

Q1 2018



Report to shareholders

Management's Discussion and Analysis

Q1 2018

Table of Contents

1.	Parkland overview	2
2.	Financial and operating summary	3
3.	Performance overview	3
4.	Segment results	7
5.	Quarterly financial data	18
6.	Dividends, distributable cash flow and dividend payout ratio	19
7.	Liquidity	20
8.	Capital resources	21
9.	Accounting policies and critical accounting estimates	24
10.	Risk factors	24
11.	Other	25
12.	Financial measures and key performance indicators	27
13.	Outlook	34
14.	Forward-looking information	35

Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated May 2, 2018 should be read in conjunction with our March 31, 2018 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2017 (the "Annual Consolidated Financial Statements"), our 2017 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2017 dated March 9, 2018 (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 in Note 2 of the Interim Condensed Consolidated Financial Statements. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland including quarterly and annual reports and the Annual Information Form is available online at www.sedar.com and Parkland's website, www.parkland.ca.

Non-GAAP financial measures and key performance indicators

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

Adjusted EBITDA and adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 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 forward-looking information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 14 of this MD&A for further details.

1. PARKLAND OVERVIEW

Who we are

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

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

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

Our mission

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

Our four strategic imperatives

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

1. Grow organically

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

2. Strong supply advantage

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

3. Acquire prudently

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

4. Enable our teams to succeed

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

2. FINANCIAL AND OPERATING SUMMARY

(\$ millions, unless otherwise noted)	Three months ended March 31,		
	2018	2017	2016
Financial Summary			
Sales and operating revenue	3,342	1,785	1,318
Adjusted gross profit ⁽¹⁾	430	191	173
Adjusted EBITDA ⁽¹⁾	153	70	60
Net earnings	20	22	25
Per share – basic	0.15	0.23	0.26
Per share – diluted	0.15	0.22	0.26
Distributable cash flow ⁽²⁾	29	38	35
Per share ⁽²⁾⁽⁵⁾	0.22	0.40	0.37
Adjusted distributable cash flow ⁽²⁾	110	46	40
Per share ⁽²⁾⁽⁵⁾	0.84	0.48	0.42
Dividends	38	28	27
Dividends declared per share outstanding	0.2902	0.2852	0.2745
Dividend payout ratio ⁽²⁾	131%	72%	77%
Adjusted dividend payout ratio ⁽²⁾	35%	60%	68%
Total assets	5,492	2,469	1,772
Total long-term liabilities	2,524	690	580
Shares outstanding (millions)	132	97	95
Weighted average number of common shares (millions)	131	96	94
Operating Summary			
Fuel and petroleum product volume (million litres) ⁽⁴⁾	4,211	2,756	2,437
Fuel and petroleum product adjusted gross profit ⁽¹⁾ (cpl) ⁽⁵⁾ :			
Retail	7.88	5.25	5.16
Commercial	9.53	13.16	13.11
Parkland USA	3.65	3.58	3.86
Operating costs ⁽⁶⁾ (cpl)	4.92	3.11	3.23
Marketing, general and administrative expenses (cpl)	1.66	1.28	1.42

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

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

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

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

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

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

3. PERFORMANCE OVERVIEW

Q1 2018 Highlights

Parkland delivered exceptional Adjusted EBITDA of \$153 million for the first quarter of 2018, driven by 19% growth in the pre-Acquisition business (the "Base Business"), contributions from the Ultramar Acquisition⁽⁷⁾ and the Chevron Acquisition⁽⁷⁾ (collectively, the "Acquisitions"), and the realization of synergies from the Acquisitions that were ahead of expectations. Although the Commercial Base Business experienced softer results, the Base Businesses of Retail, Supply and Parkland USA achieved excellent organic growth rates that well exceeded Parkland's 3-5% strategic organic growth target. Furthermore, the Burnaby Refinery Turnaround⁽⁷⁾ was successfully completed in the first week of April 2018, reinforcing Parkland's strong supply advantage and demonstrating our commitment to operating the Burnaby Refinery safely, reliably and profitably. Parkland also completed the issuance of US\$500 million Senior Unsecured Notes, mitigating exposure to rising interest rates and strengthening Parkland's capital structure for future growth. Furthermore, Parkland also achieved an exceptional Adjusted Payout Ratio of 35% and a record Adjusted Distributable Cash Flow of \$110 million for the quarter.

⁽⁷⁾ See pages 4 and 5 for details and discussion of the Ultramar Acquisition, Chevron Acquisition and Turnaround.

Grow

- Parkland achieved a record Adjusted EBITDA in the first quarter of 2018 of \$153 million, representing over two times the \$70 million of Adjusted EBITDA achieved for the same period in 2017. This exceptional growth was driven by the Acquisitions as well as an overall Base Business growth rate of 19% that well exceeded Parkland's 3-5% strategic organic growth target, driven by Supply, Retail and Parkland USA.
- We delivered 4,211 million litres of fuel and petroleum product in the first quarter of 2018, representing 52.8% growth compared to 2,756 million litres for the same period in 2017. The additional volume was driven by incremental business from the Acquisitions.
- Sales and operating revenue increased 87.2% from \$1.8 billion in the first quarter of 2017 to \$3.3 billion in the first quarter of 2018. This increase was driven by the Acquisitions as well as higher commodity and fuel prices.
- Retail achieved outstanding Company C-Store same-store sales growth ("SSSG") of 4.1% across Canada in the first quarter of 2018. This marked the 9th consecutive quarter of positive Company C-Store SSSG at Parkland. The strong Company C-Store SSSG was driven by ongoing marketing programs including our new On the Run / Marché Express store concepts, the rollout of our proprietary private label brand "59th Street Food Co.", and backcourt convenience store optimization, which resulted in higher forecourt to backcourt conversion rates. Parkland also saw growth in sustainable higher-margin categories such as beverages, snacks and confectionery.
- The implementation of Parkland's refreshed On the Run / Marché Express store concepts under a pilot program has been highly successful and early results are pacing above expectations. In the first quarter of 2018, Parkland opened three "Flagship" sites, where new, full-offer facilities are constructed at "New-To-Industry" or "Replacement" locations. In addition, Parkland delivered 16 "Retrofit" sites, where existing locations are upgraded to the new store concept. The new On the Run / Marché Express store concept elevates the customer experience and supports the shift to higher margin categories while growing basket size and forecourt to backcourt conversion rates.
- In late 2017, Parkland developed a new proprietary private label brand, "59th Street Food Co.", which was successfully launched at most Parkland locations across the Base Business. 59th Street Food Co. continues to perform well, with plans in place to expand the current offering to the Ultramar and Chevron networks, and to launch new product categories during the remainder of 2018.
- Net earnings for the first quarter of 2018 were \$20 million compared to \$22 million for the same period in 2017. While Adjusted EBITDA grew due to the Acquisitions and Base Business organic growth in Retail, Supply and Parkland USA, this growth was more than offset by higher depreciation and amortization expenses, finance costs and integration costs related to the Acquisitions.

Supply

- The first quarter of 2018 marked the successful execution of a major maintenance event at the Burnaby Refinery (the "Turnaround"), which began in early February and was completed in the first week of April 2018. Parkland successfully executed supply sourcing initiatives throughout the Turnaround, which allowed Parkland to continue to deliver refined products to our customers, while also mitigating the impact of the refinery shutdown on Adjusted EBITDA, demonstrating Parkland's prudent optimization of operations to drive shareholder returns.
- Parkland continues to benefit from improved supply economics and optionality as demonstrated by growth in Supply Adjusted EBITDA of 209% in the first quarter of 2018 compared to the same period in 2017. This was driven by contributions from the Chevron Acquisition, profitable supply sourcing initiatives, improved supply economics in the Base Business, and lower Base Business operating costs that showcase Parkland's continued focus on executing its supply advantage strategy and cost management initiatives. Parkland's Supply team generated an incremental one-time benefit of approximately \$30 million of Adjusted EBITDA in the first quarter of 2018 through a variety of supply improvement and optimization initiatives.
- Parkland Supply's external fuel and petroleum product volumes grew 17% for the first quarter of 2018 compared to the same period in 2017. This was primarily attributable to the additional volumes associated with the aviation fuel business acquired with the Chevron Acquisition, as well as increases in Base Business gas and diesel volumes driven by strong market share gains and strategic initiatives to drive volume growth and scale. The growth was partially offset by lower liquid petroleum gas ("LPG") volumes compared to the first quarter of 2017, which experienced higher than normal LPG volumes.

Acquire

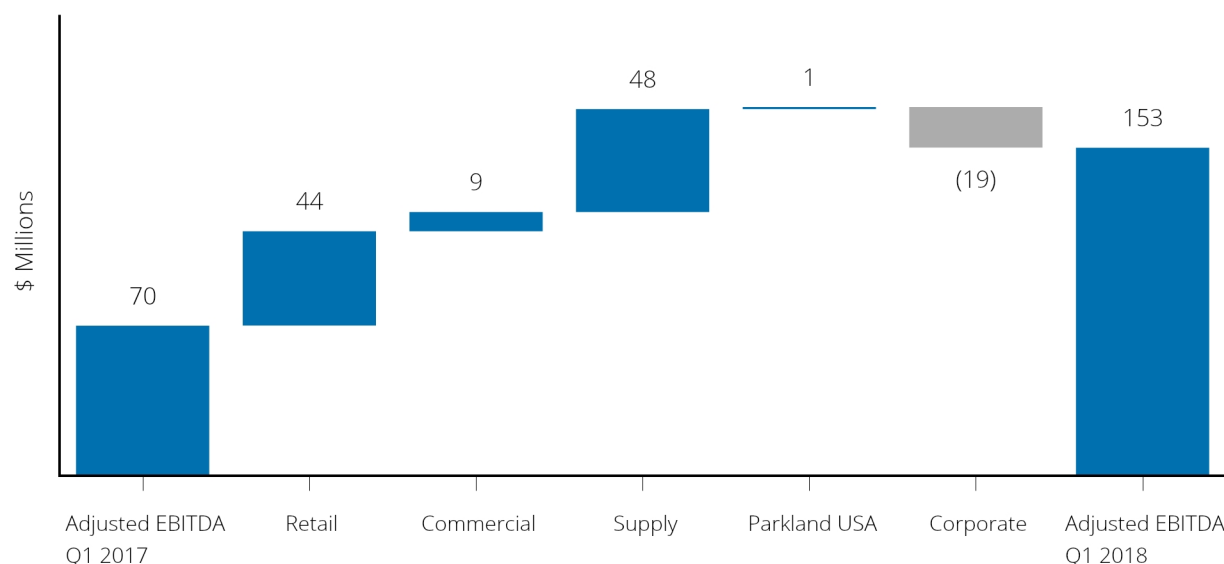
- **Acquisition integration update**

Parkland acquired the majority of the Canadian business and assets of CST Brands, Inc. on June 28, 2017 for a preliminary purchase price of \$978 million (the "Ultramar Acquisition") and all outstanding shares of Chevron Canada R & M ULC on October 1, 2017 for a preliminary purchase price of \$1,684 million (the "Chevron Acquisition"). Parkland's two largest acquisitions to date extended and enhanced Parkland's network coverage across Canada and added significant supply and marketing infrastructure through the addition of: (i) the Burnaby Refinery, a 55,000 bpd light/sweet crude refinery in Burnaby, British Columbia, (ii) 783 Company and Dealer retail fuel sites, (iii) 110 commercial cardlock sites and three marine fuelling stations, (iv) 30 commercial and home heating sites, and (iv) two terminals located in British Columbia, among other assets.

The Acquisitions have performed very well since their respective closing dates, as demonstrated by strong results in the first quarter of 2018 and the successful Turnaround at the Burnaby Refinery. Acquisition synergy targets continue to pace above internal plan, reinforcing Parkland's ability and commitment to acquire prudently and integrate successfully. As at March 31, 2018, Parkland has completed initiatives that are expected to result in Annual Synergies⁽¹⁾ on the Acquisitions of approximately \$44 million for fiscal year 2018. Parkland expects that the Annual Synergies on the Acquisitions will reach approximately \$80 million by the end of 2020. Parkland continues to implement its comprehensive plan to integrate the acquired businesses to drive synergies and future growth. Parkland exited the Ultramar Acquisition transitional services agreement ("TSA") in April 2018, and is well under way to exit the Chevron Acquisition TSA in late 2018.

Q1 2018 vs. Q1 2017 overall performance

Adjusted EBITDA⁽²⁾ growth by segment



⁽¹⁾ Annual Synergies is an annualized measure and is considered to be forward-looking information. See Section 12 and Section 14 of this MD&A.

⁽²⁾ 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 March 31 (\$ millions)	2018	2017	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail	69	25	44	176 %
Commercial	38	29	9	31 %
Supply	71	23	48	209 %
Parkland USA	4	3	1	33 %
Corporate	(29)	(10)	(19)	190 %
	153	70	83	119 %
Less:				
Depreciation and amortization	69	26	43	165 %
Finance costs				
Interest on long-term debt	29	13	16	123 %
Change in fair value of Redemption Options	4	—	4	100 %
Other finance costs ⁽²⁾	8	1	7	700 %
	41	14	27	193 %
Acquisition, integration and other costs	17	8	9	113 %
Loss (gain) on risk management and other derivatives - unrealized	5	(9)	14	(156)%
Gain on Intermediation Facility Derivatives in cost of purchases - unrealized	(2)	—	(2)	100 %
(Gain) loss on foreign exchange - unrealized	(6)	1	(7)	(700)%
Income tax expense	9	8	1	13 %
Net earnings	20	22	(2)	(9)%

⁽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 13 of the Interim Condensed Consolidated Financial Statements.

- Parkland achieved a record first quarter Adjusted EBITDA of \$153 million, representing growth of \$83 million through a combination of successful acquisitions and 19% growth of the overall Base Business. Retail grew 176% due to the impact of the Acquisitions as well as higher fuel margins and strong Company C-Store SSSG in the Base Business. Commercial grew 31% due to the impact of the Acquisitions. Supply Adjusted EBITDA grew 209% due to the Acquisitions and continued efforts in executing Parkland's supply strategy. The strong growth was partially offset by \$19 million higher corporate costs that resulted from merging the corporate functions of the Acquisitions with the Base Business as well as a \$3 million realized loss recognized on foreign currency transactions. Refer to Section 4 for a detailed discussion on segment results.
- Depreciation and amortization increased \$43 million, driven by higher property, plant and equipment and intangible assets balances resulting from the Acquisitions.
- Finance costs increased \$27 million in the first quarter of 2018, as anticipated, driven by: (i) a \$16 million increase in interest on long-term debt primarily due to the May 9, 2017 private placement of the 5.625% Senior Notes as well as incremental borrowings to fund the Acquisitions, (ii) an increase in other finance costs primarily attributable to Parkland's refinancing activities related to the Acquisitions, resulting in \$5 million higher amortization of deferred finance costs, and (iii) a \$4 million non-cash loss recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, driven by higher market interest rates. The fair value of the Redemption Options embedded derivatives represents the non-cash value of the options that allow Parkland to early redeem the Senior Unsecured Notes at any time prior to their maturity and takes into account the redemption premium, credit spread, risk-free yield curve and other factors that are driven by changing debt market conditions.
- Acquisition, integration and other costs increased \$9 million due to costs incurred to integrate the Acquisitions, including IT consulting and professional services that enable Parkland to efficiently and effectively realize the synergies from its two largest acquisitions to date. This was partially offset by lower acquisition costs.
- The unrealized loss on risk management and other derivatives was \$5 million in 2018, compared to an unrealized gain of \$9 million in the first quarter of 2017. The unrealized loss in the first quarter of 2018 was primarily attributable to widened differentials from crude sell-side swap positions taken by Parkland on undelivered products. These contracts form part of Parkland's risk management strategy and are used to lock in margins with customers on commodities to be delivered. Any unrealized gains or losses on risk management contracts recognized under IFRS in the current period are expected to partially offset any losses or gains realized on physical products to be delivered in future periods.

- The \$2 million unrealized gain on Intermediation Facility Derivatives in cost of purchases was driven by the impact of rising crude prices on lower volumes, which reduced the Intermediation Facility Derivatives liability during the first quarter of 2018. Any unrealized gains or losses on derivatives recognized in cost of purchases are expected to partially offset any losses or gains on physical products to be sold by the refinery in the future. The Intermediation Facility Derivatives, which are used to manage exposure to movements in commodity prices, are further discussed in Note 10 of the Interim Condensed Consolidated Financial Statements.
- Parkland recognized a \$6 million unrealized gain on foreign exchange during the quarter, driven primarily by higher long-term debt denominated in US dollars.
- Income tax expense increased \$1 million for the first quarter of 2018 due to slightly higher taxable earnings.
- As a result of the above items, net earnings of \$20 million were recorded for the first quarter of 2018 compared to \$22 million in the first quarter of 2017.

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

Overview

Parkland Retail (formerly "Retail Fuels") supplies and supports a network of 1,851 retail gas stations in Canada operating under many key retail brands including Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer and Race Trac. In addition, Parkland operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that over time will be migrated to the On the Run / Marché Express brand if they meet the required standards for migration. Parkland Retail 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.

The Ultramar Acquisition, which closed on June 28, 2017, and the Chevron Acquisition, which closed on October 1, 2017, added 654 sites and 129 sites to our network, respectively. The acquired businesses have operating models or mixes of operating models that differ from that of the Base Business.

Ultramar Retail operating model

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

Chevron Retail operating model

The sites acquired as part of the Chevron Acquisition are substantially Company sites while Parkland's Base Business contains a mix of mostly Dealer sites along with Company sites. Company sites earn higher fuel margins but run higher operating costs and marketing, general and administrative expenses compared to Dealer sites. As a result, the introduction of Chevron Retail increases fuel margins, fuel and petroleum adjusted gross profit, operating costs, marketing, general and administrative expenses and NUOC for the Retail segment.

Site count by brand and business model

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

	Ultramar	Esso	Fas Gas Plus	Chevron	Pioneer	Race Trac	Other	Total
Company sites	147	70	90	160	117	1	11	596
Dealer sites	491	519	103	18	37	68	19	1,255
Site count, as at March 31, 2018	638	589	193	178	154	69	30	1,851
Company sites	146	70	90	160	118	1	11	596
Dealer sites	493	518	104	18	36	65	18	1,252
Site count, as at December 31, 2017	639	588	194	178	154	66	29	1,848
Net change in site count	(1)	1	(1)	—	—	3	1	3

The change in site count during 2018 is attributable to network plan optimization and routine site count fluctuations from new dealers, conversions, sold sites, or closed or de-branded sites.

Retail segment performance highlights

Retail Adjusted EBITDA grew 176% to \$69 million for the first quarter of 2018 primarily due to the Acquisitions as well as improved fuel margins and strong Company C-Store SSSG in the Base Business, despite slight Base Business volume declines due to site divestitures required to close the Acquisitions. Base Business Adjusted EBITDA growth exceeded Parkland's 3-5% strategic organic growth target. Furthermore, Retail achieved its 9th consecutive quarter of positive Company C-Store SSSG, by realizing a SSSG rate of 4.1% for the three months ended March 31, 2018. This growth was attributable to the successful implementation of the new On the Run / Marché Express Flagship and Retrofit store concepts, the successful rollout of Parkland's proprietary private label brand "59th Street Food Co." and continued backcourt convenience store optimization that resulted in higher forecourt to backcourt conversion rates.

	Three months ended March 31,			
(\$ millions, unless otherwise noted)	2018	2017	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,586	844	742	88 %
Sales and operating revenue	1,534	682	852	125 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	125	44	81	184 %
Non-fuel adjusted gross profit ⁽²⁾	35	13	22	169 %
Adjusted gross profit ⁽²⁾	160	57	103	181 %
Operating costs ⁽⁸⁾	76	25	51	204 %
Marketing, general and administrative	15	7	8	114 %
Adjusted EBITDA ⁽²⁾	69	25	44	176 %
KPIs:				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	7.88	5.25	2.63	50 %
Operating costs ⁽⁸⁾ (cpl)	4.79	2.94	1.85	63 %
Marketing, general and administrative (cpl)	0.95	0.79	0.16	20 %
Adjusted EBITDA ⁽²⁾ (cpl)	4.35	3.01	1.34	45 %
Volume same-store sales growth ("SSSG") ⁽⁵⁾⁽⁶⁾	0.1%	(1.4)%	1.5p.p.	
Company C-Store same-store sales growth ("SSSG") ⁽⁵⁾	4.1%	1.5 %	2.6p.p.	
TTM net unit operating cost ("NUOC") ⁽⁵⁾ (cpl)	3.01	1.79	1.22	68 %
Company sites:				
TTM volume ⁽⁴⁾⁽⁶⁾ (million litres)	2,657	1,789	868	49 %
TTM weighted average number of active sites ⁽⁴⁾⁽⁷⁾	493	309	184	60 %
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)	3,290	1,925	1,365	71 %
TTM weighted average number of active sites ⁽⁴⁾⁽⁷⁾	1,111	751	360	48 %
TTM average volume per active site ⁽⁴⁾⁽⁶⁾ (million litres)	3.0	2.6	0.4	15 %

⁽¹⁾ Includes gasoline, diesel 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. This includes results of sites acquired under the Ultramar Acquisition for both periods but excludes results of sites acquired under the Chevron Acquisition for both periods, as comparable information is not available.

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

⁽⁷⁾ Calculated on a weighted average basis.

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

Q1 2018 vs. Q1 2017

Fuel volumes increased 88% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, Base Business fuel volumes decreased slightly during the first quarter due to the divestiture of certain sites in connection with the closing of the Acquisitions.

Sales and operating revenue increased 125% for the first quarter of 2018 due to the Acquisitions and 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 184% for the first quarter of 2018 primarily due to the Acquisitions and improved fuel margins in the Base Business. For the first three months of 2018, non-fuel adjusted gross profit increased 169% largely due to the contribution of the Acquisitions and strong Company C-store SSSG in the Base Business from the successful implementation of the new On the Run / Marché Express store concepts, the rollout of our private label offering, and backcourt convenience store optimization that resulted in better forecourt to backcourt 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 204% for the first quarter of 2018 mainly due to the Acquisitions. Excluding the impact of the Acquisitions, operating costs increased slightly due primarily to higher retail fuel commissions and higher variable credit card transaction fees driven by higher street pump prices.

Marketing, general and administrative expenses in Retail include marketing, real estate, finance, operations, credit, network development and infrastructure expenses. Marketing, general and administrative expenses increased 114% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, these expenses remained stable as a result of successful cost control measures, despite the Base Business achieving higher-than-target organic growth rates.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased 50% for the first quarter of 2018 primarily due to the Acquisitions, which have higher margin structures as discussed in the "Ultramar Retail operating model" and "Chevron Retail operating model" sections above. Excluding the impact of the Acquisitions, fuel and petroleum adjusted gross profit on a cpl basis for the Base Business increased 12% mainly due to stronger fuel margins.

Operating costs on a cpl basis increased 63% for the first quarter of 2018 primarily due to the Acquisitions, which have higher operating cost structures as discussed above. Excluding the impact of the Acquisitions, operating costs on a cpl basis increased 5% primarily due to higher retail commission rates that were driven by legislated changes to the labour wage environment that put upward pressure on comparative wages.

Marketing, general and administrative expenses on a cpl basis increased 20% for the first quarter of 2018 primarily due to the Acquisitions, which have higher marketing, general and administrative expense structures as described above. Excluding the impact of the Acquisitions, marketing, general and administrative expenses on a cpl basis increased 13% due to investments made to implement new On the Run / Marché Express store concepts, rollout our private label offering, and merchandise marketing programs to drive long-term future growth in volume and backcourt convenience store sales.

For the purposes of this MD&A, Volume SSSG and Company C-Store SSSG include the results of the Ultramar Acquisition but exclude the results of the Chevron Acquisition, as comparative information is not available.

Volume SSSG saw growth of 0.1% for the first quarter of 2018 compared to -1.4% for the same period in 2017. This improvement was driven by Parkland's strategic marketing initiatives.

Parkland achieved strong Company C-Store SSSG of 4.1% across Canada in the first quarter of 2018 compared to 1.5% in the first quarter of 2017. This was driven by ongoing marketing programs including the new On the Run / Marché Express store concepts, the rollout of our proprietary private label brand "59th Street Food Co.", and backcourt convenience store optimization that resulted in higher forecourt to backcourt conversion rates. Parkland also saw growth in sustainable higher-margin categories such as beverages, snacks and confectionery.

NUOC was 68% higher in the trailing twelve months ended March 31, 2018 as compared to the same period in 2017. This was primarily due to the Acquisitions, which have higher NUOC structures as described above. Excluding the impact of the Acquisitions, NUOC increased 9% in the trailing twelve months ended March 31, 2018. The increase was largely due to higher variable credit card transaction fees from higher pump prices and greater 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 15% for Dealer sites. This change is primarily attributable to the Ultramar Acquisition, which has lower volumes per Company site and higher volumes per Dealer site due to the nature and location of the sites acquired. Excluding the impact of the Acquisitions, average volume per active Company and Dealer site for the Base Business remained relatively consistent year-over-year.

Commercial

Overview

Parkland Commercial (formerly "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 uses a variety of regionally relevant trade names, service marks and trademarks in the businesses that are considered important and valuable in marketing its products. The family of brands in this segment include Chevron, Ultramar, Bluewave Energy, Columbia Fuels, Sparlings Propane, Island Petroleum, Pipeline Commercial, Propane Nord-Ouest and PNE Propane. Parkland Commercial's 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 also sells propane and heating oil to residential customers.

Parkland added 73 commercial cardlock sites and 30 commercial and home heating sites through the Ultramar Acquisition, which closed on June 28, 2017, as well as 37 commercial cardlock locations through the Chevron Acquisition, which closed on October 1, 2017. These acquired businesses have operating models or mixes of operating models that differ from that of the Base Business.

Ultramar Commercial operating model

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

Chevron Commercial operating model

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

Commercial segment performance highlights

Adjusted EBITDA grew 31% for the first quarter of 2018 compared to the same period in 2017 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, the Commercial Base Business saw softer results primarily driven by softer margins as well as warmer-than-expected weather conditions in the Maritimes in March, which experienced 15% less heating degree days and negatively impacted the residential home heating business. The softer results were partially offset by a 16% growth in Base Business propane volume from large customer wins and favourable weather conditions for propane demand in Ontario, as well as improvements in marketing, general and administrative expenses and operating costs on a cpl basis by 6% and 1%, respectively, due to effective cost management in the Base Business.

	Three months ended March 31,			
(\$ millions, unless otherwise noted)	2018	2017	Change	%
Gas and diesel volume (million litres)	788	321	467	145 %
Propane volume (million litres)	156	133	23	17 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	944	454	490	108 %
Sales and operating revenue	815	363	452	125 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	90	60	30	50 %
Non-fuel adjusted gross profit ⁽²⁾	14	13	1	8 %
Adjusted gross profit ⁽²⁾	104	73	31	42 %
Operating costs ⁽⁵⁾	57	38	19	50 %
Marketing, general and administrative	9	6	3	50 %
Adjusted EBITDA ⁽²⁾	38	29	9	31 %
KPIs:				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	9.53	13.16	(3.63)	(28)%
Operating costs ⁽⁵⁾ (cpl)	6.04	8.38	(2.34)	(28)%
Marketing, general and administrative (cpl)	0.95	1.37	(0.42)	(31)%
Adjusted EBITDA ⁽²⁾ (cpl)	4.03	6.28	(2.25)	(36)%
TTM operating ratio ⁽³⁾⁽⁴⁾	73.1%	73.3%	(0.2p.p.)	

⁽¹⁾ Includes gasoline, diesel and propane volumes.

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

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

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

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

Q1 2018 vs. Q1 2017

Fuel volumes increased 108% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, Base Business volumes experienced growth within the 3-5% strategic organic growth target. Volume growth was driven primarily by 16% growth in propane volumes as a result of large customer wins as well as favourable weather conditions for propane demand in Ontario. This was offset by lower furnace oil and propane volumes in March 2018 as a result of warmer-than-expected weather conditions in the Maritimes, which experienced 15% less heating degree days.

Sales and operating revenue increased 125% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, sales and operating revenue increased largely due to growth in fuel and petroleum product volume, driven by propane volume growth in both Western and Eastern Canada.

Adjusted gross profit increased 42% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, Base Business adjusted gross profit saw softened results as compared to the same period in 2017 due to softer margins on a cpl basis.

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 50% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, operating costs increased slightly mainly due to additional labour and other fuel delivery costs related to higher volumes in 2018. This was partially offset by lower third-party delivery expenses as a result of cost control measures.

Marketing, general and administrative expenses in the Commercial business are typically fixed in nature and do not vary significantly with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses increased 50% for the first quarter of 2018 primarily due to the Acquisitions. Excluding the impact of the Acquisitions, these expenses remained consistent year-over-year due to cost control measures.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 28% for the first quarter of 2018 primarily due to the Acquisitions, which have lower margin structures as discussed in the "Ultramar Commercial operating model" and "Chevron Commercial operating model" sections above. Excluding the impact of the Acquisitions, Base Business fuel and petroleum product adjusted gross profit on a cpl basis decreased primarily due to softer margins and product mix.

Operating costs on a cpl basis decreased 28% for the first quarter of 2018 primarily due to the Acquisitions, which have lower operating cost structures as discussed above. Excluding the impact of the Acquisitions, operating costs on a cpl basis improved 1% due to the combination of successful cost control initiatives across the Commercial business and increased volumes from propane growth and organic growth.

Marketing, general and administrative expenses on a cpl basis decreased 31% for the first quarter of 2018. This was primarily due to the Acquisitions, which have lower marketing, general and administrative expense structures as explained above. This metric also improved 6% for the Base Business despite increased fuel volumes due to an emphasis on cost management.

The TTM operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, improved from 73.3% to 73.1% primarily due to the impact of the different operating model of the Acquisitions. Excluding the impact of the Acquisitions, this metric remained relatively consistent year-over-year.

Supply

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

Supply segment performance highlights

Supply achieved a record Adjusted EBITDA in the first quarter of 2018 of \$71 million, representing approximately three times the Adjusted EBITDA of \$23 million in the same quarter of 2017. This exceptional growth was due to the impact of the Chevron Acquisition, continued efforts in executing Parkland's supply strategy, and an incremental one-time benefit of approximately \$30 million of Adjusted EBITDA generated from Supply improvement and optimization initiatives. Excluding the impact of the Chevron Acquisition, Base Business Adjusted EBITDA exceeded Parkland's strategic organic growth targets largely due to improved supply economics, primarily for refined products. The team is committed to driving ongoing improvements to our supply economics and optionality as part of our supply strategy while implementing cost control initiatives to reduce operating costs.

In the first quarter of 2018, Parkland successfully executed the Burnaby Refinery Turnaround, which began in early February and was completed in the first week of April 2018. The duration of the Turnaround extended slightly primarily due to inclement weather in Burnaby during portions of the Turnaround and some out-of-scope discovery work. During the three months ended March 31, 2018, \$76 million of Turnaround costs were incurred, of which \$64 million was capitalized within maintenance capital expenditures and \$12 million was expensed within operating costs. Additional minor Turnaround-related costs are expected to be incurred in the second quarter of 2018. The Parkland Supply team reliably sourced and maintained uninterrupted fuel supply for customers during the Turnaround, and the Burnaby Refinery was fully operational in the first week of April 2018.

	Three months ended March 31,			
(\$ millions, unless otherwise noted)	2018	2017	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,462	1,251	211	17%
Sales and operating revenue	812	586	226	39%
Fuel and petroleum product adjusted gross profit ⁽²⁾	147	44	103	234%
Non-fuel adjusted gross profit ⁽²⁾	6	2	4	200%
Adjusted gross profit ⁽²⁾	153	46	107	233%
Operating costs ⁽³⁾	64	13	51	392%
Marketing, general and administrative	18	10	8	80%
Adjusted EBITDA ⁽²⁾	71	23	48	209%
KPI:				
Refinery utilization	33.2%			

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

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

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

Q1 2018 vs. Q1 2017

Fuel volumes increased 17% for the first quarter of 2018 primarily due to the Chevron Acquisition. Excluding the impact of the Chevron Acquisition, Base Business fuel volumes decreased slightly for the first quarter of 2018 due to softer asphalt volumes and lower LPG volumes, compared to the first quarter of 2017, which experienced higher than normal LPG volumes. These decreases were partially offset by volume increases in gas and diesel.

Sales and operating revenue increased 39% for the first quarter of 2018 mainly due to the Chevron Acquisition as well as higher commodity prices for the Base Business.

Adjusted gross profit increased 233% for the first quarter of 2018 primarily due to the Chevron Acquisition. The strong results were further supported by successful supply-based initiatives to offset the impact of the Burnaby Refinery Turnaround. Excluding the impact of the Chevron Acquisition, Base Business adjusted gross profit increased due to favourable supply economics mainly from refined products.

Operating costs increased 392% for the first quarter of 2018 primarily due to the Chevron Acquisition, including \$12 million incurred for the Burnaby Refinery Turnaround, as discussed above. Excluding the impact of the Chevron Acquisition, Base Business operating costs decreased due to lower leased rail car costs and lower storage costs from the optimization of Parkland's distribution network. Parkland is committed to driving ongoing cost improvements in our storage and distribution capabilities as part of our supply advantage strategy.

Marketing, general and administrative expenses, which relate to employee and market development costs, increased 80% for the first quarter of 2018 largely due to the Chevron Acquisition. Excluding the impact of the Chevron Acquisition, Base Business marketing, general and administrative expenses increased slightly due to higher employee costs to support business growth.

Refinery utilization is a key performance indicator that measures the throughput of the Burnaby Refinery, and is expressed as a percentage of the 55,000 bpd total nameplate capacity of the units at the Burnaby Refinery. Refinery utilization for the first quarter of 2018 was 33.2% as expected due to the impact of the Refinery shut down for the Turnaround, which began in early February and was completed in the first week of April 2018. Since the completion of the Turnaround, full production has resumed with refinery utilization performance on plan.

Parkland USA

Overview

Parkland USA is an independent fuel marketer headquartered in Minot, North Dakota. Parkland USA supplies and distributes refined petroleum products throughout North Dakota, Montana, Minnesota, South Dakota and Wyoming. Parkland USA is a platform for growth in the Northwest United States and provides Parkland export opportunities for products from Western Canada. Additionally, this segment enhances supply capabilities by leveraging Parkland's rail assets. Brands in this segment include Farstad Oil and Superpumper. Refer to the Annual MD&A for a detailed overview of Parkland USA's brands and operations.

Parkland USA segment performance highlights

Adjusted EBITDA increased 33% for the first three months of 2018 primarily due to increased market share of Bakken resellers through new customer wins and organic growth from existing customers experiencing demand growth in their business. Volume increased 6%, led by gas and diesel and lubricant volume increases, which helped drive an 18% increase in sales and operating revenue for the first quarter of 2018. Despite the increase in volume and business, operating costs remained stable for the first quarter of 2018 and the TTM operating ratio improved from 77.6% to 74.2%. This reflects our commitment to successfully implement cost control measures while driving business growth.

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2018	2017	Change	%
Retail volume (million litres)	32	31	1	3 %
Wholesale volume (million litres)	187	176	11	6 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	219	207	12	6 %
Sales and operating revenue	181	154	27	18 %
Fuel and petroleum product adjusted gross profit ⁽²⁾	8	7	1	14 %
Non-fuel adjusted gross profit ⁽²⁾	8	8	—	— %
Adjusted gross profit ⁽²⁾	16	15	1	7 %
Operating costs ⁽⁵⁾	10	10	—	— %
Marketing, general and administrative	2	2	—	— %
Adjusted EBITDA ⁽²⁾	4	3	1	33 %
KPIs:				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	3.65	3.58	0.07	2 %
Operating costs ⁽⁵⁾ (cpl)	4.57	5.03	(0.46)	(9)%
Marketing, general and administrative (cpl)	0.91	0.87	0.04	5 %
Adjusted EBITDA ⁽²⁾ (cpl)	1.83	1.45	0.38	26 %
TTM operating ratio ⁽³⁾⁽⁴⁾	74.2%	77.6%	(3.4p.p.)	

⁽¹⁾ Includes gasoline, diesel and propane volumes.

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

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

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

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

Q1 2018 vs. Q1 2017

Fuel volumes increased 6% for the first quarter of 2018. The increase was primarily due to new customer wins, greater demand from existing customer accounts as a result of economic growth, and organic growth from existing customers experiencing demand growth in their business.

Sales and operating revenue increased 18% for the first quarter of 2018 as a result of increased fuel volumes and rising fuel and petroleum commodity prices.

Adjusted gross profit increased 7% for the first quarter of 2018 mainly due to increased sales of winter-grade diesel and growth in the lubricants business.

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 remained stable for the first quarter of 2018 due to effective 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 for the first quarter of 2018 were consistent with the comparative period despite increased business due to a continued focus on cost control while driving new business.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 2% for the first quarter of 2018 primarily due to a shift in product mix and focus on increasing market share and adjusted gross profit.

Operating costs on a cpl basis decreased 9% for the first quarter of 2018 due to continued cost control measures despite increased volumes.

Marketing, general and administrative expenses on a cpl basis increased 5% for the first quarter of 2018 primarily due to the introduction of the new President, Parkland USA in the fourth quarter of 2017 to drive growth in the US.

The TTM operating ratio improved from 77.6% to 74.2% due to successful cost control initiatives despite increased volumes.

Corporate

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

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2018	2017	Change	%
Marketing, general and administrative	26	10	16	160%
Adjusted EBITDA ⁽¹⁾	(29)	(10)	(19)	190%
Acquisition, integration and other costs	17	8	9	113%
KPI:				
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	6.0%	5.4%	0.6p.p.	

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

Q1 2018 vs. Q1 2017

Marketing, general and administrative expenses increased 160% and corporate Adjusted EBITDA expense increased 190% for the first quarter of 2018 compared to the equivalent period in 2017 primarily due to the merging of the corporate functions of the Acquisitions with that of the Base Business. Furthermore, Adjusted EBITDA expense increased due to a \$3 million realized foreign exchange loss recognized on foreign currency transactions.

On a consolidated basis, corporate marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit increased from 5.4% to 6.0% in the first quarter of 2018 due to the merging of the corporate functions of the Acquisitions with that of the Base Business and the Burnaby Refinery Turnaround lowering Parkland's adjusted gross profit for the quarter, as anticipated. This metric is expected to improve in the second quarter of 2018 when the Burnaby Refinery resumes full production due to economies of scale.

Acquisition, integration and other costs increased from \$8 million to \$17 million for the first quarter of 2018, primarily as a result of integration activities incurred for the Acquisitions, partially offset by decreased acquisition costs.

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 in which 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. Furthermore, Parkland employees have the right to refuse any work they consider to be unsafe.

Lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF") are industry measures of health and safety that provide the number of lost-time incidents and total recordable incidents, respectively, that occurred within a given period relative to a standardized number of hours worked. These measures are calculated by multiplying the number of incidents by 200,000, divided by the total number of employee hours worked. A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift. The LTIF metric represents the number of people for every 100 employees injured to an extent that they cannot perform any work for a minimum of one day, post-injury.

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

	March 31, 2018	March 31, 2017
TTM LTIF	0.30	0.17
TTM TRIF	2.21	2.47

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted) For the three months ended	2018 Mar 31	2017				2016		
		Dec 31	Sep 30	June 30	Mar 31	Dec 31	Sep 30	June 30
Financial Summary								
Sales and operating revenue	3,342	3,369	2,600	1,806	1,785	1,740	1,638	1,570
Adjusted gross profit ⁽¹⁾	430	469	266	168	191	197	171	167
Adjusted EBITDA ⁽¹⁾								
Retail	69	94	74	38	25	33	41	36
Commercial	38	28	8	5	29	16	4	7
Supply	71	93	25	18	23	34	24	23
Parkland USA	4	4	4	5	3	4	4	3
Corporate	(29)	(21)	(15)	(12)	(10)	(10)	(13)	(13)
Consolidated	153	198	96	54	70	77	60	56
Net earnings (loss)	20	49	12	(1)	22	3	15	5
Per share – basic	0.15	0.37	0.10	(0.01)	0.23	0.03	0.15	0.05
Per share – diluted	0.15	0.37	0.10	(0.01)	0.22	0.03	0.15	0.05
Distributable cash flow ⁽²⁾	29	45	45	23	38	29	28	28
Per share ⁽²⁾⁽³⁾	0.22	0.33	0.35	0.20	0.40	0.30	0.29	0.30
Adjusted distributable cash flow ⁽²⁾	110	86	64	39	46	43	33	37
Per share ⁽²⁾⁽³⁾	0.84	0.64	0.50	0.35	0.48	0.45	0.35	0.39
Dividends	38	39	38	33	28	28	28	27
Dividends declared per share outstanding	0.2902	0.2886	0.2886	0.2886	0.2852	0.2835	0.2835	0.2835
Dividend payout ratio ⁽²⁾	131%	89%	83%	146%	72%	94%	99%	96%
Adjusted dividend payout ratio ⁽²⁾	35%	46%	59%	84%	60%	64%	83%	74%
Total assets	5,492	5,412	4,830	4,281	2,469	2,562	2,424	1,834
Shares outstanding (million shares)	132	131	131	130	97	96	96	95
Weighted average number of common shares (million shares)	131	131	131	111	96	96	96	95
Operating Summary								
Fuel and petroleum product volume (million litres)	4,211	4,432	3,557	2,588	2,756	2,783	2,659	2,536
Fuel and petroleum product adjusted gross profit ⁽¹⁾								
Retail (cpl)	7.88	8.95	7.10	5.78	5.25	5.39	5.69	5.64
Commercial (cpl)	9.53	8.29	6.71	9.36	13.16	11.47	8.64	10.47
Parkland USA (cpl)	3.65	3.48	2.97	3.31	3.58	3.62	3.26	3.17
Operating costs ⁽⁴⁾ (cpl)	4.92	4.50	3.40	3.00	3.11	2.93	2.79	2.93
Marketing, general and administrative (cpl)	1.66	1.62	1.37	1.41	1.28	1.39	1.38	1.42

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

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

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

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

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

- Sales and operating revenue increased significantly over the last three quarters due to the Ultramar Acquisition on June 28, 2017 and the Chevron Acquisition on October 1, 2017. Higher fuel and petroleum product volumes and commodity prices over time also contributed to the increase. Sales and operating revenue is generally sensitive to fluctuations in commodity prices and energy markets.
- Net earnings in the first quarter of 2018 decreased when compared to the same period in 2017 due to higher depreciation and amortization, financing costs, and acquisition, integration and other costs, partially offset by higher Adjusted EBITDA from the Acquisitions as well as organic growth and successful cost control measures.
- Total assets increased significantly in the last five quarters due to the debt and equity financing raised for the Ultramar Acquisition and Chevron Acquisition that closed on June 28, 2017 and October 1, 2017, respectively.

- Over the last three quarters, there were significant changes to the fuel and petroleum adjusted gross profit for Retail and Commercial as well as operating costs and marketing, general and administrative expenses on a cpl basis, primarily due to the Acquisitions, which have different operating models and operating model mixes than that of the Base Business, as further described in Section 4.
- Generally, operating costs on a cpl basis are driven by the Commercial segment and fluctuate based on seasonality, with higher costs in the first and fourth quarters of the year due to higher demand for heating oil and propane in winter. While consolidated operating costs on a cpl basis increased to 4.50 cpl in the fourth quarter of 2017 and 4.92 cpl in the first quarter of 2018, Base Business operating costs were 3.07 cpl and 3.13 cpl for those same periods, respectively, after removing the impact of Acquisitions.
- Supply Adjusted EBITDA was lower in the first quarter of 2018 as compared to the fourth quarter of 2017 due to the shut down of the Burnaby Refinery during the Turnaround. This was partially offset by an incremental one-time benefit of approximately \$30 million of Adjusted EBITDA in the first quarter of 2018 through a variety of supply improvement and optimization initiatives.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, unless otherwise noted)	Three months ended March 31,	
	2018	2017
Adjusted EBITDA ⁽¹⁾	153	70
Amounts to reconcile Adjusted EBITDA to net earnings ⁽²⁾	(133)	(48)
Net earnings	20	22
Amounts to reconcile net earnings to cash generated from operating activities ⁽³⁾	73	18
Cash generated from operating activities	93	40
Reverse: Change in other liabilities	6	(2)
Exclude: Change in other liabilities - Intermediation Facility Derivatives	(2)	—
Reverse: Net change in non-cash working capital	7	6
	104	44
Include: Maintenance capital expenditures	(76)	(7)
Include: Proceeds on asset sales and disposals	1	1
Distributable cash flow ⁽⁵⁾	29	38
Reverse: Acquisition, integration and other costs	17	8
Reverse: Turnaround maintenance capital expenditures	64	—
Adjusted distributable cash flow ⁽⁵⁾	110	46
Weighted average number of common shares	131	96
Distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.22	0.40
Reverse: Acquisition, integration and other costs	0.13	0.08
Reverse: Turnaround maintenance capital expenditures	0.49	—
Adjusted distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.84	0.48
Dividends	38	28
Dividend payout ratio ⁽⁵⁾	131 %	72 %
Reverse: Acquisition, integration and other costs	(48)%	(12)%
Reverse: Turnaround maintenance capital expenditures	(48)%	— %
Adjusted dividend payout ratio ⁽⁵⁾	35 %	60 %
Dividends paid to shareholders, net of dividend reinvestment plan	26	20

⁽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.

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

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

Dividends

Cash dividends paid to shareholders increased primarily due to the increase in common shares outstanding from 97 million shares as at March 31, 2017 to 132 million shares as at March 31, 2018 as well as the \$0.02 increase in annual dividend to \$1.174 per share, effective March 22, 2018.

The dividend reinvestment plan participation rate as at the dividend record date of March 22, 2018 was 27.9% (March 22, 2017 - 27.1%).

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

Q1 2018 vs. Q1 2017

The dividend payout ratio increased 59 percentage points to 131% for the first quarter of 2018 due to lower cash flow available for distribution in proportion to higher dividends declared. Distributable cash flow decreased \$9 million for the first quarter of 2018 despite a \$83 million increase in Adjusted EBITDA. This was mainly due to higher maintenance capital expenditures primarily related to the Burnaby Refinery Turnaround as well as greater acquisition, integration and other costs to integrate the Acquisitions.

Excluding the impact of acquisition, integration and other costs and Turnaround maintenance capital expenditures, adjusted distributable cash flow increased \$64 million compared to the same period in 2017 and the adjusted dividend payout ratio improved by 25 percentage points to 35% for the first quarter of 2018. This was primarily due to the increase in Adjusted EBITDA driven by the Acquisitions and organic growth in the Base Business.

7. LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended March 31,		
	2018	2017	2016
Cash generated from operating activities	93	40	28
Cash used in investing activities	(46)	(15)	(12)
Net cash generated before financing activities	47	25	16
Cash used in financing activities	(38)	(33)	(15)
Increase (decrease) in net cash	9	(8)	1
Net cash, beginning of period	23	26	22
Net cash, end of period	32	18	23

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, the acquisition of businesses, or debt repayment as appropriate. Parkland anticipates meeting payment obligations as they come due.

Q1 2018 vs. Q1 2017

Cash generated from operating activities was \$53 million higher for the first quarter of 2018 compared to the same period in 2017 primarily due to the \$83 million increase in Adjusted EBITDA from the Acquisitions and organic growth in the Base Business, which increased Parkland's sustainable operating cash flows. This was partially offset by \$16 million greater interest on long-term debt due to financing for the Acquisitions and \$9 million higher acquisition, integration and other costs relating to the integration activities for the Acquisitions, which used more cash generated from operating activities.

Investing activities

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

Q1 2018 vs. Q1 2017

During the first quarter of 2018, investing activities used \$31 million more cash primarily due to \$57 million greater capital expenditures mainly attributable to the Turnaround, partially offset by \$26 million received from the settlement of the purchase price for the Chevron Acquisition.

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.

Q1 2018 vs. Q1 2017

Parkland used \$38 million of cash in financing activities during the first quarter of 2018 compared to \$33 million for the same period in 2017. The cash used during the first quarter of 2018 was primarily attributable to a \$29 million increase in other liabilities related to the Intermediation Facility, which was partially offset by net debt proceeds of \$17 million. Net proceeds from long-term debt of \$715 million were largely attributable to the issuance of the US\$500 million 6.00% US Senior Notes. The proceeds were used to make long-term debt repayments of \$698 million, primarily towards the Credit Facility.

In addition, cash dividends increased \$6 million due to increases in outstanding common shares and dividends paid per share. During the first quarter of 2018, Parkland paid a monthly dividend ranging from \$0.0962 per share to \$0.0978 per share (2017 – \$0.0945 per share to \$0.0962 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were \$26 million (2017 – \$20 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 \$4.262 million as at December 31, 2017 to \$4,530 million as at March 31, 2018. This increase is primarily attributable to an increase in long-term debt commitments related to the issuance of the 6.00% US Senior Notes. See Note 6 in the Interim Condensed Consolidated Financial Statements for details.

In addition, Parkland entered into various purchase agreements that require minimum amounts or quantities of fuel and petroleum products, which vary based on volumes and other factors, to be purchased over certain time periods. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future.

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at March 31, 2018 are cash and cash equivalents and available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flows 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 flows 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 flows from operations, the Credit Facility, and issuance of new debt or new 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 for 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, repay existing debt, adjust the Credit Facility, enter into an Intermediation Facility, or enter into other credit arrangements.

On October 6, 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery. On January 31, 2018, the Intermediation Facility was amended to extend the expiry to December 31, 2019. The Intermediation Facility involves structured purchases and sales of crude oil, refined products and other hydrocarbons (collectively, "Hydrocarbons"). The amended Intermediation Facility has a funding limit of: (i) up to US\$125 million of accounts receivable balance and (ii) the cost of Hydrocarbon inventory volumes up to 2,740 Mbbls. The Intermediation Facility is secured by Hydrocarbons and accounts receivable balances funded under the Intermediation Facility on a first-lien basis.

On March 29, 2018, Parkland amended its revolving extendible credit facility (the "Credit Facility") to reduce the Canadian Syndicated Facility from \$1,000 to \$500. The Credit Facility is extendible each year for a rolling four-year period at Parkland's option, subject to approval by its lenders. The Credit Facility consists of: (i) \$500 for the Canadian Syndicated Facility and US\$50 for the US Syndicated Facility, less the value of letters of credit issued and (ii) letters of credit to a maximum of \$200 and US\$25.

(\$ millions)	March 31, 2018	December 31, 2017
Cash and cash equivalents	32	23
Unused credit facilities	330	202
	362	225

As at March 31, 2018, Parkland had a negative working capital balance of \$108 million (December 31, 2017 – negative working capital balance of \$107 million), which is an expected result of the Intermediation Facility liability of \$272 million recorded in other liabilities (December 31, 2017 – \$301 million). Parkland anticipates meeting its obligations as they become due through cash and cash equivalents, cash flows from operations, unused credit facilities or new facilities to the extent available. Parkland's current capital structure provides the flexibility to carry out plans for future growth, including business acquisitions and contingencies. Parkland will continue to evaluate opportunities to enhance its capital structure or reduce its debt or negative working capital through cash flows from operations or future financing activities.

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 March 31,	
	2018	2017
Growth Capital Expenditures		
Retail	7	1
Commercial	3	3
Supply	–	5
Parkland USA	–	–
Corporate	–	–
Growth Capital Expenditures	10	9
Maintenance Capital Expenditures		
Retail	2	1
Commercial	3	3
Supply	71	–
Parkland USA	–	1
Corporate	–	2
Maintenance Capital Expenditures	76	7
Additions to property, plant and equipment and intangible assets	86	16

During the first quarter of 2018, Parkland's combined growth and maintenance capital expenditures increased \$70 million compared to the same period in 2017. The increase in capital expenditures is primarily driven by higher maintenance capital expenditures in the Supply segment attributable to Turnaround costs and other ongoing maintenance projects at the Burnaby Refinery. Maintenance capital expenditures related to the Turnaround were \$64 million for the three months ended March 31, 2018. Other major capital expenditure activities in 2018 include purchasing fleet and equipment to support new and existing customer contracts as well as performing station rebrands and refreshes in Retail.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at March 31, 2018 were \$74 million (December 31, 2017 – \$58 million). These contractual commitments relate primarily to ongoing maintenance projects at the Burnaby Refinery as well as 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 flows 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 to supply 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 flows from operating activities.

Financial covenants and metrics

As at March 31, 2018, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			March 31, 2018	December 31, 2017
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	0.28	1.09
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	2.74	2.62
3. Interest coverage ratio	> 3.00	> 3.00	6.00	7.65

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

9. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Note 2 of the Annual Consolidated Financial Statements and Notes 2 and 3 of the Interim Condensed Consolidated Financial Statements for the description of policies or references to notes where such policies are contained.

Recently adopted accounting pronouncements

IFRS 9 - Financial Instruments

On January 1, 2018, Parkland adopted IFRS 9 - Financial Instruments ("IFRS 9") using the modified retrospective approach. The cumulative effect of initially adopting IFRS 9 did not result in a material impact on prior period financial information. Comparative information is not restated and continues to be reported under the previous financial instrument standards in effect during those periods. See Note 3 of the Interim Condensed Consolidated Financial Statements for further information.

IFRS 15 - Revenue from Contracts with Customers

On January 1, 2018, Parkland adopted IFRS 15 - Revenue from Contracts with Customers ("IFRS 15") using the modified retrospective method on contracts that were not completed as of January 1, 2017. The cumulative effect of initially adopting IFRS 15 did not result in a material impact on prior period financial information. Comparative information is not restated and continues to be reported under the previous revenue standards in effect during those periods. See Note 3 of the Interim Condensed Consolidated Financial Statements for further information.

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 were no material changes to the significant accounting estimates, assumptions and judgments.

10. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of strategic objectives and the nature of our operations, which are outlined in the "Risk Factors" section on the Annual MD&A and Annual Information Form. These risk factors have not changed materially since the dates of their publication.

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

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

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, cross-currency swap, and US dollar forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices, US dollar exchange rates and emission credits and allowances. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under IFRS. 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 7 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 fair value hierarchy for Parkland's financial assets and liabilities measured at fair value is as follows:

	Fair value as at March 31, 2018			Total
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Other derivatives				
Emission credits and allowances	–	14	–	14
Risk management and other derivatives - assets	–	14	–	14
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	(12)	–	(12)
US dollar forward contracts	–	(1)	–	(1)
Risk management and other derivatives - liabilities	–	(13)	–	(13)
Other derivatives included in other long-term assets				
Redemption Options	–	25	–	25
Other derivatives included in other liabilities				
Intermediation Facility Derivatives	–	(7)	–	(7)

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 \$25 million as at March 31, 2018 (December 31, 2017 – \$20 million). The change in fair value of the Redemption Options for the three months ended March 31, 2018 was a loss of \$4 million (2017 - nil).

Gains or losses relating to the Intermediation Facility Derivatives are recognized in the consolidated statements of income in cost of purchases. For the three months ended March 31, 2018, a realized loss of \$7 and an unrealized gain of \$2 relating to the Intermediation Facility Derivatives were included within cost of purchases on the consolidated statements of income (2017 - nil and nil).

All other risk management and other derivatives are fair valued at the end of the reporting period and any change in fair value is recognized in the consolidated statements of income in loss (gain) on risk management and other derivatives. The fair values of the risk management and other derivatives not accounted for as a hedging arrangement as at March 31, 2018 were \$14 million and \$13 million respectively (December 31, 2017 – \$19 million and \$9 million). Risk management and other derivatives for the three months ended March 31, 2018 yielded a combined realized and unrealized loss of \$10 million (2017 - gain of \$4 million) and was driven by commodities swaps and forward contracts as well as US dollar forward 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 March 31, 2018.

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 March 31, 2018, as Parkland closed the Chevron and Ultramar Acquisitions on October 1, 2017 and June 28, 2017, respectively. This scope limitation is primarily due to the time required for Parkland's management to assess DC&P and ICFR in a manner consistent with Parkland's other operations.

The following is a summary of certain financial information related to the Acquisitions for the three months ended March 31, 2018:

	Ultramar	Chevron
(\$ millions)	Three months ended March 31, 2018	
Revenue	815	585
Net income	–	17
	As at March 31, 2018	
Current assets	267	406
Non-current assets	1,072	1,847
Current liabilities	(244)	(562)
Non-current liabilities	(74)	(255)

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the three months ended March 31, 2018 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

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

Guarantees

As at March 31, 2018, Parkland provided \$755 million (December 31, 2017 – \$730 million) of unsecured guarantees to counterparties of commodities swaps used in purchases and supply agreements of crude, fuel and other petroleum products.

Letters of credit and surety bonds

Parkland provides guarantees in the form of letters of credit and surety bonds in the ordinary course of business. As at March 31, 2018, these guarantees amount to \$223 million (December 31, 2017 - \$175 million) and have not been recognized in the consolidated financial statements. Maturity dates of these guarantees vary and are up to and including May 31, 2019.

Shares outstanding

As at May 2, 2018, Parkland had approximately 132 million shares, 3 million share options and 1 million restricted share units outstanding. The share options consist of approximately 2 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 resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 24 of the Annual Consolidated Financial Statements and Note 14 – Segment Information of the Interim Condensed Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure for the underlying core operating performance of business segments or base business activities at an operational level. Adjusted EBITDA is used by management to set targets for Parkland (including annual guidance and variable compensation targets) and is used to determine Parkland's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. Adjusted EBITDA excludes costs that are not considered representative of Parkland's underlying core operating performance, including, among other items: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, and (iv) changes in the fair value of the outstanding deferred share units liability. Adjusted EBITDA is calculated and reconciled from net earnings as follows:

	Three months ended March 31,	
(\$ millions)	2018	2017
Net earnings	20	22
Depreciation and amortization	69	26
Finance costs	41	14
Acquisition, integration and other costs	17	8
Loss (gain) on risk management and other derivatives – unrealized	5	(9)
Gain on Intermediation Facility Derivatives in cost of purchases – unrealized	(2)	–
(Gain) loss on foreign exchange – unrealized	(6)	1
Income tax expense	9	8
Adjusted EBITDA	153	70

Adjusted gross profit

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

	Three months ended March 31,	
(\$ millions)	2018	2017
Sales and operating revenue	3,342	1,785
Cost of purchases	(2,901)	(1,590)
Loss on risk management and other derivatives – realized	(5)	(5)
Gain on Intermediation Facility Derivatives in cost of purchases – unrealized	(2)	–
(Loss) gain on foreign exchange – realized	(4)	1
Adjusted gross profit	430	191
Fuel and petroleum product adjusted gross profit	367	155
Non-fuel adjusted gross profit	63	36
Adjusted gross profit	430	191

Non-GAAP financial measures

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

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

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

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

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

Maintenance capital expenditures and growth capital expenditures

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

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

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

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

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

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	June 30, 2017	Three months ended September 30, 2017	December 31, 2017	March 31, 2018	Trailing twelve months ended March 31, 2018
Adjusted EBITDA	54	96	198	153	501
Share incentive compensation	1	1	6	–	8
	55	97	204	153	509
Acquisition pro-forma adjustment ⁽¹⁾					240
Acquisition, integration and other costs adjustment ⁽²⁾					(5)
Credit Facility EBITDA					744

⁽¹⁾ Amounts for the trailing twelve months ended March 31, 2018 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on April 1, 2017 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$5 million pursuant to the terms of the Credit Facility dated March 29, 2018. This amount is used for debt covenant calculation purposes only.

(\$ millions)	March 31, 2017	Three months ended June 30, 2017	September 30, 2017	December 31, 2017	Trailing twelve months ended December 31, 2017
Adjusted EBITDA	70	54	96	198	418
Share incentive compensation	2	1	1	6	10
	72	55	97	204	428
Acquisition pro-forma adjustment ⁽¹⁾					350
Acquisition, integration and other costs adjustment ⁽²⁾					(5)
Credit Facility EBITDA					773

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

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$5 million pursuant to the terms of the Credit Facility dated September 28, 2017. This amount is used for debt covenant calculation purposes only.

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

(\$ millions)	March 31, 2018	December 31, 2017
Senior Funded Debt:		
Long-term debt – current portion	4	4
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	199	822
Letters of credit and surety bonds ⁽¹⁾	34	37
Less: Cash and cash equivalents	(32)	(23)
Senior Funded Debt	205	840
Senior Unsecured Notes	1,834	1,188
Total Funded Debt	2,039	2,028
Credit Facility EBITDA	744	773
Senior Funded Debt to Credit Facility EBITDA ratio	0.28	1.09
Total Funded Debt to Credit Facility EBITDA ratio	2.74	2.62

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

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	March 31, 2018	December 31, 2017
Credit Facility EBITDA	744	773
Interest ⁽¹⁾	124	102
Interest coverage ratio	6.00	7.65

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

NUOC

Retail

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2018
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	
Operating costs ⁽¹⁾	25	66	81	76	248
Marketing, general and administrative	7	12	15	15	49
Less: Non-fuel adjusted gross profit	(14)	(33)	(36)	(35)	(118)
	18	45	60	56	179
Fuel and petroleum product volume ⁽²⁾ (million litres)	967	1,667	1,731	1,586	5,951
NUOC ⁽¹⁾	1.91	2.68	3.49	3.53	3.01

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

⁽²⁾ Includes gasoline, diesel and propane volumes.

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2017
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	
Operating costs ⁽¹⁾	25	25	25	25	100
Marketing, general and administrative	6	6	6	7	25
Less: Non-fuel adjusted gross profit	(14)	(14)	(15)	(13)	(56)
	17	17	16	19	69
Fuel and petroleum product volume ⁽²⁾ (million litres)	936	1,002	936	844	3,718
NUOC ⁽¹⁾	1.78	1.61	1.82	2.24	1.79

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

⁽²⁾ Includes gasoline, diesel and propane volumes.

TTM operating ratio

Commercial

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2018
	June 30, 2017	September 30, 2017	December 31, 2017	March 31, 2018	
Operating costs ⁽¹⁾	33	37	50	57	177
Marketing, general and administrative	6	11	12	9	38
	39	48	62	66	215
Adjusted gross profit	44	56	90	104	294
TTM operating ratio					73.1%

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

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2017
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	
Operating costs ⁽¹⁾	29	28	33	38	128
Marketing, general and administrative	6	6	6	6	24
	35	34	39	44	152
Adjusted gross profit	41	38	55	73	207
TTM operating ratio ⁽¹⁾					73.3%

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

Parkland USA

(\$ millions)	June 30, 2017	Three months ended			Trailing twelve months ended March 31, 2018
		September 30, 2017	December 31, 2017	March 31, 2018	
Operating costs ⁽¹⁾	11	10	10	10	41
Marketing, general and administrative	2	1	3	2	8
Adjusted gross profit	13	11	13	12	49
TTM operating ratio	18	15	17	16	66
					74.2%

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

(\$ millions)	June 30, 2016	Three months ended			Trailing twelve months ended March 31, 2017
		September 30, 2016	December 31, 2016	March 31, 2017	
Operating costs ⁽¹⁾	10	10	10	10	40
Marketing, general and administrative	2	2	2	2	8
Adjusted gross profit	12	12	12	12	48
TTM operating ratio ⁽¹⁾	15	16	16	15	62
					77.6%

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

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

(\$ millions)	Three months ended March 31,	
	2018	2017
Corporate marketing, general and administrative expenses	26	10
Parkland's adjusted gross profit	430	191
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	6.0%	5.4%

Key Performance Indicators ("KPIs")

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

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

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

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

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

For purposes of calculating Company C-Store SSSG for the three months ended March 31, 2018 and 2017, results of sites acquired under the Ultramar Acquisition are included for both periods. However, results of sites acquired under the Chevron Acquisition are excluded for both periods, as comparable information is not available.

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 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 network, which ultimately impacts its financial performance.

Results of sites acquired under the Ultramar Acquisition are included in the calculations of Volume SSSG for the three months ended March 31, 2018 and 2017. However, results of sites acquired under the Chevron Acquisition are excluded for both periods, as comparable information is not available.

Measures calculated on a cents-per-litre basis

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

Refinery utilization

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

Annual Synergies

Annual Synergies is a forward-looking estimate of improvements on Adjusted EBITDA driven by increases in adjusted gross profit and reductions in operating costs and marketing, general and administrative expenses that are expected to be realized from integrating the Acquisitions and other related initiatives. This estimate is stated as a comparison of the pre-acquisition performance of the Acquisitions to expected post-acquisition performance of the Acquisitions, presented as an annualized measure. This forward-looking estimate is based on the comparative analysis of organizational structures, level of spending, and contract structures, as well as expectations of synergies and cost reductions from the implementation of integration initiatives, increased purchasing power, and contract re-negotiations, among other items. Changes to these assumptions and timing of implementation of initiatives can significantly impact Annual Synergies. See Section 14 - Forward Looking Information.

13. OUTLOOK

For the remainder of 2018, Parkland will remain focused on integrating the Acquisitions and driving synergies to create shareholder value. In April 2018, Parkland completed the conversion of Ultramar's enterprise resource planning ("ERP") system to Parkland's ERP system and exited the Ultramar Acquisition TSA. Parkland is currently in the process of converting Chevron's ERP system to Parkland's ERP system, with the final elements of the conversion and the related TSA exit expected to be complete in late 2018. As at March 31, 2018, Parkland has completed initiatives that are expected to result in Annual Synergies on the Acquisitions of approximately \$44 million for fiscal year 2018. Parkland expects that the Annual Synergies on the Acquisitions will reach approximately \$80 million by the end of 2020.

Parkland will continue to build and expand the On The Run / Marché Express convenience store offering, which will provide a strong platform for Parkland Retail growth across Canada. The remainder of 2018 includes plans to continue the implementation of our newly refreshed On the Run / Marché Express store designs and expand the offerings of our private label brand, "59th Street Food Co."

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

Revised 2018 Guidance Range

As a result of the performance experienced in the first quarter of 2018, we have revised our 2018 Adjusted EBITDA guidance to approximately \$650 million with an anticipated variance of up to 5% (the "2018 Guidance Range"), an increase from the previous guidance of \$600 million with an anticipated variance of up to 5%. The 2018 Guidance Range is based on certain assumptions, including, among other assumptions, estimates of future performance of the businesses acquired in the Acquisitions, with such estimates being based on prior performance.

The 2018 Guidance Range includes growth scenarios that build off the 2017 Adjusted EBITDA of \$418 million and the assumption that the performance of the businesses purchased through the Acquisitions, general market conditions, including but not limited to fuel margins, refining margins and weather, will remain substantially consistent in 2018. Additionally, the negative 5% variance accounts for potential adverse market conditions in western Canada and the northern U.S. as well as lower crack spreads, while the positive 5% variance accounts for contributions from synergies relating to prior acquisitions (including the Acquisitions), higher crack spreads and Parkland achieving its previously disclosed average annual organic growth goal of 3-5%.

Other than as disclosed above, the factors and assumptions which contribute to Parkland's assessment of the 2018 Guidance Range are consistent with existing Parkland disclosure and such guidance range is subject to risks and uncertainties inherent in Parkland's business. Readers are directed to the "Risk Factors" section on the Annual MD&A and the Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on May 2, 2018 on SEDAR at www.sedar.com for more information.

14. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

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

- commitment to delivering competitive and sustainable returns to shareholders by being the partner of choice for our customers and suppliers, and how we plan to accomplish this mission;
- commitment to drive organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries in the geographic markets we operate;
- goal to deliver a supply advantage by leveraging market inefficiencies and being a partner of choice for refiners;
- expectations regarding the accretive effects of acquisitions and the anticipated benefits and synergies of such acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store franchise system and related trademarks in Canada, providing a strong retail platform for Parkland to expand and support the Parkland Retail offering across Canada, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brand, "59th Street Food Co.";
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- strategy to optimize the value of other products that are not sold through its "owned" marketing channels;
- platform for growth in the United States and Canada;
- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Commercial and Retail 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;
- expectations regarding Annual Synergies and 2018 Guidance Range;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Acquisitions.

The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions. As such, readers are urged to consider the factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions including, without limitation:

- the regulatory framework that governs the operation of Parkland's business;
- Parkland's ability to successfully integrate the Acquisitions into Parkland's operations;
- Parkland's ability to realize synergies and cost reductions from the implementation of integration initiatives, increased purchasing power, and contract re-negotiations, among other items;
- commodity prices for gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products;
- crack spreads per barrel and US dollar foreign exchange rates;
- financial market conditions, including interest rates and exchange rates;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

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

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

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

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

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