾ (cpl)	4.42	4.08	0.34	8 %	3.92	3.79	0.13	3%
Volume same-store sales growth ("SSSG") ⁽⁵⁾⁽⁶⁾	(0.6)%	0.7%	(1.3p.p.)		(0.6)%	(0.5)%	(0.1p.p.)	
Company C-Store same-store sales growth ("SSSG") ⁽⁵⁾	4.1 %	2.7%	1.4p.p.		3.5 %	4.5 %	(1.0p.p.)	
TTM net unit operating cost ("NUOC") ⁽³⁾ (cpl)	2.25	1.76	0.49	28 %				
Company sites:								
TTM volume ⁽⁴⁾⁽⁶⁾ (million litres)	2,040.1	1,782.8	257.3	14 %				
TTM weighted average number of active sites ⁽⁴⁾	375	307	68	22 %				
TTM average volume per active site ⁽⁴⁾⁽⁶⁾ (million litres)	5.4	5.8	(0.4)	(7)%				
Dealer sites:								
TTM volume ⁽⁴⁾⁽⁶⁾ (million litres)	2,370.6	1,905.9	464.7	24 %				
TTM weighted average number of active sites ⁽⁴⁾	859	750	109	15 %				
TTM average volume per active site ⁽⁴⁾⁽⁶⁾ (million litres)	2.8	2.5	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 Ultramar Business Acquisition are included in this KPI for the three months ended September 30, 2017 and 2016, but excluded from the nine months ended September 30, 2017 and 2016.

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

Q3 and Q3 YTD - 2017 vs. 2016

Fuel volumes increased 66% for the third quarter of 2017 and 25% for the first nine months of 2017 mainly due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, Base Business fuel volumes decreased slightly during the third quarter due to the divestiture of certain sites in connection with the closing of the Ultramar Business Acquisition, offset by a greater number of retail sites from acquisitions in 2016 and 2017 as well as organic growth. Base Business volume remained consistent with prior year for the first nine months of 2017.

Sales and operating revenue increased 89% for the third quarter of 2017 and 43% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, sales and operating revenue increased for both periods primarily as a result of rising fuel and petroleum commodity prices.

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 108% for the third quarter of 2017 and 43% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, 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 137% for the third quarter of 2017 and 44% for the first nine months of 2017 primarily due to the contribution of the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, Base Business non-fuel adjusted gross profit increased for both periods driven by royalties collected from the On the Run / Marché Express franchise acquired in October 2016, higher merchandise rebates collected from vendors, and backcourt convenience store optimization resulting in better conversion rates.

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 167% for the third quarter of 2017 and 62% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, operating costs remained relatively flat for the third quarter of 2017 and increased slightly for the first nine months of 2017 as a result of a strong focus on cost control, despite additional costs associated with new Company and Dealer sites and higher variable credit card transaction fees due to higher street pump prices.

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 123% for the third quarter of 2017 and 47% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, these expenses increased during the three and nine months ended September 30, 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 25% for the third quarter of 2017 and 14% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition, which has a different operating model that earns a higher adjusted gross profit as discussed in "Ultramar Business Retail Fuels operating model" above. Excluding the impact of the Ultramar Business Acquisition, fuel and petroleum adjusted gross profit on a cpl basis for the Base Business increased 3% for both periods in 2017 mainly due to stronger fuel margins from favourable market conditions.

Operating costs on a cpl basis increased 60% for the third quarter of 2017 and 29% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition, which has a higher cost operating model. Excluding the impact of the Ultramar Business Acquisition, operating costs on a cpl basis increased 2% for the third quarter of 2017 and 4% for the first nine months of 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 third quarter of 2017 and 17% for the first nine months of 2017 primarily as a result of the Ultramar Business Acquisition, which has a different operating model with higher marketing, general and administrative expenses. Excluding the Ultramar Business Acquisition, expenses on a cpl basis increased 28% for the third quarter of 2017 and 17% for the first nine months of 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 includes the results of the Ultramar Business for the three months ended September 30, 2017 and 2016, but excludes the results of the Ultramar Business for the nine months ended September 30, 2017 and 2016.

Volume SSSG was -0.6% for the third quarter of 2017 compared to 0.7% in the prior year, and -0.6% for the first nine months of 2017 compared to -0.5% for the same period in 2016, primarily due to the impact of slightly softened demand from higher pump prices. Improved volume SSSG at the retail sites acquired as part of the Ultramar Business Acquisition partially offset the decrease in volume SSSG for the third quarter of 2017.

Company C-Store SSSG improved to 4.1% for the third quarter of 2017 compared to 2.7% for the same period of 2016 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, Company C-Store SSSG for the Base Business was 3.3% for the third quarter of 2017 and 3.5% for the first nine months of 2017. These increases, experienced in both Western and Eastern Canada, were primarily due to strong backcourt convenience store sales driven by improved forecourt to backcourt conversion rates and merchandising programs. This is a continuation of positive Company C-Store SSSG quarter-on-quarter as a result of ongoing initiatives, refinements and store refresh programs. Company C-Store SSSG year-to-date in 2016 saw stronger growth at 2.7% for the third quarter of 2016 and 4.5% for the first nine months of 2016 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.

NUOC was higher by 28% in the trailing twelve months ended September 30, 2017 compared to the same period in 2016 primarily due to the Ultramar Business Acquisition, which has a different operating model with higher NUOC, as described above. Excluding the impact of the Ultramar Business Acquisition, NUOC increased 7% in the trailing twelve months ended September 30, 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, 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 7% for Company sites and increased 12% for Dealer sites primarily due to the Ultramar Business Acquisition, which has lower volumes per Company site and higher volumes per Dealer site due to the nature of the sites acquired. Excluding the impact of the Ultramar Business Acquisition, 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 trade names, service marks and trademarks in the businesses that are considered important and valuable in the marketing of its products. The family of brands in this segment includes 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 residential propane and heating oil to residential customers. Refer to Parkland's Annual MD&A for a detailed overview of Commercial Fuel's operations.

Ultramar Business Commercial Fuels operating model

Ultramar Business Commercial Fuels includes a cardlock business, consisting of commercial truck fuelling stations located near highways, and a commercial and home heat business that distributes heating oil and motor fuels to residential and commercial customers. Unlike Parkland's Base Business, Ultramar Business Commercial Fuels is not concentrated in propane, bulk fuel or lubricant businesses, and does not operate a cylinder exchange program, which all carry higher operating costs. As a result, the

introduction of the Ultramar Business reduces fuel and petroleum adjusted gross profit, decreases operating costs and decreases marketing, general and administrative costs in Commercial Fuels.

Commercial Fuels segment performance highlights

Adjusted EBITDA for the third quarter of 2017 grew 85% for the third quarter of 2017 and 27% for the first nine months of 2017 compared to the same periods in 2016, primarily due to the impact of the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, 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 30% for the third quarter of 2017 and 41% for the first nine months of 2017 against the respective periods in 2016. Furthermore, marketing, general and administrative expenses in the first nine months of 2017 remained consistent with the comparative period in 2016 for the Base Business. In addition, the Base Business trailing-twelve-month operating ratio improved from 75.7% to 74.7% despite business growth as a result of effective cost management.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Gas and diesel volume (million litres)	518.4	256.5	261.9	102 %	1,091.6	804.9	286.7	36 %
Propane volume (million litres)	67.5	52.0	15.5	30 %	267.4	189.8	77.6	41 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	585.9	308.5	277.4	90 %	1,359.0	994.7	364.3	37 %
Sales and operating revenue	460.4	247.2	213.2	86 %	1,094.6	760.8	333.8	44 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	39.3	26.6	12.7	48 %	128.9	108.8	20.1	18 %
Non-fuel adjusted gross profit ⁽²⁾	17.0	11.7	5.3	45 %	44.2	32.6	11.6	36 %
Adjusted gross profit ⁽²⁾	56.3	38.3	18.0	47 %	173.1	141.4	31.7	22 %
Operating costs	37.8	28.1	9.7	35 %	109.2	90.2	19.0	21 %
Marketing, general and administrative	10.2	5.9	4.3	73 %	22.5	18.6	3.9	21 %
Adjusted EBITDA ⁽²⁾	8.7	4.7	4.0	85 %	42.7	33.5	9.2	27 %
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	6.71	8.64	(1.93)	(22)%	9.48	10.94	(1.46)	(13)%
Operating costs (cpl)	6.45	9.12	(2.67)	(29)%	8.04	9.07	(1.03)	(11)%
Marketing, general and administrative (cpl)	1.74	1.91	(0.17)	(9)%	1.66	1.87	(0.21)	(11)%
Adjusted EBITDA ⁽²⁾ (cpl)	1.48	1.52	(0.04)	(3)%	3.14	3.36	(0.22)	(7)%
TTM operating ratio ⁽³⁾⁽⁴⁾	75.1%	75.7%	(0.6p.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.

Q3 and Q3 YTD - 2017 vs. 2016

Fuel volumes increased 90% for the third quarter of 2017 and 37% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, Base Business fuel volumes grew for both the three and nine months ended September 30, 2017, driven by 30% and 41% growth in propane volumes respectively as a result of organic growth and the impact of business acquisitions completed in 2016. Furthermore, Base Business gas and diesel volumes also increased, 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 86% for the third quarter of 2017 and 44% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, sales and operating revenue increased for both periods largely due to growth in fuel and petroleum product volume, driven by propane volume growth in the Western Canada market, as well as rising fuel and petroleum commodity prices. Growth in the Base Business for the first nine months of 2017 was also attributed to propane volume growth in Eastern Canada.

Adjusted gross profit increased 47% for the third quarter of 2017 and 22% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, 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 35% for the third quarter of 2017 and 21% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, 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 improved 24% for the third quarter of 2017 and 14% for the first nine months of 2017 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 with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses increased 73% for the third quarter of 2017 and 21% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition. Excluding the impact of the Ultramar Business Acquisition, these expenses remained relatively flat for both periods despite increased sales and the impact of acquisitions, as Parkland continues to place a strong emphasis on cost management.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 22% for the third quarter of 2017 and 13% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition, which has a different business sales mix as discussed in "Ultramar Business Commercial Fuels operating model" above. For the Base Business, fuel and petroleum product adjusted gross profit on a cpl basis increased 10% for the third quarter of 2017 and 1% for the first nine months of 2017 mainly due to strengthening distillate margins, especially in residential margins leading up to the winter months, partially offset by inherently lower propane margins and the significant growth in propane volumes.

Operating costs on a cpl basis decreased 29% for the third quarter of 2017 and 11% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition, which has a lower operating cost model. Excluding the impact of the Ultramar Business Acquisition, operating costs on a cpl basis increased 14% for the third quarter of 2017 and 15% for the first nine months of 2017 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. Excluding the impact of PNE, operating costs for the Base Business improved 34% and 16% on a cpl basis for the three- and nine-month periods respectively as a result of highly successful cost control initiatives, such as the roll out of fleet routing and dispatch automation.

Marketing, general and administrative expenses on a cpl basis decreased 9% for the third quarter of 2017 and 11% for the first nine months of 2017 primarily due to the Ultramar Business Acquisition, which has a lower operating cost model. This metric remained relatively stable for the Base Business for the third quarter of 2017 and decreased 9% for the first nine months of 2017 despite increased fuel volumes, due to an emphasis on cost management.

The trailing-twelve-month ("TTM") operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, improved from 75.7% to 75.1% primarily due to the impact of the Ultramar Business Acquisition, which has a different operating model. Excluding the impact of the Ultramar Business Acquisition, the improvement was greater at 74.7% compared to 75.7% in the comparative period as a result of successful cost control initiatives, despite increased volumes and adjusted gross profit through organic growth and acquisitions.

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 with export opportunities for products from Western Canada. Brands operated by Parkland USA include Farstad Oil and Superpumper. Refer to Parkland's Annual MD&A for a detailed overview of Parkland USA's brands and operations.

Parkland USA segment performance highlights

Parkland USA Adjusted EBITDA remained stable for the third quarter of 2017 as a result of new customer wins and strength in lubricant volume, offset by the foreign exchange impact of converting results from USD to CAD as well as increased sales of lower margin products. Adjusted EBITDA increased 11% for the first nine months of 2017 primarily due to growth in the lubricants business which saw improved margin year-over-year, growth in the retail division with the addition of three new sites in Wyoming, as well as organic growth at existing sites. Despite the increase in volumes and business, marketing, general and administrative expenses remained stable for the third quarter of 2017 and decreased by 2% for the first nine months of 2017, while operating expenses decreased by 3% and remained stable for the first nine months of 2017. This reflects our commitment to successfully implement cost control measures while driving business growth.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Retail volume (million litres)	37.0	28.1	8.9	32 %	102.5	79.2	23.3	29 %
Wholesale volume (million litres)	219.1	213.7	5.4	3 %	610.7	614.8	(4.1)	(1)%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	256.1	241.8	14.3	6 %	713.2	694.0	19.2	3 %
Sales and operating revenue	183.8	163.8	20.0	12 %	525.0	433.8	91.2	21 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	7.6	7.9	(0.3)	(4)%	23.3	23.7	(0.4)	(2)%
Non-fuel adjusted gross profit ⁽²⁾	8.2	8.2	—	— %	25.3	23.8	1.5	6 %
Adjusted gross profit ⁽²⁾	15.8	16.1	(0.3)	(2)%	48.6	47.5	1.1	2 %
Operating costs	9.9	10.2	(0.3)	(3)%	30.8	30.8	—	— %
Marketing, general and administrative	1.6	1.6	—	— %	5.5	5.6	(0.1)	(2)%
Adjusted EBITDA ⁽²⁾	4.3	4.3	—	— %	12.4	11.2	1.2	11 %
KPIs:								
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	2.97	3.26	(0.29)	(9)%	3.27	3.41	(0.14)	(4)%
Operating costs (cpl)	3.87	4.21	(0.34)	(8)%	4.32	4.43	(0.11)	(2)%
Marketing, general and administrative (cpl)	0.62	0.70	(0.08)	(11)%	0.77	0.82	(0.05)	(6)%
Adjusted EBITDA ⁽²⁾ (cpl)	1.68	1.78	(0.10)	(6)%	1.74	1.61	0.13	8 %
TTM operating ratio ⁽³⁾⁽⁴⁾	74.4%	76.4%	(2.0p.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.

Q3 and Q3 YTD - 2017 vs. 2016

Fuel volumes increased 6% for the third quarter of 2017 and 3% for the first nine months of 2017 primarily due to the acquisition of three service stations in Wyoming in late 2016 and new customer wins. Lubricant volumes increased 14% and 10% for the three- and nine-month periods respectively, compared to the same periods in 2016.

Sales and operating revenue increased 12% for the third quarter of 2017 and 21% for the first nine months of 2017 primarily as a result of rising fuel and petroleum commodity prices and in part due to increased volumes.

Adjusted gross profit decreased slightly by 2% for the third quarter of 2017 despite increased fuel volumes primarily due to compressed margins. Nonetheless, adjusted gross profit increased 2% for the first nine months of 2017 primarily due to growth in the lubricants business, which saw improved margin year-over-year, growth in the retail division with the addition of three new sites in Wyoming, organic growth at existing sites, and greater Company C-Store sales. Lubricant margins in the third quarter softened due to a higher percentage of sales of lower margin products.

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 decreased 3% for the third quarter of 2017 and remained consistent with the prior year comparative period for the first nine months of 2017 as a result of 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 remained stable for the third quarter of 2017 and decreased 2% for the first nine months of 2017 due to effective cost-saving initiatives, despite organic business growth and three service stations acquired in Wyoming in late 2016.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 9% for the third quarter of 2017 and 4% for the first nine months of 2017 primarily due to compressed margins, partially offset by stronger margins in the second quarter of 2017.

Operating costs on a cpl basis decreased 8% for the third quarter of 2017 and 2% for the first nine months of 2017 due to continued cost control measures despite increased volumes.

Marketing, general and administrative expenses on a cpl basis decreased 11% for the third quarter of 2017 and 6% for the first nine months of 2017 due to continued cost control measures, despite additional overhead expenses associated with the acquisition of three service stations in Wyoming.

The TTM operating ratio improved from 76.4% to 74.4% as a result of successful cost control initiatives despite increased volumes from acquisitions and organic growth.

Supply and Wholesale

Parkland's Supply and Wholesale segment manages fuel supply by contracting and purchasing fuel from refiners and other suppliers, distributing through third-party rail and highway carriers, storing fuel in owned and leased facilities, and serving wholesale and reseller customers in North America. Supply and Wholesale serves internal Parkland operating segments and external customers. Refer to the Annual MD&A for a detailed overview of Supply and Wholesale's sales categories, brands and operations.

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA for the third quarter of 2017 was \$24.4 million compared to \$23.5 million in the third quarter of 2016, primarily driven by continued efforts in executing Parkland's supply advantage strategy and improving supply economics, partially offset by softer performance in the crude and LPG businesses during the quarter. On a year-to-date basis, Adjusted EBITDA grew from \$62.8 million in 2016 to \$65.5 million in 2017, primarily due to improved supply economics and stronger performance in asphalt and propane on a year-to-date basis, partially offset by weaker performance in the crude business. The team is committed to driving ongoing improvements to our supply economics and supply optionality as part of our supply strategy.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,047.2	1,106.5	(59.3)	(5)%	3,350.4	3,162.2	188.2	6 %
Sales and operating revenue	532.7	472.7	60.0	13 %	1,666.6	1,305.1	361.5	28 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	39.8	40.9	(1.1)	(3)%	116.4	114.6	1.8	2 %
Non-fuel adjusted gross profit ⁽²⁾	2.8	4.5	(1.7)	(38)%	7.3	11.5	(4.2)	(37)%
Adjusted gross profit ⁽²⁾	42.6	45.4	(2.8)	(6)%	123.7	126.1	(2.4)	(2)%
Operating costs	8.4	11.7	(3.3)	(28)%	29.5	35.0	(5.5)	(16)%
Marketing, general and administrative	9.8	10.2	(0.4)	(4)%	28.7	28.3	0.4	1 %
Adjusted EBITDA ⁽²⁾	24.4	23.5	0.9	4 %	65.5	62.8	2.7	4 %

⁽¹⁾ Includes diesel, gasoline, propane, natural gas mix, crude oil, asphalt, and other volumes.

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

Q3 and Q3 YTD - 2017 vs. 2016

Fuel volumes decreased 5% in the third quarter of 2017 primarily due to softer volumes in the crude and LPG businesses, partially offset by volume increases in gas, diesel and condensates. On a year-to-date basis, fuel volume increased 6% in the first nine months of 2017 primarily due to higher than normal propane sales in the first quarter of 2017 and higher volumes in gas and diesel. This was partially offset by softer volumes in the crude business.

Sales and operating revenue increased 13% in the third quarter of 2017 and 28% in the first nine months of 2017 primarily due to higher commodity prices across all commodities, particularly in LPG, gas and diesel.

Adjusted gross profit decreased 6% in the third quarter of 2017 primarily due to narrower margins in the crude business and softer contributions from the LPG business, offset by higher margins in gas and diesel from improved supply economics. On a year-to-date basis, adjusted gross profit remained relatively stable year-over-year, with higher margins in gas and diesel from improved supply economics, offset by lower contributions from the crude business.

Operating costs decreased 28% in the third quarter of 2017 and 16% in the first nine months of 2017 primarily due to lower leased rail car costs and lower storage costs from optimizing Parkland's distribution network in Quebec in 2016. 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 costs, which relate to employee and market development costs, decreased 4% in the third quarter of 2017 due to lower variable compensation expenses. Marketing, general and administrative costs remained relatively flat in the first nine months of 2017 due to increased business growth activities, offset by continued cost control initiatives.

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. Our objective is to manage corporate expenses tightly and so that they grow at a slower pace than Parkland's adjusted gross profit.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2017	2016	Change	%	2017	2016	Change	%
Marketing, general and administrative	14.7	13.4	1.3	10%	37.8	37.0	0.8	2%
Adjusted EBITDA ⁽¹⁾	(14.7)	(13.1)	(1.6)	12%	(37.1)	(36.5)	(0.6)	2%
Acquisition, integration and other costs	19.1	5.4	13.7	254%	43.0	18.4	24.6	134%
KPI:								
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	5.5%	7.8%	(2.3p.p)		6.0%	7.2%	(1.2p.p)	

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

Q3 and Q3 YTD - 2017 vs. 2016

Compared to the equivalent periods in the prior year, marketing, general and administrative expenses increased 10% for the third quarter of 2017 and 2% for the first nine months of 2017, and corporate Adjusted EBITDA expense increased 12% in the third quarter of 2017 and 2% for the first nine months of 2017, primarily due to merging of corporate functions of the Ultramar Business with that of the Base Business. This increase was partially offset by cost control initiatives, integration synergies and lower variable compensation in the Base Business.

Despite the overall increase in corporate costs, Parkland achieved a meaningful improvement in corporate marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit, which improved from 7.8% to 5.5% in the third quarter of 2017 and from 7.2% to 6.0% in the first nine months of 2017 as a result of economies of scale achieved, a focus on driving synergies and successful cost management strategies.

Acquisition, integration and other costs, which includes legal, consulting, IT and professional expenses, increased from \$5.4 million to \$19.1 million in the third quarter of 2017 and from \$18.4 million to \$43.0 million in the first nine months of 2017, primarily as a result of closing and integration activities incurred for the Ultramar Business Acquisition and Chevron Acquisition. 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.

Lost time injury frequency ("LTIF") is an industry measure of health and safety that provides the number of lost-time incidents occurring within a given period, relative to a standardized number of hours worked. It is calculated by multiplying the number of lost time incidents by 200,000, divided by the total number of employee hours worked. A lost time incident is one in which the employee sustained a job-related injury and illness and was not able to work their next full shift. The LTIF metric represents the number of people for every 100 employees who have been injured to an extent that they cannot perform any work for a minimum of one day, post-injury. Parkland has seen significant reductions in LTIF over the last several years in line with our commitment to the health and safety of our employees.

The table below presents Parkland's consolidated LTIF calculated on a trailing-twelve-month basis, including the LTIF results of the Ultramar Business Acquisition since the date of acquisition.

	September 30, 2017	September 30, 2016
TTM lost time injury frequency	0.29	0.11

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted)								
For the three months ended	2017			2016				2015
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Financial Summary								
Sales and operating revenue	2,600.6	1,806.2	1,784.5	1,740.0	1,638.1	1,569.8	1,318.1	1,655.8
Adjusted gross profit ⁽¹⁾	266.3	167.6	191.0	197.2	171.1	166.6	172.8	182.3
Adjusted EBITDA ⁽¹⁾								
Retail Fuels	73.7	37.4	25.4	33.4	40.9	36.1	28.4	29.1
Commercial Fuels	8.7	5.5	28.5	15.7	4.7	6.5	22.3	15.0
Parkland USA	4.3	5.1	3.0	4.2	4.3	3.4	3.5	4.1
Supply and Wholesale	24.4	17.8	23.3	33.9	23.5	23.1	16.2	28.0
Corporate	(14.7)	(12.2)	(10.2)	(10.1)	(13.1)	(12.7)	(10.7)	(11.4)
Consolidated	96.4	53.6	70.0	77.1	60.3	56.4	59.7	64.8
Net earnings (loss)	12.7	(1.4)	22.0	3.0	14.7	4.6	24.9	15.6
Per share – basic	0.10	(0.01)	0.23	0.03	0.15	0.05	0.26	0.17
Per share – diluted	0.10	(0.01)	0.22	0.03	0.15	0.05	0.26	0.17
Distributable cash flow ⁽²⁾	46.2	22.2	38.8	29.2	27.8	28.3	34.9	35.3
Per share ⁽²⁾⁽³⁾	0.35	0.20	0.40	0.30	0.29	0.30	0.37	0.39
Adjusted distributable cash flow ⁽²⁾	65.3	38.5	46.4	43.2	33.2	36.7	39.5	42.2
Per share ⁽²⁾⁽³⁾	0.50	0.35	0.48	0.45	0.35	0.39	0.42	0.46
Dividends	38.4	32.5	28.0	27.5	27.7	27.2	26.7	25.4
Per share outstanding	0.29	0.25	0.29	0.29	0.29	0.29	0.28	0.27
Dividend payout ratio ⁽²⁾	83%	146%	72%	94%	99%	96%	77%	72%
Total assets	4,825.1	4,365.6	2,469.1	2,561.5	2,424.0	1,834.1	1,772.0	1,818.7
Shares outstanding (million shares)	130.7	130.4	96.6	96.2	95.9	95.4	94.7	93.9
Weighted average number of common shares (million shares)	130.5	110.8	96.4	96.0	95.6	95.1	94.3	91.5
Operating Summary								
Fuel and petroleum product volume (million litres)	3,556.6	2,588.7	2,755.6	2,783.4	2,658.6	2,536.1	2,437.1	2,613.9
Fuel and petroleum product adjusted gross profit ⁽¹⁾								
Retail Fuels (cpl)	7.10	5.78	5.25	5.39	5.69	5.64	5.16	5.07
Commercial Fuels (cpl)	6.71	9.36	13.16	11.47	8.64	10.47	13.11	11.59
Parkland USA (cpl)	2.97	3.31	3.58	3.62	3.26	3.17	3.86	3.44
Operating costs (cpl)	3.42	3.02	3.12	2.94	2.80	2.94	3.24	3.07
Marketing, general and administrative (cpl)	1.37	1.41	1.28	1.39	1.38	1.42	1.42	1.45

⁽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.

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 in the third quarter of 2017 were significantly greater than other quarters due to the Ultramar Business Acquisition on June 28, 2017 as well as higher fuel and petroleum product volumes and commodity prices. Sales and operating revenue are generally sensitive to fluctuations in commodity prices and energy markets.
- Net earnings in the third quarter of 2017 were significantly higher than the comparable period in 2016 due to higher Adjusted EBITDA from the Ultramar Business Acquisition as well as organic growth and successful cost control measures, offset by an increase in depreciation and amortization, financing costs, and acquisition, integration and other costs.

- Total assets, which include cash held in escrow and cash reserved for acquisition, increased significantly: i) during the third quarter of 2016 due to debt and equity financing raised for the Ultramar Business Acquisition, ii) during the second quarter of 2017 due to debt and equity financing raised for the Chevron Acquisition, and 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.
- 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 experiences higher volumes and Adjusted EBITDA in the second and third quarters of the year during the summer driving season.
- In the third quarter 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 on a cpl business, primarily due to the Ultramar Business Acquisition, which has a different operating model.
- 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 operating costs on a cpl basis for the third quarter of 2017 were 3.42 cpl, excluding the impact of the Ultramar Business Acquisition, operating costs for the Base Business were 2.87 cpl.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Adjusted EBITDA ⁽¹⁾	96.4	60.3	220.0	176.4
Amounts to reconcile Adjusted EBITDA to net earnings ⁽²⁾	(83.7)	(45.6)	(186.7)	(132.2)
Net earnings	12.7	14.7	33.3	44.2
Amounts to reconcile net earnings to cash generated from operating activities ⁽³⁾	98.3	(3.0)	134.1	95.5
Cash generated from operating activities	111.0	11.7	167.4	139.7
Reverse: Change in other liabilities	0.7	0.2	(1.2)	(0.8)
Reverse: Net change in non-cash working capital	(58.2)	26.3	(38.6)	(27.2)
	53.5	38.2	127.6	111.7
Include: Maintenance capital expenditures	(9.0)	(11.4)	(24.6)	(26.8)
Include: Proceeds on sale of property, plant and equipment and intangible assets	1.7	1.0	4.2	6.1
Distributable cash flow ⁽⁵⁾	46.2	27.8	107.2	91.0
Reverse: Acquisition, integration and other costs	19.1	5.4	43.0	18.4
Adjusted distributable cash flow ⁽⁵⁾	65.3	33.2	150.2	109.4
Weighted average number of common shares	130.5	95.6	112.7	95.0
Distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.35	0.29	0.95	0.96
Adjusted distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.50	0.35	1.33	1.15
Dividends	38.4	27.7	98.9	81.6
Dividend payout ratio ⁽⁵⁾	83%	99%	92%	90%
Adjusted dividend payout ratio ⁽⁵⁾	59%	83%	66%	75%
Cash dividends paid to shareholders, net of dividend reinvestment plan	28.7	20.2	71.4	44.2

⁽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 Interim Condensed Consolidated Financial Statements for a detailed reconciliation from net earnings to cash generated from operating activities.

⁽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 95.9 million shares at September 30, 2016 to 130.7 million shares at September 30, 2017, driven by shares issued from the Equity Offering to prefund the Chevron Acquisition and the conversion of subscription receipts related to the Ultramar Business Acquisition. The higher dividends was also attributable to a 2% increase in the annual dividend to \$1.154 per share, effective March 22, 2017. For the first nine months of 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 September 22, 2017 is 31%.

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

Q3 2017 vs. Q3 2016

The dividend payout ratio improved from 99% to 83% and the adjusted dividend payout ratio improved from 83% to 59% as a result of higher cash flow available for distribution in proportion to higher dividends declared. Distributable cash flow increased \$18.4 million mainly due to an increase in Adjusted EBITDA of \$36.1 million, partially offset by higher acquisition, integration and other costs of \$13.7 million. The higher acquisition, integration and other costs primarily relate to costs incurred to close and integrate the Ultramar Business Acquisition and the Chevron Acquisition. Excluding the impact of acquisition, integration and other costs, adjusted distributable cash flow increased \$32.1 million compared to the third quarter of 2016.

Q3 2017 YTD vs. Q3 2016 YTD

The dividend payout ratio increased from 90% to 92% as a result of higher dividends declared in proportion to lower cash flow available for distribution, driven primarily by higher acquisition, integration and other costs incurred to close and integrate the Ultramar Business Acquisition and the Chevron Acquisition. Removing the effect of these costs, adjusted dividend payout ratio improved from 75% to 66% due to an increase in Adjusted EBITDA of \$43.6 million, which contributes to higher cash flows available for distribution.

7. LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	2015	2017	2016	2015
Cash generated from operating activities	111.0	11.7	35.8	167.4	139.7	174.9
Cash used in investing activities	(642.4)	(58.0)	(18.0)	(2,767.8)	(127.8)	(327.8)
Net cash (used) generated before financing activities	(531.4)	(46.3)	17.8	(2,600.4)	11.9	(152.9)
Cash generated from (used in) financing activities	552.1	25.5	(5.7)	2,591.7	(17.7)	(17.5)
Increase (decrease) in net cash	20.7	(20.8)	12.1	(8.7)	(5.8)	(170.4)
Net foreign exchange difference	(0.1)	—	0.3	(0.2)	0.9	1.2
Net cash (indebtedness), beginning of period	(3.9)	37.6	17.5	25.6	21.7	199.1
Net cash, end of period	16.7	16.8	29.9	16.7	16.8	29.9

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.

Q3 2017 vs. Q3 2016

Cash generated from operating activities was \$99.3 million higher for the third 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 Ultramar Business Acquisition and organic growth in the Base Business contributed to a \$36.1 million increase in Adjusted EBITDA, which resulted in an increase in sustainable operating cash flows for Parkland. Furthermore, net change in non-cash working capital was an inflow of \$58.2 million during the third quarter of 2017 compared to an outflow of \$26.3 million during the same period in 2016. The net inflow experienced for the third quarter of 2017 compared to the same period in 2016 is mainly attributable to an increase in accounts payable and accrued liabilities as a result of higher accounts payable and accrued liabilities related to acquisition and integration costs, higher accrued interest for the 5.625% Senior Notes issued to prefund the Chevron Acquisition, and higher fuel volumes across the business.

Q3 2017 YTD vs. Q3 2016 YTD

Cash generated from operating activities was \$27.7 million higher in the nine months ended September 30, 2017 compared to the same period in 2016 primarily due to \$43.6 million higher Adjusted EBITDA from additional cash flows generated from the Ultramar Business Acquisition and organic growth in the Base Business. This was partially offset by \$24.6 million greater acquisition, integration and other costs related to closing and integration activities for the Ultramar Business Acquisition and closing activities for the Chevron Acquisition, which used more cash generated from operating activities.

Investing activities

Parkland's investing activities primarily consist of acquisitions of businesses, change in cash reserved for the Chevron Acquisition, change in cash held in escrow, and additions of property, plant and equipment and intangible assets through maintenance and growth capital expenditures. Parkland will continue to acquire prudently as attractive investment opportunities arise and the investments in growth and maintenance capital expenditures are expected to support our ability to grow our existing businesses organically over the coming years.

Q3 2017 vs. Q3 2016

During the third quarter of 2017, investing activities used \$642.4 million of cash mainly due to activities for the Chevron Acquisition, which used an incremental \$628.0 million, as well as \$14.5 million capital expenditures to support growth and operations. Activities that comprise the incremental amount of \$628.0 million used include cash paid to escrow in anticipation of the Chevron Acquisition close on October 1, 2017, withdrawals from cash reserved for acquisition and the impact of the Chevron Acquisition Hedge. In comparison, during the third quarter of 2016, investing activities used \$58.0 million of cash mainly due to \$33.4 million spent on growth and maintenance capital expenditures, \$8.6 million increase in cash held in escrow for interest payments on the 5.75% Senior Notes, and \$7.2 million used for the acquisition of multiple businesses.

Q3 2017 YTD vs. Q3 2016 YTD

During the nine months ended September 30, 2017, investing activities used \$2,767.8 million of cash mainly due to \$1,751.8 million used for the Chevron Acquisition, \$972.2 million for the Ultramar Business Acquisition, and \$44.5 million capital expenditures to support growth and operations. The activities that comprise the \$1,751.8 million used include the cash paid to escrow in anticipation of the Chevron Acquisition close on October 1, 2017, withdrawals from cash reserved for acquisition, the \$73.0 million deposit paid and the impact of the Chevron Acquisition Hedge. In comparison, investing activities during the same period in 2016 used \$127.8 million of cash mainly due to \$69.9 million spent on growth and maintenance capital expenditures, \$36.0 million paid for the acquisition of multiple businesses, and a \$8.6 million increase in cash held in escrow for interest payments on the 5.75% Senior Notes.

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.

Q3 2017 vs. Q3 2016

During the third quarter of 2017, Parkland generated \$552.1 million of cash from financing activities compared to \$25.5 million during the same period of 2016. This was primarily attributable to net long-term debt proceeds and repayments of \$581.1 million, which includes a net drawdown on the credit facility of \$590.2 million in anticipation of the close of the Chevron Acquisition on October 1, 2017. The net drawdown on the Credit Facility includes a Short-term Facility of \$250.0 million, which was fully repaid by October 20, 2017 and terminated on October 23, 2017. Refer to Note 7 of the Interim Condensed Consolidated Financial Statements for further details on the Credit Facility.

In addition, cash dividends increased \$8.5 million due to increases in outstanding common shares and dividends paid per share. During the third 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 \$28.7 million (2016 – \$20.2 million).

Q3 2017 YTD vs. Q3 2016 YTD

During the nine months ended September 30, 2017, Parkland generated \$2,591.7 million of cash from financing activities compared to \$17.7 million of cash used in financing activities during the same period in 2016. Cash generated from financing activities in the first nine months of 2017 include the following:

- \$1,504.6 million of net long-term debt proceeds and payments, which includes 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 prefund the Chevron Acquisition as well as a net drawdown on the Credit Facility of \$1,030.5 million. The net drawdown on the Credit Facility includes a Short-term Facility of \$250.0 million, which was fully repaid by October 20, 2017 and terminated on October 23, 2017. Refer to Note 7 of the Interim Condensed Consolidated Financial Statements for further details on the Credit Facility;
- \$528.3 million of funds released from escrow upon closing of the Ultramar Business Acquisition. 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;
- \$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 prefund 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, on a year-to-date basis, cash dividends increased \$27.2 million due to an increase in outstanding common shares, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan which increases the proportion of dividends paid out in cash. During the nine months ended September 30, 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 \$71.4 million (2016 – \$44.2 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. Parkland's commitments increased from \$1,932.3 million as at December 31, 2016 to \$3,778.5 million as at September 30, 2017. This increase is primarily attributable to increases in:

- long-term debt arising from the issuance of the 5.625% Senior Notes to partially prefund the Chevron Acquisition;
- Credit Facility debt to partially fund the Ultramar Business Acquisition and to partially prefund the Chevron Acquisition; and
- accounts payable and accrued liabilities as well as operating lease obligations in connection with the assumption of liabilities on the closing of the Ultramar Business Acquisition.

Acquisition commitments

On October 1, 2017, Parkland completed the Chevron Acquisition for preliminary cash consideration of \$1,641.2 million, which includes the base purchase price of US\$1,100.0 million and the estimated working capital of US\$208.7 million. The Chevron Acquisition was primarily funded through a combination of the Equity Offering, the 5.625% Senior Notes, and a drawdown on the Credit Facility. See Section 3 of this MD&A for further details on the Chevron Acquisition.

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at September 30, 2017 are cash and cash equivalents and available funds under its Credit 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. For additional information concerning Parkland's available sources of liquidity, see the Capital Resources section of the Annual MD&A. 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.

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

(\$ millions)	September 30, 2017	December 31, 2016
Cash and cash equivalents	24.8	25.6
Bank indebtedness	8.1	—
Unused credit facilities	132.5	219.0
	165.4	244.6

Available source of liquidity relating to the Chevron Acquisition

In connection with the closing of the Chevron Acquisition, Parkland entered into an Intermediation Facility with a financial institution to fund a portion of the working capital requirements for the refinery operations on October 6, 2017. The Intermediation Facility has a funding limit of: i) up to US\$100.0 million of the accounts receivable balance and ii) the cost of various crude, gasoline and other hydrocarbon inventory volumes up to 2,740.0 Mbbls. The Intermediation Facility is secured by these accounts receivable and inventories.

In connection with the establishment of the Intermediation Facility, the Short-term Facility of \$250.0 million was fully repaid by October 20, 2017 and terminated on October 23, 2017.

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 September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Growth Capital Expenditures				
Retail Fuels	3.8	11.2	7.0	19.5
Commercial Fuels	1.7	9.5	5.9	19.5
Parkland USA	—	0.1	0.4	1.4
Supply and Wholesale	0.9	1.2	6.8	2.3
Corporate	—	—	—	0.4
Growth Capital Expenditures	6.4	22.0	20.1	43.1
Maintenance Capital Expenditures				
Retail Fuels	3.4	5.8	6.3	11.2
Commercial Fuels	1.9	2.5	7.5	6.5
Parkland USA	1.1	1.5	3.0	4.3
Supply and Wholesale	0.7	0.7	1.7	2.3
Corporate	1.9	0.9	6.1	2.5
Maintenance Capital Expenditures	9.0	11.4	24.6	26.8
Additions to property, plant and equipment and intangible assets	15.4	33.4	44.7	69.9

During the three and nine months ended September 30, 2017, Parkland's combined growth and maintenance capital expenditures decreased \$18.0 million and \$25.2 million, respectively, compared to the same periods in 2016. The decrease in growth and maintenance capital expenditures is primarily due to the timing of expenditures incurred, optimizing use of existing assets, and managing capital in a focused and strategic manner. The majority of capital expenditures year-to-date are attributable to purchasing fleet and equipment to support new and existing customer contracts in Commercial Fuels, performing station rebrands and refreshes in Retail Fuels, investing in the Hamilton transloading facility to improve the security of supply for our customers, 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 September 30, 2017 were \$8.9 million (December 31, 2016 – \$3.5 million). These commitments relate primarily to 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. 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.

Financial covenants and metrics

As at September 30, 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	
			September 30, 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	(1.05)	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	2.01	2.02
3. Interest coverage ratio	> 3.00	> 3.00	5.02	7.33

Senior Funded Debt to Credit Facility EBITDA ratio was negative 1.05 as at September 30, 2017, which is well below the covenant restriction of 3.50. As at September 30, 2017, Parkland had cash held in escrow of \$1,576.5 million, which exceeded the debt included in the calculation of Senior Funded Debt of \$1,194.3 million. The cash held in escrow was released on the closing of the Chevron Acquisition on October 1, 2017. Refer to Section 12 for the detailed calculation of Parkland's debt covenants.

9. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Refer to Note 2 of the Annual Consolidated Financial Statements and Note 2 of the Interim Condensed Consolidated Financial Statements for a description of Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments.

Standards issued but not yet effective

The following new standards were issued by the IASB and are expected to have an impact on Parkland. Updates to the disclosures in the Annual Consolidated Financial Statements are as follows:

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 plans on adopting the standard effective January 1, 2018 and is currently assessing the impact of this standard.

IFRS 15 - Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which replaces IAS 11 - Construction Contracts, IAS 18 - Revenue, 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. Disclosure requirements are also expanded.

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Parkland plans on adopting the standard effective January 1, 2018 and is currently assessing the impact of this standard.

IFRS 16 - Leases

In January 2016, the IASB issued IFRS 16, which replaces IAS 17 - Leases 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 model 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 on adopting the standard effective January 1, 2019 and is currently assessing the impact of this standard. It is anticipated that the adoption of IFRS 16 will have a material impact on the consolidated balance sheets.

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. Refer to "Significant accounting estimates, assumptions and judgments" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgments. Since the date of our Annual MD&A, there have been no material changes to the significant accounting estimates, assumptions and judgments.

10. RISK FACTORS

The information presented in the "Risk Factors" section of the Annual MD&A and Annual Information Form has not changed materially since their date of publication, except for the following:

Risks relating to the Chevron Acquisition

Significant acquisition and related costs

Parkland has incurred a number of costs associated with completing the Chevron Acquisition and expects to incur additional costs associated with integrating the operations of Parkland and the Chevron Assets. The majority of such costs will be non-recurring expenses resulting from the Chevron Acquisition and will consist of transaction costs related to the Chevron Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in the integration of the Chevron Assets which may negatively impact Parkland's results of operations.

Failure to realize the anticipated benefits of the Chevron Acquisition

Achieving the benefits of the Chevron Acquisition depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, including operating expense reductions. The integration of the Chevron Assets requires dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the Chevron Acquisition and financial projections related thereto.

Potential undisclosed liabilities associated with the Chevron Acquisition

Although Parkland conducted what it believed to be a prudent and thorough level of investigation in connection with the Chevron Acquisition, an unavoidable level of risk remains regarding any unknown or undisclosed liabilities of, or issues concerning, the Chevron Assets, including in respect of tax, litigation, environmental and other matters. The existence of undisclosed liabilities could have a material adverse effect on Parkland's business, financial condition and results of operations.

Increased indebtedness

In connection with the Chevron Acquisition, Parkland has undertaken additional borrowings. Such borrowings represent an increase in Parkland's consolidated indebtedness, interest expense and debt service obligations, and may have a negative effect on Parkland's results of operations. The increased indebtedness also makes Parkland's results more sensitive to increases in interest rates. There is no guarantee that Parkland will be able to obtain additional indebtedness or other financing on terms favourable to Parkland or at all in order to repay the principal on such indebtedness when it becomes due.

Parkland's degree of 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.

Risks relating to refinery operations

Parkland now owns and operates an industrial site in the form of a crude oil refinery in British Columbia. There are risks inherent to the operations and activities of any large, complex refinery units, including risks related to accidents, availability of third-party crude oil for use in Parkland's refinery, labour and material shortages, direct and indirect risks related to legislative and regulatory requirements, and risks related to local opposition. A key operational risk for Parkland's 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. Even a temporary interruption of power or water could adversely affect operations. Parkland does not have full control over the supply of power or water to the refinery.

Risks relating to refinery turnaround and unscheduled maintenance

Parkland's refinery consists of several processing units, each of which is expected to undergo a scheduled maintenance event (also known as a "turnaround") every one to five years. One or more of the units may require additional unscheduled downtime for unanticipated maintenance or repairs that are more frequent than our scheduled turnarounds. Parkland's refinery is scheduled to undergo a major turnaround in the first quarter of 2018 where all of the processing units are expected to be offline for approximately six weeks. Scheduled and unscheduled maintenance reduce our revenues and increase our operating expenses during the period of time that our processing units are not operating and could reduce our ability to make distributions or payments of our debt obligations. Furthermore, unanticipated costs may be incurred in scheduled and unscheduled maintenance which may negatively impact Parkland's results of operations.

Environmental risks relating to refinery operations

As a potential large greenhouse gas emitter, 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 Parkland's ability to operate the refinery. There are international agreements (e.g. the Paris Agreement and the 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 pricing risks

Refining margins are largely driven by differences in commodity prices and are a function of the spread between the refinery costs for raw materials (primarily crude oil) and market prices for the marketing of produced 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 are 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 will utilize derivative financial 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 will engage such hedging of crude oil and refined fuel products through its Intermediation Facility banking partner, and for some

items, Parkland may directly engage in the derivatives financial market with trading counterparties or use other hedging instruments. Such hedging 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 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, Parkland's hedging 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 its business. 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, its business may be harmed and its results of operations and its financial condition could be adversely affected.

Parkland's refinery operations are subject to industrial relations risks. A majority of the employees at the Burnaby Refinery are represented by a labour union (Unifor and Teamsters). Failure to maintain productive relationships with the labour union could result in production delays and increased labour costs and could adversely impact Parkland's operating results. Furthermore, Parkland is currently in collective bargaining negotiations with Unifor. Failure to reach an agreement could have a material impact on Parkland's operating results.

Contractor risks relating to refinery operations

The Burnaby Refinery may rely on contractors to conduct some of its operations and is exposed to risks related to their activities. As a result, the refinery's operations are 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 aspects of operations that are the responsibility of contractors;
- failure of contractors to perform 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 the actions of its contractors. The occurrence of one or more of these risks could adversely affect Parkland's results of operations and financial position.

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

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 risk management assets and liabilities and Redemption Options.

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, US dollar forward exchange contracts and US dollar forward window contracts. 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 are accounted for as cash flow hedges under IFRS (the "Chevron Acquisition Hedge"). 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 under IFRS. For more information on Parkland's financial instruments and related financial risk factors, see Note 8 of the Interim Condensed Consolidated Financial Statements, Note 13 of the Annual Consolidated Financial Statements and Section 10 of Parkland's Annual MD&A.

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:

Fair value as at September 30, 2017				
(\$ millions)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Redemption Options (c)	–	29.7	–	29.7
Risk management assets				
Commodities swaps and forward contracts	–	2.5	–	2.5
Commodities futures contracts	–	0.7	–	0.7
US dollar forward exchange contracts	–	0.6	–	0.6
Total risk management assets	–	3.8	–	3.8
Risk management liabilities				
Commodities swaps and forward contracts	–	(3.5)	–	(3.5)
Total risk management liabilities	–	(3.5)	–	(3.5)

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 \$29.7 million as at September 30, 2017 (December 31, 2016 – \$8.7 million). The change in fair value of the Redemption Options for the three and nine months ended September 30, 2017 was a gain of \$18.0 million and \$18.5 million respectively (2016 - gain of \$0.5 million and \$10.6 million).

During the second quarter of 2017, Parkland entered into the Chevron Acquisition Hedge to hedge the risk in variability of cash flows related to the US dollar purchase price of the Chevron Acquisition. The Chevron Acquisition Hedge amount 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. On September 29, 2017, the Chevron Acquisition Hedge contracts were exercised in connection with the closing of the Chevron Acquisition on October 1, 2017. As at September 30, 2017, an unrealized loss of \$100.8 million was included in other comprehensive income (loss) with respect to these contracts as a result of the strengthening of the Canadian dollar against the US dollar since the inception of the hedge.

All other risk management assets and liabilities are fair valued at the end of the reporting period and any change in the fair value is recognized in the consolidated statements of income in loss (gain) on risk management activities. The fair values of the risk management assets and liabilities not under hedging arrangements as at September 30, 2017 were \$3.8 million and \$3.5 million respectively (December 31, 2016 – \$0.8 million and \$8.4 million). The change in risk management activities for the three and nine months ended September 30, 2017 was a loss of \$0.6 million and gain of \$5.0 million respectively (2016 - loss of \$0.3 million and \$5.3 million) and were driven by commodities swaps and forward contracts, commodities futures contracts and US dollar forward exchange contracts.

11. OTHER

Controls environment

Internal control over financial reporting

Based on the evaluation of the design 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 effectively as at September 30, 2017.

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 a business acquired not more than 365 days before September 30, 2017, as Parkland closed the Ultramar Business Acquisition on June 28, 2017. 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 Ultramar Business Acquisition, effective from the date of acquisition:

(\$ millions)	Nine months ended September 30, 2017
Revenue	808.5
Net income	9.8
	As at September 30, 2017
Current assets	193.0
Non-current assets	1,081.5
Current liabilities	(195.8)
Non-current liabilities	(71.3)

Changes in internal controls over financial reporting

Other than as described above, there are no changes in Parkland's ICFR during the interim period ended September 30, 2017 that materially affect, 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 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 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 it does not have any relationships or arrangements with entities that are not consolidated into its financial statements and that are likely to have a material effect on liquidity or the availability of capital resources. 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 September 30, 2017, Parkland provided \$728.7 million (December 31, 2016 – \$743.6 million) of unsecured guarantees to counterparties of commodities swaps and US dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

Letters of credit

As at September 30, 2017, the total outstanding balance for letters of credit was \$17.0 million (December 31, 2016 – \$8.9 million) that have various maturity dates up to August 18, 2019.

Shares outstanding

As at November 2, 2017, Parkland had approximately 130.9 million shares, 3.2 million share options and 1.0 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 and Note 14 – Segment Information of the Interim Condensed Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resources to be allocated to the segment and 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 and Note 14 of the Interim Condensed Consolidated Financial Statements for a full reconciliation.

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 its debt, to finance capital expenditures and to provide for the payment of dividends 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 September 30,		Nine months ended September 30,	
(\$ millions)	2017	2016	2017	2016
Net earnings	12.7	14.7	33.3	44.2
Finance costs	14.2	7.8	41.9	13.0
(Gain) loss on disposal of property, plant and equipment	(1.2)	0.2	(0.7)	(0.2)
Income tax expense	3.8	3.5	12.3	13.7
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	0.8	1.0	(8.0)	3.5
Unrealized loss on foreign exchange	1.0	0.3	1.7	0.9
Acquisition, integration and other costs	19.1	5.4	43.0	18.4
Depreciation and amortization	46.0	27.4	96.5	82.9
Adjusted EBITDA	96.4	60.3	220.0	176.4

Adjusted gross profit

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

	Three months ended September 30,		Nine months ended September 30,	
(\$ millions)	2017	2016	2017	2016
Sales and operating revenue	2,600.6	1,638.1	6,191.3	4,526.0
Cost of goods sold	(2,335.2)	(1,467.8)	(5,564.9)	(4,013.3)
Realized gain (loss) on risk management activities	0.2	0.7	(3.0)	(1.8)
Realized gain (loss) on foreign exchange	0.7	0.1	1.5	(0.4)
Adjusted gross profit	266.3	171.1	624.9	510.5
Fuel and petroleum product adjusted gross profit	205.1	132.4	487.2	400.4
Non-fuel adjusted gross profit	61.2	38.7	137.7	110.1
Adjusted gross profit	266.3	171.1	624.9	510.5

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 therefore are 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⁾	A 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 its debt and to meet its current and future commitments.
Senior Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	A 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, restricted cash and cash reserved for acquisition	We use these ratios to demonstrate compliance with debt covenants as well as provide users with an indication of Parkland's ability to repay its 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 flexibility of its capital structure.
Total Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	A 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⁾	A 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 the outstanding debt, in addition to demonstrating compliance with debt covenants.
Net Unit Operating Cost ("NUOC")⁽¹⁾	A retail fuels industry metric that represents the 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 the performance of the Retail Fuels segment. We believe it provides transparency and predictive value on operating costs and MG&A expenses in relation to fuel sales within each segment.
TTM operating ratio⁽¹⁾	An 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 the 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	A ratio that measures the 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 on corporate MG&A in relation to Parkland's entire adjusted gross profit.
Distributable cash flow	A cash flow metric that adjusts for the impact of the seasonality of 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 sale of property, plant and equipment and intangible assets	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	A 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 the core distributable cash flows of the business without the impact of expenditures used in acquisitions, integration and other activities, which fluctuates 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	The 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	The 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:

- 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 the securing of 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 capital expenditures classified as 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 capital expenditures and growth capital expenditures equates to 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 September 30, 2017
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Adjusted EBITDA	77.1	70.0	53.6	96.4	297.1
Share incentive compensation	4.7	1.7	1.4	1.0	8.8
	81.8	71.7	55.0	97.4	305.9
Acquisition pro-forma adjustment ⁽¹⁾					82.9
Acquisition, integration and other costs adjustment ⁽²⁾					—
Credit Facility EBITDA					388.8

⁽¹⁾ Amounts for the trailing twelve months ended September 30, 2017 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on October 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 nil 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)	September 30, 2017	December 31, 2016
Senior Funded Debt:		
Long-term debt – current portion ⁽¹⁾	254.1	1.9
Bank indebtedness	8.1	—
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	915.1	138.8
Letters of credit and surety bonds ⁽⁵⁾	17.0	8.9
Less:		
Cash held in escrow ⁽¹⁾⁽²⁾	(1,576.5)	—
Cash and cash equivalents	(24.8)	(25.6)
Senior Funded Debt ⁽¹⁾	(407.0)	124.0
Senior Unsecured Notes ⁽¹⁾	1,187.6	399.2
Total Funded Debt ⁽¹⁾	780.6	523.2
Credit Facility EBITDA	388.8	258.8
Senior Funded Debt to Credit Facility EBITDA ratio	(1.05)	0.48
Total Funded Debt to Credit Facility EBITDA ratio	2.01	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⁾ For the September 30, 2017 ratios, consent was provided by lenders to include cash held in escrow for the calculation of Senior Funded Debt.

⁽⁵⁾ Calculated pursuant to the terms of the Credit Facility.

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	September 30, 2017	December 31, 2016
Credit Facility EBITDA	388.8	258.8
Interest ⁽¹⁾	77.4	35.3
Interest coverage ratio	5.02	7.33

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

NUOC

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2017
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Operating costs	25.1	24.8	26.2	65.4	141.5
Marketing, general and administrative	6.4	6.7	6.8	12.5	32.4
Less: Non-fuel adjusted gross profit	(14.5)	(12.6)	(14.4)	(33.2)	(74.7)
	17.0	18.9	18.6	44.7	99.2
Fuel and petroleum product volume ⁽¹⁾ (millions of litres)	935.9	844.2	966.7	1,667.4	4,414.2
NUOC	1.82	2.24	1.92	2.68	2.25

⁽¹⁾ Includes diesel, gasoline and propane volumes.

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2016
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	
Operating costs	23.6	22.9	24.6	24.5	95.6
Marketing, general and administrative	6.4	6.2	5.9	5.6	24.1
Less: Non-fuel adjusted gross profit	(12.8)	(14.0)	(13.7)	(14.0)	(54.5)
	17.2	15.1	16.8	16.1	65.2
Fuel and petroleum product volume ⁽¹⁾ (millions of litres)	912.0	843.1	936.0	1,001.8	3,692.9
NUOC	1.89	1.79	1.79	1.61	1.76

⁽¹⁾ Includes diesel, gasoline and propane volumes.

TTM operating ratio

Commercial Fuels

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2017
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Operating costs	33.3	38.4	33.0	37.8	142.5
Marketing, general and administrative	6.3	6.2	6.1	10.2	28.8
	39.6	44.6	39.1	48.0	171.3
Adjusted gross profit	54.9	72.7	44.1	56.3	228.0
TTM operating ratio					75.1%

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2016
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	
Operating costs	31.9	33.2	28.9	28.1	122.1
Marketing, general and administrative	5.8	6.3	6.4	5.9	24.4
	37.7	39.5	35.3	34.0	146.5
Adjusted gross profit	52.0	61.6	41.5	38.3	193.4
TTM operating ratio					75.7%

Parkland USA

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2017
	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017	
Operating costs	9.7	10.4	10.5	9.9	40.5
Marketing, general and administrative	2.0	1.8	2.1	1.6	7.5
	11.7	12.2	12.6	11.5	48.0
Adjusted gross profit	15.9	15.2	17.6	15.8	64.5
TTM operating ratio					74.4%

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2016
	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	
Operating costs	10.8	10.7	9.9	10.2	41.6
Marketing, general and administrative	1.9	2.1	1.9	1.6	7.5
	12.7	12.8	11.8	11.8	49.1
Adjusted gross profit	16.8	16.2	15.2	16.1	64.3
TTM operating ratio					76.4%

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

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
Corporate marketing, general and administrative	14.7	13.4	37.8	37.0
Parkland's adjusted gross profit	266.3	171.1	624.9	510.5
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	5.5%	7.8%	6.0%	7.2%

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 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 Ultramar Business Acquisition are included in the calculations of Company C-Store SSSG for the three months ended September 30, 2017 and 2016 but excluded from the calculations for the nine months ended September 30, 2017 and 2016, as the current year-to-date measure does not reflect the performance of the Ultramar Business 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 Ultramar Business Acquisition are included in the calculations of Volume SSSG for the three months ended September 30, 2017 and 2016 but excluded from the calculations for the nine months ended September 30, 2017 and 2016, as the current year to date measure does not reflect the performance of the Ultramar Business 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.

13. OUTLOOK

For the remainder of 2017, Parkland will focus on integrating the Ultramar Business Acquisition and Chevron Acquisition, including driving synergies to create shareholder value. Upon closing of the Chevron Acquisition on October 1, 2017, we increased our network to approximately 1,840 sites across Canada, which includes 595 Company sites.

	Ultramar	Esso	Fas Gas Plus	Pioneer	Race Trac	Chevron	Other	Total
Existing site count								
Company sites	144	71	90	117	1	32	11	466
Dealer sites	494	511	104	35	67	17	18	1,246
Site count, as at September 30, 2017	638	582	194	152	68	49	29	1,712
Additions from the Chevron Acquisition⁽¹⁾								
Company sites	–	–	–	–	–	129	–	129
Dealer sites	–	–	–	–	–	–	–	–
Site count additions	–	–	–	–	–	129	–	129
Site count upon closing of the Chevron Acquisition⁽¹⁾								
Company sites	144	71	90	117	1	161	11	595
Dealer sites	494	511	104	35	67	17	18	1,246
Pro forma site count	638	582	194	152	68	178	29	1,841

⁽¹⁾ See Section 3 of this MD&A for details regarding the closing of the Chevron Acquisition.

The Parkland refinery team will continue to maintain highly effective operations at the Burnaby Refinery, which has been operating as planned since the close of the Chevron Acquisition. Parkland is currently planning for the Burnaby Refinery shutdown and turnaround anticipated in the first quarter of 2018; approximately \$20 million of turnaround-related expenditures is expected to be incurred for the fourth quarter of 2017. Parkland will continue to work with Chevron as they provide transition services during the integration period, including support related to the shutdown and turnaround.

Parkland is in the process of enhancing the On the Run / Marché Express convenience store offering, providing a strong platform for Parkland to expand and drive organic growth in the Retail Fuels segment across Canada. As discussed in Section 3, Parkland plans to deliver its first new Flagship and approximately 40 Retrofits in the next two quarters. In addition, Parkland plans to launch its new private label brand, "59th Street Food Co.", available at Parkland locations in the fourth quarter of 2017. The private label brand will allow Parkland to provide high quality products at competitive price points with increased margin contributions. Initial private label products include various types of confectionary, with additional private label product offerings planned for the future.

In addition to driving the organic growth initiatives mentioned above, Parkland remains focused on executing the other pillars of its strategic plan by ensuring a strong supply advantage and acquiring prudently. Parkland continues to search for opportunities to drive improvements in our supply economics and optionality, while adding company volume through organic growth and the Chevron Acquisition. Parkland will also continue to review its acquisition pipeline for potential targets and initiate acquisitions as strategic opportunities arise.

Revised 2017 Adjusted EBITDA guidance considerations

As a result of the Chevron Acquisition on October 1, 2017, we have revised our 2017 Adjusted EBITDA guidance to a range of \$350 million to \$390 million, an increase from the previous guidance of \$310 million to \$340 million.

The revised 2017 Adjusted EBITDA guidance of \$350 million to \$390 million includes organic growth scenarios that build off the 2016 Adjusted EBITDA of \$253.5 million and adds Adjusted EBITDA based on management's estimate of how the businesses acquired as part of the Ultramar Business Acquisition and Chevron Acquisition will perform, whereby such estimate is based on prior performance of the Ultramar Business and Chevron assets. The revised 2017 Adjusted EBITDA guidance is also based on the assumption that general market conditions, including but not limited to fuel margins and weather, will remain the same for the remainder of 2017. Specifically, the lower end of the range accounts for potential adverse market conditions in Western Canada and the Northern US, while the higher end of the range accounts for contributions from synergies relating to prior acquisitions and Parkland achieving its previously disclosed average annual organic growth goal of 3-5%. Refer to Parkland's press releases issued on November 2, 2017, August 2, 2017 and March 2, 2017 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", "will", "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 addition 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;
- 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 become a leader as the industry consolidates, given its experience across all fuel marketing channels, its ability to optimize operations, and its potential supply and cost synergies;
- 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 Ultramar Business Acquisition and Chevron Acquisition.

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 Ultramar Business Acquisition and the Chevron Acquisition into Parkland's operations;

- commodity prices for gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products;
- 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 on 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 and margins;
- 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 fluctuation;
- potential undisclosed liabilities (including environmental) associated with the Chevron Acquisition and Ultramar Business Acquisition;
- increased indebtedness associated with the completion of the Chevron Acquisition;
- 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.