Six months ended June 30, 2017

Report to shareholders

Management's Discussion and Analysis Q2 2017

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated August 2, 2017 should be read in conjunction with our June 30, 2017 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2016 (the "Annual Consolidated Financial Statements") and our 2016 annual MD&A (the "Annual MD&A"). Information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Unless otherwise noted, all financial information is prepared in accordance with International Accounting Standard ("IAS") 34 Interim Financial Reporting within the framework of International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 of the Annual Consolidated Financial Statements and Note 2 of the Interim Condensed Consolidated Financial Statements. All information is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland, including quarterly and annual reports and the annual information form for the fiscal year ended December 31, 2016 dated March 31, 2017 ("Annual Information Form") is available online under Parkland's profile at www.sedar.com and Parkland's website, www.parkland.ca.

Non-GAAP financial measures and key performance indicators

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

Adjusted EBITDA and adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 14 of the Interim Condensed Consolidated Financial Statements and Note 24 of the Annual Consolidated Financial Statements. Refer to Section 12 of this MD&A for more information on these measures of segment profit.

Risks and forward-looking information

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

1. FINANCIAL AND OPERATING SUMMARY

($ millions, unless otherwise noted)	Three months ended June 30,			Six months ended June 30,		
	2017	2016	2015	**2017**	2016	2015
Financial Summary						
Sales and operating revenue	**1,806.2**	1,569.8	1,389.9	**3,590.7**	2,887.9	2,781.5
Adjusted gross profit[(1)]	**167.6**	166.6	123.0	**358.6**	339.4	278.2
Adjusted EBITDA[(1)]	**53.6**	56.4	34.1	**123.6**	116.1	91.2
Net earnings (loss)	**(1.4)**	4.6	(10.5)	**20.6**	29.5	9.3
Per share – basic	**(0.01)**	0.05	(0.13)	**0.20**	0.31	0.11
Per share – diluted	**(0.01)**	0.05	(0.13)	**0.20**	0.31	0.11
Distributable cash flow[(2)]	**22.2**	28.3	9.1	**61.0**	63.2	45.4
Per share[(2)(3)]	**0.20**	0.30	0.11	**0.59**	0.67	0.55
Adjusted distributable cash flow[(2)]	**38.5**	36.7	22.0	**84.9**	76.2	61.0
Per share[(2)(3)]	**0.35**	0.39	0.26	**0.82**	0.80	0.73
Dividends	**32.5**	27.2	23.3	**60.5**	53.9	46.8
Per share outstanding	**0.25**	0.29	0.26	**0.46**	0.56	0.52
Dividend payout ratio[(2)]	**146%**	96%	257%	**99%**	85%	103%
Adjusted dividend payout ratio[(2)]	**84%**	74%	106%	**71%**	71%	77%
Total assets	**4,365.6**	1,834.1	1,819.6	**4,365.6**	1,834.1	1,819.6
Total long-term liabilities	**2,075.4**	582.6	590.7	**2,075.4**	582.6	590.7
Shares outstanding (millions)	**130.4**	95.4	89.9	**130.4**	95.4	89.9
Weighted average number of common shares (millions)	**110.8**	95.1	83.9	**103.6**	94.7	83.2
Operating Summary						
Fuel and petroleum product volume (million litres)	**2,588.7**	2,536.1	2,031.0	**5,344.3**	4,973.2	4,269.0
Fuel and petroleum product adjusted gross profit[(1)] (cpl):						
Retail Fuels	**5.78**	5.64	5.09	**5.53**	5.41	4.99
Commercial Fuels	**9.36**	10.47	10.46	**11.59**	11.98	12.34
Parkland USA	**3.31**	3.17	3.33	**3.43**	3.49	3.37
Operating costs (cpl)	**3.02**	2.94	2.97	**3.08**	3.09	2.97
Marketing, general and administrative (cpl)	**1.41**	1.42	1.44	**1.34**	1.42	1.44

(1) Measure of segment profit. See Section 12 of this MD&A.
(2) Non-GAAP financial measure. See Section 12 of this MD&A.
(3) Calculated using the weighted average number of common shares.

2. PARKLAND OVERVIEW

Who we are

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

Parkland's strategy

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

- **Grow organically**

  Parkland drives organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies. Parkland effectively deploys growth capital, operates safely and efficiently, and is a responsible steward of the environment. We believe these activities enable us to grow organically in all fuel marketing channels.

- **Supply advantage**

  Parkland delivers a supply advantage by leveraging market inefficiencies and being a partner of choice for refiners. Parkland uses market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities. To be the partner of choice for our suppliers, we work hard to reliably and consistently purchase large volumes of the full range of refined products produced by refineries in the geographic markets we operate. Given that we purchase the full range of refined products, we sell our products through a variety of "owned" marketing channels including retail gas stations, commercial diesel cardlocks, and commercial fuel, propane and lubricant delivery branches. We also use our wholesale activities to optimize the value of other products that are not sold through our "owned" marketing channels.

- **Acquire prudently**

  Parkland is a disciplined acquirer that actively seeks complementary scope and scale opportunities. Parkland builds and leverages relationships with the objective of being the buyer of choice for prospective vendors, and effectively integrates acquisitions to drive operational efficiency, create synergies and generate shareholder value. As the fuel distribution market remains significantly fragmented in North America, we believe that we are well-placed to be a leader as the industry consolidates, given our experience across all fuel marketing channels, our ability to optimize operations, and our potential supply and cost synergies.

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

3. PERFORMANCE OVERVIEW

Q2 2017 Highlights

In the second quarter of 2017, Parkland continued to make strong progress towards its three-pillared five-year strategic plan.

Grow

- We achieved a 2.1% growth in volume, delivering approximately 2.6 billion litres of fuel and petroleum products in the second quarter of 2017, compared to 2.5 billion litres in the second quarter of 2016. The volume increase was driven by propane volume growth in the Commercial Fuels and Supply and Wholesale, and growth in gas and diesel volumes in Retail Fuels and Parkland USA.
- Parkland achieved a second quarter Adjusted EBITDA of $53.6 million compared to $56.4 million for the same period of 2016. The second quarter results were driven by growth in the Retail Fuels and Parkland USA segments, offset by softer results in the Commercial Fuels and Supply and Wholesale segments. Sales and operating revenue increased from $1.6 billion in the second quarter of 2016 to $1.8 billion in the second quarter of 2017. The increase in revenue was driven primarily by rising commodity prices and a growth in fuel and petroleum product volume.
- Retail Fuels achieved an outstanding Company C-Store same-store sales growth ("SSSG") of 6.0% during the second quarter of 2017 compared to the second quarter of 2016, as a result of continued marketing efforts in Parkland's convenience store offerings. This growth was observed across both Western Canada and Eastern Canada.
- Parkland is developing a newly refreshed On The Run / Marché Express store concept and is currently testing the concept in a pilot program.

- In the second quarter of 2017, Commercial Fuels delivered 26% more propane than in the second quarter of 2016 primarily due to strong organic growth efforts, the impact of recent customer wins, and contributions from strategic business acquisitions completed in 2016. This was offset by weakened margins during the quarter.
- The growth in Parkland's adjusted gross profit was offset primarily by an increase in acquisition, integration and other costs as Parkland closed the CST Brands Canada Acquisition and prepares for the closing of the Chevron Canada Acquisition (each as described below). Parkland also saw an increase in interest on long-term debt as Parkland partially prefunded the CST Brands Canada Acquisition and the Chevron Canada Acquisition through the September 16, 2016 private placement of the 5.75% Senior Notes and the May 9, 2017 private placement of the 5.625% Senior Notes, respectively. Net loss was $1.4 million in the second quarter of 2017, compared to net earnings of $4.6 million in the second quarter of 2016.
- As a result of the CST Brands Canada Acquisition, we have revised our 2017 Adjusted EBITDA guidance to a range of $310 million to $340 million, an increase from the previous guidance of $255 million to $285 million. See Section 13 - Outlook of this MD&A for further details.

Supply

- The Supply and Wholesale segment continued to drive higher propane sales this quarter, selling an additional 24 million litres of propane in the second quarter of 2017 compared to the second quarter of 2016.
- Diesel and biodiesel volumes increased by 22% compared to the same quarter of 2016 as a result of strong market share gains and strategic initiatives to drive volume growth. This was offset by lower margins experienced in the crude and propane business.
- Parkland continues to utilize the recently completed expansion of a transloading facility in Hamilton, Ontario to optimize supply and enhance capacity in Parkland's distribution network. The Hamilton transloading facility provides a greater security of supply for our customers and increases our supply optionality.

Acquire

- **CST Brands Canada Acquisition**
  On June 28, 2017, Parkland completed the acquisition of the majority of the Canadian business and assets of CST Brands, Inc. ("CST Brands Canada") from Alimentation Couche-Tard Inc. ("Couche-Tard") for a preliminary purchase price of $974.7 million (the "CST Brands Canada Acquisition"). The Canadian business and assets acquired by Parkland consist of: (i) 495 dealer-operated retail sites, (ii) 73 commercial cardlock sites, (iii) 30 commercial and home heating sites, (iv) 159 company-operated retail sites, and (v) a corporate presence in Montréal. These businesses operate under a number of highly recognizable brands including Ultramar, Dépanneur du Coin / Corner Store, Dépan Express / ExpressMart and Pipeline Commercial. Parkland also assumed the liabilities of all the Canadian business and assets. The CST Brands Canada Acquisition extends Parkland's network coverage in Quebec and Atlantic Canada and enhances Parkland's presence in Ontario. Parkland is currently in the process of integrating the acquisition and driving synergies. Concurrent with the transaction, Parkland divested two company-operated retail sites and nine dealer-operated retail sites. The dispositions were not material. The CST Brands Canada Acquisition was partially financed by the issuance of subscription receipts on September 7, 2016 and the issuance of the 5.75% Senior Notes on September 16, 2016.

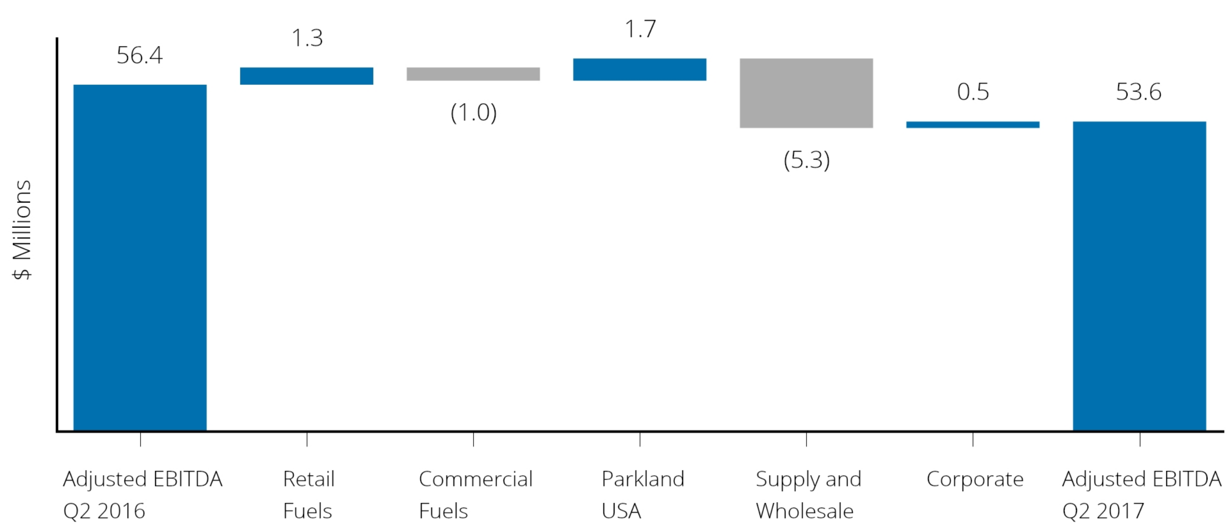
- **Chevron Canada Acquisition**
  On April 18, 2017, Parkland announced it entered into an agreement with Chevron Canada Limited to acquire all of the outstanding shares of Chevron Canada R&M ULC for US$1.1 billion plus working capital (the "Chevron Canada Acquisition"). The businesses acquired in the Chevron Canada Acquisition consist of: i) 129 Chevron-branded retail service stations principally located in Metro Vancouver and Vancouver Island, which complement Parkland's existing Chevron-branded sites in British Columbia, ii) 37 commercial cardlock locations and three marine fuelling locations, and iii) a complementary refinery in Burnaby, British Columbia (the "Burnaby Refinery"), terminals located in Burnaby, Hatch Point and Port Hardy, British Columbia, and a wholesale business that includes aviation fuel sales to the Vancouver International Airport (collectively, the "Chevron Assets"). The Chevron Canada Acquisition is expected to extend Parkland's network coverage in British Columbia, and add significant strategic supply infrastructure and logistics capability to support Parkland's existing operations and future growth opportunities. Parkland will also become the exclusive distributor of Chevron-branded fuels in the network. See Section 13 – Outlook for further details.

The Chevron Canada Acquisition is subject to customary closing conditions, third-party consents and regulatory approvals, including approval from the Competition Bureau of Canada. Parkland expects to close the Chevron Canada Acquisition in the fourth quarter of 2017.

- **Financing for the Chevron Canada Acquisition**
  As part of our strategy to acquire prudently, we have secured favourable financing for the Chevron Canada Acquisition as follows:
  - On May 9, 2017, Parkland completed a bought deal private placement of 23,900,000 shares at $27.70 per share for gross proceeds of $662.0 million with a syndicate of underwriters (the "Equity Offering");
  - On May 9, 2017, Parkland completed a private placement of Senior Unsecured Notes with an aggregate principal amount of $500.0 million due May 9, 2025, bearing an interest rate of 5.625% per annum, payable semi-annually in arrears on May 9 and November 9; and
  - During the second quarter of 2017, Parkland entered into US dollar forward window contracts to hedge the purchase price of the Chevron Canada Acquisition denominated in US dollars. The US dollar forward window contracts totalling US$1.1 billion have a weighted average forward rate of 1.343 and settlement window dates ranging from September 19, 2017 to May 23, 2018.

Q2 2017 vs. Q2 2016 overall performance

Adjusted EBITDA growth by segment



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

Adjusted EBITDA to Net Earnings (Loss)

For the three months ended ($ millions)	June 30, 2017	June 30, 2016	Change	%
Adjusted EBITDA[(1)]				
Retail Fuels	**37.4**	36.1	1.3	4 %
Commercial Fuels	**5.5**	6.5	(1.0)	(15)%
Parkland USA	**5.1**	3.4	1.7	50 %
Supply and Wholesale	**17.8**	23.1	(5.3)	(23)%
Corporate	**(12.2)**	(12.7)	0.5	(4)%
	53.6	56.4	(2.8)	(5)%
Less:				
Depreciation and amortization	**24.2**	29.6	(5.4)	(18)%
Finance costs				
Interest on long-term debt	**14.8**	6.7	8.1	121 %
Change in fair value of Redemption Options	**(1.0)**	(2.2)	1.2	(55)%
Other finance costs[(2)]	**(0.4)**	0.9	(1.3)	(144)%
	13.4	5.4	8.0	148 %
Loss on disposal of property, plant and equipment	**0.8**	0.1	0.7	700 %
Acquisition, integration and other costs	**16.3**	8.4	7.9	94 %
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**–**	3.2	(3.2)	(100)%
Unrealized loss on foreign exchange	**0.1**	0.3	(0.2)	(67)%
Income tax expense	**0.2**	4.8	(4.6)	(96)%
Net earnings (loss)	**(1.4)**	4.6	(6.0)	(130)%

(1) Measure of segment profit. See Section 12 of this MD&A.
(2) Includes amortization of deferred financing costs, accretion on asset retirement obligations, amortization of debt premium arising from Redemption Options and interest income. See Note 9 of the Interim Condensed Consolidated Financial Statements.

- Parkland achieved a second quarter Adjusted EBITDA of $53.6 million, compared to $56.4 million for the second quarter of 2016. Retail Fuels grew by 4% as a result of higher margins on gasoline and diesel sales and higher non-fuel adjusted gross profit. Parkland USA grew by 50% as a result of strong lubricants sales that are outperforming the regional business environment, along with a reduced cost base from recent cost reduction initiatives. The growth in Retail Fuels and Parkland USA was offset by softened results in the Commercial Fuels and Supply and Wholesale segments. Supply and Wholesale experienced lower results primarily driven by narrower margins particularly in the crude and propane business. Commercial Fuels saw softer results as a result of weakened fuel margins driven by length of diesel in the Western Canada market and lower commercial propane margins during the quarter.
- Finance costs increased in the second quarter of 2017, driven by a $8.1 million increase in interest on long-term debt as a result of the September 16, 2016 private placement of the 5.75% Senior Notes to partially prefund the CST Brands Canada Acquisition and the May 9, 2017 private placement of the 5.625% Senior Notes to partially prefund the Chevron Canada Acquisition. Furthermore, during the second quarter of 2017, a $1.0 million non-cash gain was recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, compared to a gain of $2.2 million recognized in the second quarter of 2016, which also contributed to the increase in finance costs. 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 primarily due to costs incurred as part of the CST Brands Canada Acquisition and the Chevron Canada Acquisition.

- The unrealized loss from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts (included within gain on risk management activities) was nil due to market conditions, compared to a $3.2 million loss in the second quarter of 2016. These contracts form part of Parkland's risk management strategy, as contracts are used to lock in margins with customers on commodities to be delivered in the future. Any unrealized gains or losses on risk management contracts recognized under IFRS are expected to partially offset any unrealized losses or gains on physical products to be delivered in the future, which are not recognized under IFRS until delivery to the customer is complete.
- Income tax expense decreased to $0.2 million in the second quarter of 2017 compared to $4.8 million in the second quarter of 2016 primarily due to lower earnings before income taxes.
- As a result of the above main drivers, net loss of $1.4 million was recorded for the second quarter of 2017 compared to net earnings of $4.6 million in the second quarter of 2016.

Q2 2017 YTD Highlights

Grow

- We delivered 5.3 billion litres of fuel and petroleum products in the first six months of 2017, representing growth of 7% compared to 5.0 billion litres in the same period of 2016. This volume increase was driven by growth in all of Parkland's segments, particularly in the Supply and Wholesale segment where propane volume grew by 60%.
- Parkland achieved a record Q2 YTD Adjusted EBITDA of $123.6 million in the first six months of 2017, which represents 6% growth compared to $116.1 million achieved during the first six months of 2016, despite a softer second quarter. This strong performance was driven by growth in the Commercial Fuels, Parkland USA and Supply and Wholesale segments. Commercial Fuels grew by 18%, driven by increased fuel volumes, strong organic growth efforts, customer wins, and new contributions from PNE's propane cylinder exchange business acquired in December 2016. Parkland USA grew by 17% as a result of growth in the lubricants business, the addition of new sites, and organic growth at existing sites.
- Sales and operating revenue increased to $3.6 billion for the first six months of 2017 compared to $2.9 billion for the first six months of 2016, driven by a combination of greater volume and higher commodity and fuel prices.
- Parkland's net earnings in the first six months of 2017 was $20.6 million compared to $29.5 million in the first six months of 2016. Although we experienced strong growth in adjusted gross profit and Adjusted EBITDA, this was offset by increased finance costs due to higher debt to partially prefund the CST Brands Canada Acquisition and the Chevron Canada Acquisition, as well as increased acquisition, integration and other costs related to increased acquisition and integration activities for these acquisitions.
- Company C-Store SSSG in Retail Fuels was 3.3% overall, driven by higher Company C-Store SSSG across Canada as a result of investments made in merchandise marketing programs. Furthermore, our partnership with a national C-store industry wholesale partner entered in 2016 continues to allow us to deliver increasingly competitive product offerings to our customers across our Retail Fuels segment.

Supply

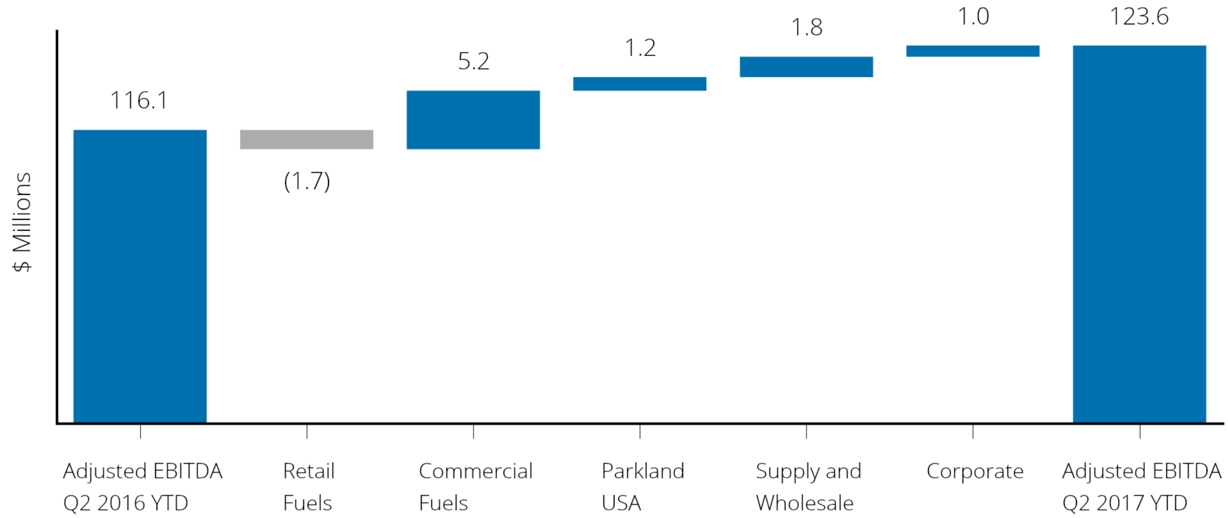
- Parkland's Supply and Wholesale team continues to drive and support further growth, maintaining a commitment to ongoing improvements to our supply economics and supply optionality as demonstrated by its 5% improvement in segment Adjusted EBITDA.
- Diesel and biodiesel volumes sold by Supply and Wholesale increased by 22% year-over-year as a result of strong market share gains and strategic initiatives to drive volume growth.

Acquire

- Parkland announced the Chevron Canada Acquisition on April 18, 2017 and the closing of the CST Brands Canada Acquisition on June 28, 2017.

Q2 2017 YTD vs. Q2 2016 YTD overall performance

Adjusted EBITDA growth by segment



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

Adjusted EBITDA to Net Earnings

For the six months ended ($ millions)	**June 30, 2017**	June 30, 2016	Change	%
Adjusted EBITDA[1]				
Retail Fuels	**62.8**	64.5	(1.7)	(3)%
Commercial Fuels	**34.0**	28.8	5.2	18 %
Parkland USA	**8.1**	6.9	1.2	17 %
Supply and Wholesale	**41.1**	39.3	1.8	5 %
Corporate	**(22.4)**	(23.4)	1.0	(4)%
	123.6	116.1	7.5	6 %
Less:				
Depreciation and amortization	**50.5**	55.5	(5.0)	(9)%
Finance costs				
Interest on long-term debt	**27.9**	13.5	14.4	107 %
Change in fair value of Redemption Options	**(0.5)**	(10.1)	9.6	(95)%
Other finance costs[2]	**0.3**	1.8	(1.5)	(83)%
	27.7	5.2	22.5	433 %
Loss (gain) on disposal of property, plant and equipment	**0.5**	(0.4)	0.9	(225)%
Acquisition, integration and other costs	**23.9**	13.0	10.9	84 %
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**(8.8)**	2.5	(11.3)	(452)%
Unrealized loss on foreign exchange	**0.7**	0.6	0.1	17 %
Income tax expense	**8.5**	10.2	(1.7)	(17)%
Net earnings	**20.6**	29.5	(8.9)	(30)%

[1] Measure of segment profit. See Section 12 of this MD&A.

[2] Includes amortization of deferred financing costs, accretion on asset retirement obligations, amortization of debt premium arising from Redemption Options, and interest income. See Note 14 of the Annual Consolidated Financial Statements.

- Parkland achieved a record Q2 YTD Adjusted EBITDA and 6% growth primarily as a result of growth in our Commercial Fuels, Parkland USA and Supply and Wholesale operating segments, despite a softer second quarter. Commercial Fuels Adjusted EBITDA grew by 18% as a result of stronger fuel volumes and related service contributions across the segment, strong organic growth efforts, the impact of recent customers wins, and contributions from PNE's propane cylinder exchange business acquired in December 2016. Parkland USA's Adjusted EBITDA grew by 17% as a result of growth in the lubricants business which saw improved margin year-over-year, and growth in the retail division with the addition of three new sites in Wyoming and organic growth at existing sites. Supply and Wholesale grew by 5% primarily due to higher than normal propane sales in the first quarter of 2017. Retail Fuels declined slightly by 3% primarily due to a weaker start in the first quarter of 2017 from lower non-fuel adjusted gross profit, which was partially offset by improvements in the second quarter.
- Finance costs in the first six months of 2017 increased by $22.5 million primarily due to a $14.4 million increase in interest on long-term debt as a result of the September 16, 2016 private placement of the 5.75% Senior Notes to partially prefund the CST Brands Canada Acquisition and the May 9, 2017 private placement of the 5.625% Senior Notes to partially prefund the Chevron Canada Acquisition. Furthermore, during the first six months of 2017, a $0.5 million non-cash gain was recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, compared to a gain of $10.1 million recognized in the first six months of 2016, which also contributed to the increase in finance costs. The fair value of the Redemption Option embedded derivative represents the non-cash value of the option that allows Parkland to early redeem the Senior Unsecured Notes at any time prior to its maturity and takes into account the redemption premium, credit spread, risk-free yield curve and other factors that are driven by changing debt market conditions.
- Acquisition, integration and other costs increased by $10.9 million primarily due to costs incurred related to the CST Brands Canada Acquisition and the Chevron Canada Acquisition.
- The unrealized gain from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts (included within gain on risk management activities) in the first six months of 2017 was $8.8 million, compared to an unrealized loss of $2.5 million in the same period of 2016. The unrealized gain incurred for the year was primarily driven by butane, ethanol and crude sell-side swap positions taken by Parkland in a declining market pricing environment for those physical commodities. These contracts form part of Parkland's risk management strategy, as contracts are used to lock in margins with customers on commodities to be physically delivered in the future. These unrealized gains on risk management contracts recognized under IFRS are expected to partially offset any unrealized losses on physical products in transit, which are not recognized under IFRS until the delivery to the customer is complete.
- Income tax expense decreased to $8.5 million in the first six months of 2017 compared to $10.2 million in the first six months of 2016 primarily due to lower earnings before income taxes.
- As a result of the above main drivers, net earnings for first six months of 2017 were $20.6 million compared to $29.5 million for the same period in 2016.

4. SEGMENT RESULTS

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

Retail Fuels

Overview and business models

Parkland Retail Fuels supplies and supports a network of 1,730 retail gas stations in Canada. Parkland operates four retail fuel brands - Ultramar, Pioneer, Fas Gas Plus and Race Trac - and is also a branded wholesaler for Esso and Chevron. In addition, Parkland operates six proprietary convenience store brands: On the Run / Marché Express, Short Stop, Dépanneur du Coin / Corner Store, Dépan Express / ExpressMart, Snack Express and Verve. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments. Furthermore, Parkland operates under two main models: i) Company owned, Company or retailer operated ("Company") sites and ii) Dealer or Parkland owned, dealer operated or dealer consigned ("Dealer") sites. Refer to the Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

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

Site count by brand and business models

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

	Ultramar	Esso	Fas Gas Plus	Pioneer	Race Trac	Chevron	Other	Total
Company sites	**143**	**73**	**86**	**119**	**1**	**32**	**16**	**470**
Dealer sites	**490**	**525**	**90**	**36**	**70**	**16**	**33**	**1,260**
Site count, as at June 30, 2017	**633**	**598**	**176**	**155**	**71**	**48**	**49**	**1,730**
Company sites	—	68	87	120	1	31	—	307
Dealer sites	—	526	87	34	73	13	35	768
Site count, as at December 31, 2016	—	594	174	154	74	44	35	1,075
Net change in site count	633	4	2	1	(3)	4	14	655

The increase in retail sites was primarily attributable to the CST Brands Canada Acquisition on June 28, 2017 which added 654 Company and Dealer sites in Quebec, Ontario and Atlantic Canada, including 632 Ultramar-branded service stations. The remaining change in site counts during the year is attributable to routine site count fluctuations from new dealers, conversions, sold sites, or closed or de-branded sites.

Retail Fuels segment performance highlights

Retail Fuels Adjusted EBITDA for the second quarter of 2017 grew to $37.4 million compared to $36.1 million for the same period in 2016. This increase was primarily driven by higher margins on gasoline and diesel sales and higher non-fuel adjusted gross profit from investments made in merchandise marketing programs, partially offset by higher operating costs and marketing, general and administrative expenses. On a year-to-date basis, Retail Fuels Adjusted EBITDA was $62.8 million in 2017 compared to $64.5 million in 2016. This was primarily due to higher marketing, general and administrative expenses as investments were made in merchandise marketing programs whose results were not realized until the second quarter of 2017and the remainder of 2017 and beyond.

The Retail Fuels segment experienced continued success in Company C-Store SSSG. Overall Company C-Store SSSG was 6.0% for the three months ended June 30, 2017 and 3.3% for the six months ended June 30, 2017. Company C-Store SSSG continued its trend of positive quarter-on-quarter organic growth, driven by ongoing initiatives, refinements and store refresh programs. Furthermore, our partnership with a national C-store industry wholesale partner entered in 2016 continues to enable us to deliver increasingly competitive product offerings to customers across our Retail Fuels segment.

($ millions, unless otherwise noted)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Fuel and petroleum product volume[1] (million litres)	**966.7**	936.0	30.7	3%	**1,810.9**	1,779.1	31.8	2 %
Sales and operating revenue	**799.5**	721.2	78.3	11%	**1,480.9**	1,271.7	209.2	16 %
Fuel and petroleum product adjusted gross profit[2]	**55.9**	52.8	3.1	6%	**100.2**	96.3	3.9	4 %
Non-fuel adjusted gross profit[2]	**14.4**	13.7	0.7	5%	**27.0**	27.7	(0.7)	(3)%
Adjusted gross profit[2]	**70.3**	66.5	3.8	6%	**127.2**	124.0	3.2	3 %
Operating costs	**26.2**	24.6	1.6	7%	**51.0**	47.5	3.5	7 %
Marketing, general and administrative	**6.8**	5.9	0.9	15%	**13.5**	12.1	1.4	12 %
Adjusted EBITDA[2]	**37.4**	36.1	1.3	4%	**62.8**	64.5	(1.7)	(3)%
KPIs:								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**5.78**	5.64	0.14	2%	**5.53**	5.41	0.12	2 %
Operating costs (cpl)	**2.71**	2.63	0.08	3%	**2.82**	2.67	0.15	6 %
Marketing, general and administrative (cpl)	**0.70**	0.63	0.07	11%	**0.75**	0.68	0.07	10 %
Adjusted EBITDA[2] (cpl)	**3.87**	3.86	0.01	—%	**3.47**	3.63	(0.16)	(4)%
Volume same-store sales growth ("SSSG")[5][6]	**(0.2)%**	0.3%	(0.5p.p.)		**(0.8)%**	(0.6)%	(0.2p.p.)	
Company C-Store same-store sales growth ("SSSG")[5]	**6.0 %**	3.0%	3.0p.p.		**3.3 %**	5.1 %	(1.8p.p.)	
TTM net unit operating cost ("NUOC")[3] (cpl)	**1.88**	1.80	0.08	4%				
Company sites:								
TTM volume[4][6] (million litres)	**1,790.1**	1,775.0	15.1	1%				
TTM weighted average number of active sites[4]	**310**	305	5	2%				
TTM average volume per active site[4][6] (million litres)	**5.8**	5.8	—	—%				
Dealer sites:								
TTM volume[4][6] (million litres)	**1,937.9**	1,908.5	29.4	2%				
TTM weighted average number of active sites[4]	**753**	753	—	—%				
TTM average volume per active site[4][6] (million litres)	**2.6**	2.5	0.1	4%				

[1] Includes diesel, gasoline and propane volumes.
[2] Measure of segment profit. See Section 12 of this MD&A.
[3] Non-GAAP financial measure. See Section 12 of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.
[5] See Section 12 of this MD&A for explanation of this KPI.
[6] Volume includes diesel and gasoline volumes, but excludes propane volumes sold at retail sites.

Q2 and Q2 YTD - 2017 vs. 2016

Fuel volumes increased by 3% in the second quarter of 2017 and 2% in the first six months of 2017 primarily due to the increased number of retail sites from acquisitions in 2016 and 2017 as well as organic growth through a greater number of Dealer sites.

Sales and operating revenue increased by 11% in the second quarter of 2017 and 16% in the first six months of 2017 primarily due to rising fuel and petroleum commodity prices, the greater number of retail sites and an increase in volume at retail sites.

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. Non-fuel adjusted gross profit increased by 5% in the second quarter of 2017 and decreased by 3% in the first six months of 2017. The increase for the second quarter of 2017 was primarily due to Company C-Store SSSG from investments made in On the Run / Marché Express and merchandise marketing programs as well as royalties collected from the On the Run / Marché Express franchise acquired in October 2016, and higher fuel and petroleum product adjusted gross profit as a result of higher margins on gasoline and diesel sales. The decrease year-to-date is primarily due to lower store merchandise margin contribution during the first quarter of 2017 that was partially recouped in the second quarter of 2017 due to investments made in long-term merchandise marketing programs. Furthermore, lower car wash margin contribution was attributed to inclement weather in Eastern Canada.

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 by 7% in the second quarter of 2017 and by 7% in the first six months of 2017 primarily due to additional larger format Company site locations, increased variable credit card transaction fees due to higher street pump prices, and increased expenses and activities arising from the acquisition of CST Brands Canada.

Marketing, general and administrative expenses in Retail Fuels include marketing, real estate, finance, operations, credit, network development and infrastructure expenses. Marketing, general and administrative expenses increased by 15% for the second quarter of 2017 and by 12% in the first six months of 2017 primarily due to investments made in On the Run / Marché Express and merchandise marketing programs to drive long-term future growth in volume and backcourt convenience store sales, along with increases in labour and contracted service costs associated with growing our legacy operations in Quebec.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased by 2% in the second quarter of 2017 and by 2% in the first six months of 2017 primarily due to stronger fuel margins from favourable market conditions.

Operating costs on a cpl basis increased by 3% in the second quarter of 2017 and by 6% in the first six months of 2017 primarily due to new larger format Company sites introduced in 2016 that have the effect of increasing operating costs on a cpl basis. Furthermore, increased variable credit card transaction fees due to higher street pump prices also contributed to an increase in operating costs on a cpl basis.

Marketing, general and administrative expenses on a cpl basis increased by 11% in the second quarter of 2017 and by 10% in the first six months of 2017 primarily due to increased expenditures on marketing campaigns to drive long-term future growth in volume and backcourt convenience store sales.

Volume SSSG was -0.2% for the second quarter of 2017 compared to 0.3% for the second quarter of 2016, and -0.8% for the first six months of 2017 compared to -0.6% for the same period in 2016. Volume SSSG of -0.2% in the second quarter of 2017 improved by 1.1 percentage points compared to Volume SSSG of -1.3% in the first quarter of 2017. This was attributed to early signs of economic recovery in the Western Canada market and modest growth in the Eastern Canada market.

Company C-Store SSSG improved to 6.0% for the second quarter of 2017 compared to 3.0% for the second quarter of 2016. Similarly, Company C-Store SSSG for the first six months of 2017 was 3.3%. The increase to Company C-Store SSSG in the second quarter of 2017, which was experienced in both Western and Eastern Canada, was primarily due to strong backcourt convenience store sales driven by investments made in On the Run / Marché Express and merchandise marketing programs. This is a continuation of positive Company C-Store SSSG quarter-on-quarter as a result of ongoing initiatives, refinements and store refresh programs. In contrast, Company C-Store SSSG year to date in 2016 saw stronger growth at 5.1% as a result of convenience store refresh programs associated with the Pioneer Energy acquisition and other improvement initiatives that led to a high improvement in same-store sales in Eastern Canada.

Net unit operating cost ("NUOC") was higher by 4% in the trailing twelve months ended June 30, 2017 compared to the same period in 2016 primarily due to higher marketing, general and administrative expenses for investments in marketing initiatives to drive long-term future growth.

Average volume per active Company site and Dealer site remained relatively stable year-over-year.

Commercial Fuels

Overview

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

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA for the second quarter of 2017 was $5.5 million compared to $6.5 million for the same period in 2016. The primary drivers of the softness were weakened fuel margins driven by length of diesel in the Western Canada market and lower commercial propane margins during the quarter. On a year-to-date basis, Commercial Fuels Adjusted EBITDA grew to $34.0 million compared to $28.8 million for the same period in 2016. This 18% increase was primarily driven by increased fuel volumes and related service contributions across the segment, strong organic growth efforts, the impact of recent customer wins, and contributions from PNE's propane cylinder exchange business acquired in December 2016.

	Three months ended June 30,				Six months ended June 30,			
($ millions, unless otherwise noted)	**2017**	**2016**	**Change**	**%**	**2017**	**2016**	**Change**	**%**
Gas and diesel volume (million litres)	**252.7**	243.9	8.8	4 %	**573.2**	548.4	24.8	5 %
Propane volume (million litres)	**66.8**	53.0	13.8	26 %	**199.9**	137.8	62.1	45 %
Fuel and petroleum product volume[1] (million litres)	**319.5**	296.9	22.6	8 %	**773.1**	686.2	86.9	13 %
Sales and operating revenue	**271.6**	244.2	27.4	11 %	**634.2**	513.6	120.6	23 %
Fuel and petroleum product adjusted gross profit[2]	**29.9**	31.1	(1.2)	(4)%	**89.6**	82.2	7.4	9 %
Non-fuel adjusted gross profit[2]	**14.2**	10.4	3.8	37 %	**27.2**	20.9	6.3	30 %
Adjusted gross profit[2]	**44.1**	41.5	2.6	6 %	**116.8**	103.1	13.7	13 %
Operating costs	**33.0**	28.9	4.1	14 %	**71.4**	62.1	9.3	15 %
Marketing, general and administrative	**6.1**	6.4	(0.3)	(5)%	**12.3**	12.7	(0.4)	(3)%
Adjusted EBITDA[2]	**5.5**	6.5	(1.0)	(15)%	**34.0**	28.8	5.2	18 %
KPIs:								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**9.36**	10.47	(1.11)	(11)%	**11.59**	11.98	(0.39)	(3)%
Operating costs (cpl)	**10.33**	9.73	0.60	6 %	**9.24**	9.05	0.19	2 %
Marketing, general and administrative (cpl)	**1.91**	2.16	(0.25)	(12)%	**1.59**	1.85	(0.26)	(14)%
Adjusted EBITDA[2] (cpl)	**1.72**	2.19	(0.47)	(21)%	**4.40**	4.20	0.20	5 %
TTM operating ratio[3][4]	**74.9%**	75.3%	(0.4p.p.)					

[1] Includes diesel, gasoline and propane volumes.
[2] Measure of segment profit. See Section 12 of this MD&A.
[3] Non-GAAP financial measure. See Section 12 of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

Q2 and Q2 YTD – 2017 vs. 2016

Fuel volumes increased by 8% in the second quarter of 2017 and by 13% in the first six months of 2017 primarily as a result of growth in propane volumes, driven by strong organic growth and the impact of business acquisitions completed in 2016. Furthermore, gas and diesel volumes increased by 5% in the first six months of 2017, driven by early signs of increased economic activity in the oil and gas sector in Western Canada, along with increased industrial volumes in Eastern Canada.

Sales and operating revenue increased by 11% in the second quarter of 2017 and by 23% in the first six months of 2017 primarily as a result of growth in fuel and petroleum product volume, driven by propane volume growth in the Western Canada market, as well as rising fuel and petroleum commodity prices. Growth in the first six months was also attributed to propane volume growth in Eastern Canada.

Adjusted gross profit increased by 6% in the second quarter of 2017 and by 13% in the first six months of 2017 mainly due to an increase in non-fuel adjusted gross profit primarily attributable to contribution from PNE's propane cylinder exchange business acquired in December 2016. The improvement in adjusted gross profit for the first six months of 2017 was also attributable to increased fuel volumes and related service contributions across the segment. This increase was partially offset by softened fuel margins driven by length of diesel in the Western Canada market and lower commercial propane margins during the second quarter of 2017.

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 by 14% in the second quarter of 2017 and by 15% in the first six months of 2017 primarily due to additional labour and other fuel delivery costs, driven by higher volumes in 2017 as well as the growth impact of various business acquisitions completed in 2016.

Marketing, general and administrative expenses in the Commercial Fuels business are typically fixed in nature and do not vary with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses decreased by 5% for the second quarter of 2017 and by 3% for the first six months of 2017 despite the impact of acquisitions, as Parkland continues to place a strong emphasis on cost management.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 11% in the second quarter of 2017 and by 3% in the first six months of 2017 primarily due to softened fuel margins driven by length of diesel in the Western Canada market and lower commercial propane margins experienced during the second quarter of 2017.

Operating costs on a cpl basis increased by 6% in the second quarter of 2017 and by 2% in the first six months of 2017 primarily due to the impact of PNE's propane cylinder exchange business acquired in December 2016 which has a higher operating cost base during the spring and summer months. Parkland continues to implement cost control initiatives, including the roll out of fleet routing and dispatch automation, in order to reduce costs.

Marketing, general and administrative expenses on a cpl basis decreased by 12% in the second quarter of 2017 and by 14% in the first six months of 2017 despite increased fuel volumes mainly due to an emphasis on cost management, which resulted in lower overall spending.

The trailing-twelve-month ("TTM") operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, improved from 75.3% to 74.9% as a result of successful cost control initiatives despite increased volumes and adjusted gross profit through organic growth and acquisitions.

Parkland USA

Overview

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

Parkland USA segment performance highlights

Parkland USA saw an exceptional quarter that is outperforming the regional business environment with its second quarter Adjusted EBITDA growing to $5.1 million compared to $3.4 million for the same period in 2016, and its year-to-date Adjusted EBITDA growing to $8.1 million compared to $6.9 million for the same period in 2016. The 50% increase and 17% increase for the three and six month periods, respectively, were primarily driven by growth in the lubricants business, which saw improved margin year-over-year, growth in the retail division with the addition of three new sites in Wyoming, as well as organic growth at existing sites.

	Three months ended June 30,				Six months ended June 30,			
($ millions, unless otherwise noted)	**2017**	**2016**	**Change**	**%**	**2017**	**2016**	**Change**	**%**
Retail volume (million litres)	**34.2**	27.4	6.8	25 %	**65.5**	51.1	14.4	28 %
Wholesale volume (million litres)	**216.2**	206.4	9.8	5 %	**391.6**	401.1	(9.5)	(2)%
Fuel and petroleum product volume[1] (million litres)	**250.4**	233.8	16.6	7 %	**457.1**	452.2	4.9	1 %
Sales and operating revenue	**187.3**	150.1	37.2	25 %	**341.2**	270.0	71.2	26 %
Fuel and petroleum product adjusted gross profit[2]	**8.3**	7.4	0.9	12 %	**15.7**	15.8	(0.1)	(1)%
Non-fuel adjusted gross profit[2]	**9.3**	7.8	1.5	19 %	**17.1**	15.6	1.5	10 %
Adjusted gross profit[2]	**17.6**	15.2	2.4	16 %	**32.8**	31.4	1.4	4 %
Operating costs	**10.5**	9.9	0.6	6 %	**20.9**	20.6	0.3	1 %
Marketing, general and administrative	**2.1**	1.9	0.2	11 %	**3.9**	4.0	(0.1)	(3)%
Adjusted EBITDA[2]	**5.1**	3.4	1.7	50 %	**8.1**	6.9	1.2	17 %
KPIs:								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**3.31**	3.17	0.14	4 %	**3.43**	3.49	(0.06)	(2)%
Operating costs (cpl)	**4.19**	4.23	(0.04)	(1)%	**4.57**	4.56	0.01	— %
Marketing, general and administrative (cpl)	**0.84**	0.81	0.03	4 %	**0.85**	0.88	(0.03)	(3)%
Adjusted EBITDA[2] (cpl)	**2.04**	1.45	0.59	41 %	**1.77**	1.53	0.24	16 %
TTM operating ratio[3][4]	**74.5%**	74.0%	0.5 p.p.					

[1] Includes diesel, gasoline and propane volumes.
[2] Measure of segment profit. See Section 12 of this MD&A.
[3] Non-GAAP financial measure. See Section 12 of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

Q2 and Q2 YTD - 2017 vs. 2016

Fuel volumes increased by 7% in the second quarter of 2017 and by 1% in the first six months of 2017 primarily due to the acquisition of three service stations in Wyoming in late 2016 and implementation of a competitive strategy to increase market share of fuel resellers in the Bakken region.

Sales and operating revenue increased by 25% in the second quarter of 2017 and by 26% in the first six months of 2017 primarily as a result of rising fuel and petroleum commodity prices and in part due to increased volumes.

Adjusted gross profit increased by 16% in the second quarter of 2017 and by 4% in the first six months of 2017 primarily due to growth in the lubricants business, which saw improved margin year-over-year, growth in the retail division with the addition of three new sites in Wyoming, organic growth at existing sites, and greater Company C-Store sales. The strong 16% growth in the second quarter of 2017 offset the 6% decline experienced in the first quarter of 2017.

Operating costs are incurred at company-owned wholesale or lubricant branches and the 26 Superpumper retail sites. Expenses in this category include wages and benefits for employees along with the costs associated with owning and maintaining the land, buildings and equipment such as rents, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs increased by 6% in the second quarter of 2017 and by 1% in the first six months of 2017. During the second quarter of 2017, operating costs were slightly higher than the prior year primarily due to the addition of three service stations in Wyoming, partially offset by a reduction in operating costs due to cost control initiatives. On a year-to-date basis, operating costs remained relatively consistent year-over-year as a result of continued efforts to control costs, despite increased business.

Marketing, general and administrative expenses are typically fixed in nature and do not vary with volume. Departments in this category include marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses increased by 11% in the second quarter of 2017 and decreased slightly by 3% in the first six months of 2017. Marketing, general and administrative expenses were slightly higher in the second quarter of 2017 primarily due to the acquisitions of three service stations in Wyoming in late 2016, partially offset by a reduction in expenses due to cost-saving initiatives.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased by 4% in the second quarter of 2017 primarily due to increased retail volumes, which have higher margins than the wholesale business. For the first six months of 2017, fuel and petroleum product adjusted gross profit decreased slightly by 2% on a cpl basis primarily due to softened margins in the first quarter of 2017, partially offset by stronger margins in the second quarter of 2017.

Operating costs on a cpl basis decreased by 1% in the second quarter of 2017 due to continued cost control measures despite increased volumes, and remained relatively stable in the first six months of 2017 compared to the first six months of 2016 due to continued cost control measures.

Marketing, general and administrative expenses on a cpl basis increased by 4% in the second quarter of 2017 due to additional overhead expenses associated with the acquisition of three service stations in Wyoming, and decreased slightly by 3% in the first six months of 2017 due to continued cost control measures.

The TTM operating ratio remained relatively flat year-over-year as Parkland continues to implement cost control initiatives despite softer adjusted gross profit results.

Supply and Wholesale

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

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA in the second quarter of 2017 was $17.8 million compared to $23.1 million in the second quarter of 2016, primarily driven by narrower margins particularly in the crude and propane business. On a year-to-date basis, Adjusted EBITDA grew from $39.3 million in 2016 to $41.1 million in 2017, primarily due to higher than normal propane sales experienced in the first quarter of 2017, higher company volume, and benefits made to our supply economics and supply optionality that were initiated in the beginning of the second quarter of 2016. The team is committed to driving ongoing improvements to our supply economics and supply optionality as part of our supply advantage strategy.

($ millions, unless otherwise noted)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Fuel and petroleum product volume[1] (million litres)	**1,052.1**	1,069.4	(17.3)	(2)%	**2,303.2**	2,055.7	247.5	12 %
Sales and operating revenue	**547.4**	454.2	93.2	21 %	**1,133.9**	832.4	301.5	36 %
Fuel and petroleum product adjusted gross profit[2]	**32.6**	39.7	(7.1)	(18)%	**76.6**	73.7	2.9	4 %
Non-fuel adjusted gross profit[2]	**2.5**	3.6	(1.1)	(31)%	**4.5**	7.0	(2.5)	(36)%
Adjusted gross profit[2]	**35.1**	43.3	(8.2)	(19)%	**81.1**	80.7	0.4	— %
Operating costs	**8.6**	11.2	(2.6)	(23)%	**21.1**	23.3	(2.2)	(9)%
Marketing, general and administrative	**8.7**	9.0	(0.3)	(3)%	**18.9**	18.1	0.8	4 %
Adjusted EBITDA[2]	**17.8**	23.1	(5.3)	(23)%	**41.1**	39.3	1.8	5 %

[1] Includes diesel, gasoline, propane, natural gas mix, crude oil, asphalt, and other volumes.
[2] Measure of segment profit. See Section 12 of this MD&A.

Q2 and Q2 YTD - 2017 vs. 2016

Fuel volumes decreased by 2% in the second quarter of 2017 primarily due to volume decreases in the crude and gasoline blend stocks businesses as a result of narrower margins in those market categories. This was partially offset by 22% growth in Parkland's diesel and biodiesel business. On a year-to-date basis, fuel volume increased by 12% in the first six months of 2017 primarily due to higher than normal propane sales in the first quarter of 2017 and 22% growth in Parkland's diesel and biodiesel volumes on a year-to-date basis. This was offset by volume decreases in the crude and gasoline blend stocks business as a result of narrower margins in those market categories during the second quarter of 2017.

Sales and operating revenue increased by 21% in the second quarter of 2017 and by 36% in the first six months of the 2017 primarily due to higher commodity prices across all commodities, particularly in propane and wholesale gas and diesel.

Adjusted gross profit decreased by 19% in the second quarter of 2017 primarily due to narrower margins particularly in the crude and propane business. On a year-to-date basis, adjusted gross profit remained relatively stable year-over-year due to higher than normal propane sales during the first quarter of 2017, offset by narrower margins in the crude and propane business in the second quarter of 2017.

Operating costs decreased by 23% in the second quarter of 2017 and by 9% in the first six months of 2017 primarily due to lower storage costs from optimizing Parkland's distribution network in Quebec that took place in 2016. Parkland is committed to driving ongoing improvements in our storage and distribution capabilities as part of our supply advantage strategy.

Marketing, general and administrative costs, which relate to employee and market development costs, slightly decreased in the second quarter of 2017 and slightly increased in the first six months of 2017. Marketing, general and administrative costs were slightly lower for the second quarter of 2017 compared to 2016 due to lower variable compensation expenses. Marketing, general and administrative costs were slightly higher for the first six months of 2017 compared to 2016 due to higher insurance, market development and employee-related costs during the first quarter of 2017.

Corporate

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

Corporate segment performance highlights

($ millions, unless otherwise noted)	Three months ended June 30, 2017	2016	Change	%	Six months ended June 30, 2017	2016	Change	%
Marketing, general and administrative	**12.7**	12.8	(0.1)	(1)%	**23.1**	23.6	(0.5)	(2)%
Adjusted EBITDA[1]	**(12.2)**	(12.7)	0.5	(4)%	**(22.4)**	(23.4)	1.0	(4)%
Acquisition, integration and other costs	**16.3**	8.4	7.9	94 %	**23.9**	13.0	10.9	84 %
KPI:								
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	**7.6%**	7.7%	(0.1p.p.)		**6.4%**	7.0%	(0.6p.p.)	

[1] Measure of segment profit. See Section 12 of this MD&A.

Q2 and Q2 YTD - 2017 vs. 2016

Marketing, general and administrative expenses decreased by 1% in the second quarter of 2017 and by 2% in the first six months of 2017 primarily due to cost control initiatives and lower variable compensation. As a result, corporate Adjusted EBITDA expense for the second quarter and year-to-date both decreased by 4% compared to the comparative periods in the prior year. Similarly, corporate marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit improved from 7.7% to 7.6% in the second quarter of 2017, and from 7.0% to 6.4% in the first six months of 2017.

Acquisition, integration and other costs increased to $16.3 million in the second quarter of 2017 and $23.9 million in the first six months of 2017 primarily as a result of costs incurred for the CST Brands Canada Acquisition and Chevron Canada Acquisition, including legal, consulting, IT and professional expenses. Parkland is working with strategic partners to successfully integrate these acquisitions and drive synergies.

Health and safety

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. We comply with all applicable federal, provincial and local health, safety and environmental requirements in 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.

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

The table below presents Parkland's consolidated LTIF calculated on a trailing-twelve-month basis:

	June 30, 2017	June 30, 2016
TTM lost time injury frequency	**0.22**	0.28

5. QUARTERLY FINANCIAL DATA

($ millions, unless otherwise noted)	**2017**		2016				2015	
For the three months ended	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Sales and operating revenue	**1,806.2**	1,784.5	1,740.0	1,638.1	1,569.8	1,318.1	1,655.8	1,862.3
Adjusted gross profit[1]	**167.6**	191.0	197.2	171.1	166.6	172.8	182.3	167.0
Adjusted EBITDA[1]								
Retail Fuels	**37.4**	25.4	33.4	40.9	36.1	28.4	29.1	39.1
Commercial Fuels	**5.5**	28.5	15.7	4.7	6.5	22.3	15.0	5.9
Parkland USA	**5.1**	3.0	4.2	4.3	3.4	3.5	4.1	6.4
Supply and Wholesale	**17.8**	23.3	33.9	23.5	23.1	16.2	28.0	17.7
Corporate	**(12.2)**	(10.2)	(10.1)	(13.1)	(12.7)	(10.7)	(11.4)	(10.0)
Consolidated	**53.6**	70.0	77.1	60.3	56.4	59.7	64.8	59.1
Net earnings (loss)	**(1.4)**	22.0	3.0	14.7	4.6	24.9	15.6	14.6
Per share – basic	**(0.01)**	0.23	0.03	0.15	0.05	0.26	0.17	0.16
Per share – diluted	**(0.01)**	0.22	0.03	0.15	0.05	0.26	0.17	0.16
Distributable cash flow[2]	**22.2**	38.8	29.2	27.9	28.3	34.9	35.3	29.1
Per share[2][3]	**0.20**	0.40	0.30	0.29	0.30	0.37	0.39	0.32
Adjusted distributable cash flow[2]	**38.5**	46.4	43.2	33.2	36.7	39.5	42.2	34.5
Per share[2][3]	**0.35**	0.48	0.45	0.35	0.39	0.42	0.46	0.38
Dividends	**32.5**	28.0	27.5	27.7	27.2	26.7	25.4	25.4
Per share outstanding	**0.25**	0.29	0.29	0.29	0.29	0.28	0.27	0.28
Dividend payout ratio[2]	**146%**	72%	94%	99%	96%	77%	72%	87%
Total assets	**4,365.6**	2,469.1	2,561.5	2,424.0	1,834.1	1,772.0	1,818.7	1,836.9
Shares outstanding (million shares)	**130.4**	96.6	96.2	95.9	95.4	94.7	93.9	90.8
Weighted average number of common shares (million shares)	**110.8**	96.4	96.0	95.6	95.1	94.3	91.5	90.4

Operating Summary

	2017		2016				2015	
For the three months ended	**Jun 30**	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Fuel and petroleum product volume (million litres)	**2,588.7**	2,755.6	2,783.4	2,658.6	2,536.1	2,437.1	2,613.9	2,730.5
Fuel and petroleum product adjusted gross profit[1]								
Retail Fuels (cpl)	**5.78**	5.25	5.39	5.69	5.64	5.16	5.07	5.63
Commercial Fuels (cpl)	**9.36**	13.16	11.47	8.64	10.47	13.11	11.59	8.89
Parkland USA (cpl)	**3.31**	3.58	3.62	3.26	3.17	3.86	3.44	3.34
Operating costs (cpl)	**3.02**	3.12	2.94	2.80	2.94	3.24	3.07	2.71
Marketing, general and administrative (cpl)	**1.41**	1.28	1.39	1.38	1.42	1.42	1.45	1.26

[1] Measure of segment profit. See Section 12 of this MD&A.
[2] Non-GAAP financial measure. See Section 12 of this MD&A.
[3] Calculated using the weighted average number of common shares.

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

- Sales and operating revenue in the second quarter of 2017 were greater than the comparable period in 2016 due to higher fuel and petroleum commodity prices. Sales and operating revenue is generally sensitive to fluctuations in commodity prices and energy markets.
- Net earnings in the second quarter of 2017 were lower than the comparable period in 2016 due to increased interest on long-term debt related to prefunding the CST Brands Canada Acquisition and Chevron Canada Acquisition. Furthermore, acquisition, integration and other costs increased in 2017 compared to 2016, given that Parkland closed the CST Brands Canada Acquisition and is preparing for the closing of the Chevron Canada Acquisition.

- Total assets increased significantly in the third quarter of 2016 due to debt and equity financing raised for the CST Brands Canada Acquisition with the cash held in escrow, and in the second quarter of 2017 due to debt and equity financing raised for the Chevron Canada Acquisition with the related funds recorded in cash reserved for acquisition. On June 28, 2017, Parkland closed the CST Brands Canada Acquisition.
- Excluding the effect of acquisitions, Commercial Fuels generally experiences higher volumes and greater Adjusted EBITDA during the first and fourth quarters of the year, due to higher demand for heating oil and propane in winter. Retail Fuels generally experiences higher volumes and Adjusted EBITDA in the second and third quarters of the year, during the summer driving season.
- In the second quarter of 2017, operating costs on a cpl basis was 3.02 cpl, well within the trailing-eight-quarter range of 2.71 cpl to 3.24 cpl. Operating costs on a cpl basis is driven by Commercial Fuels and fluctuates 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.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

($ millions, except per share amounts)	Three months ended June 30, 2017	Three months ended June 30, 2016	Six months ended June 30, 2017	Six months ended June 30, 2016
Adjusted EBITDA[1]	**53.6**	56.4	**123.6**	116.1
Amounts to reconcile Adjusted EBITDA to net earnings (loss)[2]	**(55.0)**	(51.8)	**(103.0)**	(86.6)
Net earnings (loss)	**(1.4)**	4.6	**20.6**	29.5
Amounts to reconcile net earnings (loss) to cash generated from operating activities[3]	**33.4**	95.7	**51.5**	98.5
Cash generated from operating activities	**32.0**	100.3	**72.1**	128.0
Reverse: Change in other liabilities	**(0.4)**	(0.7)	**(1.9)**	(1.0)
Reverse: Net change in non-cash working capital	**(2.1)**	(62.3)	**3.9**	(53.5)
	29.5	37.3	**74.1**	73.5
Include: Maintenance capital expenditures	**(8.5)**	(9.3)	**(15.6)**	(15.4)
Include: Proceeds on sale of property, plant and equipment and intangible assets	**1.2**	0.3	**2.5**	5.1
Distributable cash flow[5]	**22.2**	28.3	**61.0**	63.2
Reverse: Acquisition, integration and other costs	**16.3**	8.4	**23.9**	13.0
Adjusted distributable cash flow[5]	**38.5**	36.7	**84.9**	76.2
Weighted average number of common shares	**110.8**	95.1	**103.6**	94.7
Distributable cash flow per share[4][5]	**0.20**	0.30	**0.59**	0.67
Adjusted distributable cash flow per share[4][5]	**0.35**	0.39	**0.82**	0.80
Dividends	**32.5**	27.2	**60.5**	53.9
Dividend payout ratio[5]	**146%**	96%	**99%**	85%
Adjusted dividend payout ratio[5]	**84%**	74%	**71%**	71%

[1] Measure of segment profit. See Section 12 of this MD&A.
[2] Refer to Section 12 of this MD&A for a detailed reconciliation from Adjusted EBITDA to net earnings.
[3] Refer to the consolidated statements of cash flows in the Interim Condensed Consolidated Financial Statements for a detailed reconciliation from net earnings (loss) to cash generated from operating activities.
[4] Calculated using the weighted average number of common shares.
[5] Non-GAAP financial measure. See Section 12 of this MD&A.

Dividends

Dividends declared were $32.5 million in the second quarter of 2017, an increase compared to $27.2 million for the same period in 2016. Net of the dividend reinvestment plan, cash dividends paid to shareholders during the second quarter of 2017 were $22.8 million, an increase compared to $16.4 million for the same period in 2016.

During the six months ended June 30, 2017, $60.5 million of dividends were declared, an increase compared to $53.9 million for the same period in 2016. Net of the dividend reinvestment plan, cash dividends paid to shareholders during the six months ended June 30, 2017 were $42.7 million, an increase compared to $24.0 million for the same period in 2016.

Dividends declared increased primarily due to a greater number of shares outstanding from 95.4 million shares as at June 30, 2016 to 130.4 million shares as at June 30, 2017 as a result of shares issued from the equity offering to prefund the Chevron Canada Acquisition and the conversion of subscription receipts related to the CST Canada Acquisition. Cash dividends increased primarily due to the discontinuation of the Premium Dividend™ Plan on April 1, 2016, which resulted in higher cash payout. Effective March 22, 2017, the annual dividend was increased by 2% to $1.154 per share.

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

Q2 2017 vs. Q2 2016

The dividend payout ratio increased from 96% to 146% and the adjusted dividend payout ratio increased from 74% to 84% as a result of lower cash flow available for distribution in proportion to higher dividends declared, primarily due to an increase in number of shares outstanding related to prefunding of the CST Canada Acquisition and the Chevron Canada Acquisition.

Distributable cash flow decreased by $6.1 million, primarily attributable to lower Adjusted EBITDA by $2.8 million and higher acquisition, integration and other costs by $7.9 million. The higher acquisition, integration and other costs were primarily attributable to the closing of the CST Brands Canada Acquisition on June 28, 2017 and preparation for the closing of the Chevron Canada Acquisition. Excluding the impact of acquisition, integration and other costs, adjusted distributable cash flow increased by $1.8 million primarily attributable to less maintenance capital expenditures and more proceeds from sale of property, plant and equipment and intangible assets as compared to the second quarter of 2016.

Q2 2017 YTD vs. Q2 2016 YTD

The dividend payout ratio increased from 85% to 99% and as a result of lower cash flow available for distribution in proportion to higher dividends declared, primarily due to an increase in number of shares outstanding related to prefunding of the CST Canada Acquisition and the Chevron Canada Acquisition. Excluding the impact of acquisition, integration and other expenses, adjusted dividend payout ratio remained consistent at 71%.

Distributable cash flow decreased by $2.2 million, primarily attributable to increased cash expenditures on acquisition, integration and other costs. Acquisition, integration and other costs in the second quarter of 2017 primarily relate to costs incurred for the CST Brands Canada Acquisition and Chevron Canada Acquisition. Removing the impact of acquisition, integration and other costs, adjusted distributable cash flow increased by $8.7 million compared to the first half of 2016. This is mainly attributable to higher Adjusted EBITDA by $7.5 million.

7. LIQUIDITY

Cash flows

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

	Three months ended June 30,			Six months ended June 30,		
($ millions)	**2017**	**2016**	**2015**	**2017**	**2016**	**2015**
Cash generated from operating activities	**32.0**	100.3	44.3	**72.1**	128.0	139.1
Cash used in investing activities	**(2,125.9)**	(58.3)	(300.3)	**(2,141.1)**	(69.8)	(309.8)
Net cash (used) generated before financing activities	**(2,093.9)**	42.0	(256.0)	**(2,069.0)**	58.2	(170.7)
Cash generated from (used in) financing activities	**2,071.8**	(27.7)	(5.7)	**2,039.6**	(43.2)	(11.8)
Increase (decrease) in net cash	**(22.1)**	14.3	(261.7)	**(29.4)**	15.0	(182.5)
Net foreign exchange difference	**(0.1)**	0.2	(0.6)	**(0.1)**	0.9	0.9
Net cash, beginning of period	**18.3**	23.1	279.8	**25.6**	21.7	199.1
Net cash, end of period	**(3.9)**	37.6	17.5	**(3.9)**	37.6	17.5

Operating activities

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

Q2 2017 vs. Q2 2016

Cash generated from operating activities was $68.3 million lower in the second quarter of 2017 compared to the same period in 2016 primarily as a result of net change in non-cash working capital. Net change in non-cash working capital was a net inflow of $2.1 million during the second quarter of 2017 compared to $62.3 million during the same period in 2016. The lower net inflow experienced in the second quarter of 2017 is mainly attributable to payments made on the accounts payable and accrued liabilities assumed on the CST Brands Canada Acquisition shortly after the close of the acquisition, as well as decreasing accounts payable balances in Commercial Fuels and Retail Fuels. The net outflow is also attributable to increased volumes across the overall company and higher commodity prices, which would generally create a higher working capital requirement, primarily in our supply and wholesale business. In addition, $7.9 million greater acquisition and integration costs were incurred in the second quarter of 2017 compared to the same period in 2016 in connection with the CST Brands Canada Acquisition and Chevron Canada Acquisition, which used more cash generated from operating activities.

Q2 2017 YTD vs. Q2 2016 YTD

Cash generated from operating activities was $55.9 million lower in the six months ended June 30, 2017 compared to the same period in 2016 primarily as a result of net change in non-cash working capital. Net change in non-cash working capital was a net outflow of $3.9 million during the six months ended June 30, 2017 compared to a net inflow of $53.5 million during the same period in 2016. The net outflow experienced in the six months ended June 30, 2017 is mainly attributable to payments made on the accounts payable and accrued liabilities assumed on the CST Brands Canada Acquisition shortly after the close of the acquisition. The net outflow is also attributable to increased volumes across the overall company and higher commodity prices, which would generally create a higher working capital requirement, primarily in our supply and wholesale business. In addition, $10.9 million greater acquisition and integration costs were incurred in the six months ended June 30, 2017 compared to the same period in 2016 in connection with the CST Brands Canada Acquisition and Chevron Canada Acquisition, which used more cash generated from operating activities.

Investing activities

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

Q2 2017 vs. Q2 2016

During the second quarter of 2017, investing activities used $2,125.9 million of cash mainly due to $1,049.3 million reserved for the Chevron Canada Acquisition, consisting of net proceeds of the Equity Offering and 5.625% Senior Notes less allowable amounts used, $987.9 million paid on the CST Brands Canada Acquisition, $73.0 million deposit paid for the Chevron Canada Acquisition, and $14.8 million spent on capital expenditures to support growth and operations. In comparison, investing activities during the same period in 2016 used $58.3 million of cash mainly due to $28.8 million paid for multiple businesses and $23.0 million spent on growth and maintenance capital expenditures.

Q2 2017 YTD vs. Q2 2016 YTD

During the six months ended June 30, 2017, investing activities used $2,141.1 million of cash mainly due to $1,049.3 million reserved for the Chevron Canada Acquisition, $987.9 million paid on the CST Brands Canada Acquisition, $73.0 million deposit paid for the Chevron Canada Acquisition, and $30.0 million spent on capital expenditures to support growth and operations. In comparison, investing activities during the same period in 2016 used $69.8 million of cash mainly due to $28.8 million paid for multiple businesses and $36.5 million spent on growth and maintenance capital expenditures.

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.

Q2 2017 vs. Q2 2016

During the second quarter of 2017, Parkland generated $2,071.8 million of cash from financing activities compared to $27.7 million used in financing activities during the same period of 2016. Financing activities that took place during the second quarter of 2017 and not in the second quarter of 2016 include:

- $528.3 million of funds released from escrow upon closing of the CST Brands Canada Acquisition. The funds were previously raised from the issuance of 9,430,000 subscription receipts on September 7, 2016 and the 5.75% Senior Notes on September 16, 2016.
- $662.0 million of gross amounts raised from the Equity Offering on May 9, 2017. Parkland completed a bought deal private placement of 23,900,000 shares at $27.70 per share in gross proceeds to partially prefund the Chevron Canada Acquisition.
- $500.0 million of gross amounts raised from the issuance of the 5.625% Senior Notes. Parkland completed a private placement of 5.625% Senior Notes with a maturity date of May 9, 2025 to partially prefund the Chevron Canada Acquisition.
- $31.5 million of cash used in connection with share issuance costs for the subscription receipts and Equity Offering.
- Remainder amounts raised through the Credit Facility, offset by long-term debt repayments, to partially fund the CST Brands Canada Acquisition and to fund Parkland's working capital needs as part of Parkland's cash management strategy. See "Available Sources of Liquidity" in Section 8 for a description of Parkland's capital structure management.

In addition, cash dividends increased by $6.4 million due to an increase in outstanding common shares, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan, which increases the proportion of dividends paid out in cash. During the second quarter of 2017, Parkland paid a monthly dividend of $0.0962 per share (2016 – $0.0945 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $22.8 million (2016 – $16.4 million).

Q2 2017 YTD vs. Q2 2016 YTD

During the six months ended June 30, 2017, Parkland generated $2,039.6 million of cash from financing activities compared to $43.2 million of cash used in financing activities during the same period in 2016. Financing activities that took place during the first six months of 2017 and not in the first six months of 2016 include the second quarter financing activities as discussed above.

In addition, on a year-to-date basis, cash dividends increased by $18.7 million due to an increase in outstanding common shares, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan, which increases the proportion of dividends paid out in cash. During the six months ended June 30, 2017, Parkland paid a monthly dividend ranging from $0.0945 per share to $0.0962 per share (2016 – $0.0900 per share to $0.0945 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $42.7 million (2016 – $24.0 million).

Contractual commitments

Parkland has contracted obligations under various debt agreements, operating leases, capital leases, capital expenditures and other contractual commitments exceeding a five-year period. Parkland's commitments increased from $1,932.3 million as at December 31, 2016 to $3,474.7 million as at June 30, 2017. This increase is primarily attributable to increases in:

- long-term debt arising from the issuance of the 5.625% Senior Notes to partially prefund the Chevron Canada Acquisition;
- Credit Facility debt to partially fund the CST Brands Canada Acquisition;
- risk management liabilities in connection with the US dollar forward window contracts to hedge the purchase price of the Chevron Canada Acquisition denominated in US dollars; and
- accounts payable, accrued liabilities and finance lease obligations in connection with the assumption of liabilities on the closing of the CST Brands Canada Acquisition.

Acquisition commitments

Parkland has contractual commitments relating to the Chevron Canada Acquisition as described in Section 3 of this MD&A and Note 13 of the Interim Condensed Consolidated Financial Statements. Parkland intends to fund the acquisition as follows:

	Chevron Canada Acquisition
Expected close	• Fourth quarter of 2017.
Expected uses	• Approximately $1,476.9 million (converted from US$1,100.0 million) plus working capital adjustments, fees and expenses.
Expected available sources	• $500.0 million from 5.625% Senior Notes issued on May 9, 2017, net of fees, currently held as cash reserved for acquisition. • $662.0 million from a bought deal private placement of 23,900,000 shares at $27.70 per share, issued on May 9, 2017, net of fees, currently held as cash reserved for acquisition. • Increase in Parkland's credit facilities to approximately $1,000.0 million and US$50.0 million, net of fees. Parkland has received commitments from Canadian financial institutions for fully underwritten new credit facilities that will be available upon the close of the Chevron Canada Acquisition. • Remainder from other non-debt sources, as required.

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at June 30, 2017 are cash and cash equivalents and available funds under its revolving credit facility ("Credit Facility"). While it is typical for Parkland's cash flow to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity and management believes cash flow from operations will be adequate to fund maintenance capital, interest, income taxes and targeted dividends. Growth capital expenditures in the next twelve months will be funded by cash flow from operations, proceeds from the Dividend Reinvestment Plan, proceeds from debt and equity offerings, and proceeds from the Credit Facility. For additional information concerning Parkland's available sources of liquidity, see the Capital Resources section of the Annual MD&A. Any future acquisitions will be funded by cash from operations, the Credit Facility, and issuance of new debt or shares. Any additional debt incurred will be serviced by the anticipated increases in cash flow and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends paid to shareholders, issue new shares, issue new debt or repay existing debt.

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

($ millions)	**June 30, 2017**	December 31, 2016
Cash and cash equivalents	**5.6**	25.6
Bank indebtedness	**9.5**	—
Unused credit facilities	**113.4**	219.0
	128.5	244.6

Future new credit facilities for the Chevron Canada Acquisition

In preparation for the capital required to close the Chevron Canada Acquisition expected to close in the fourth quarter of 2017, Parkland has received commitments from Canadian financial institutions for fully underwritten new credit facilities to be entered into, replacing existing credit facilities with the following material features:

(i) a four-year $1,000.0 million senior secured revolving credit facility; and
(ii) a four-year US$50.0 million senior secured revolving credit facility.

The senior secured revolving credit facilities will include an accordion feature allowing them to be increased by an aggregate amount of $300.0 million. The new credit facilities will be syndicated.

Maintenance capital expenditures and growth capital expenditures

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

	Three months ended June 30,		Six months ended June 30,	
($ millions)	**2017**	**2016**	**2017**	**2016**
Growth Capital Expenditures				
Retail Fuels	**1.7**	3.9	**3.2**	8.3
Commercial Fuels	**1.7**	8.8	**4.2**	10.0
Parkland USA	**0.4**	0.3	**0.4**	1.3
Supply and Wholesale	**1.2**	0.7	**5.9**	1.1
Corporate	**—**	—	**—**	0.4
Growth Capital Expenditures	**5.0**	13.7	**13.7**	21.1
Maintenance Capital Expenditures				
Retail Fuels	**2.0**	4.1	**2.9**	5.4
Commercial Fuels	**2.0**	2.3	**5.6**	4.0
Parkland USA	**1.4**	1.2	**1.9**	2.8
Supply and Wholesale	**0.7**	0.8	**1.0**	1.6
Corporate	**2.4**	0.9	**4.2**	1.6
Maintenance Capital Expenditures	**8.5**	9.3	**15.6**	15.4
Additions to property, plant and equipment and intangible assets	**13.5**	23.0	**29.3**	36.5

During the three and six months ended June 30, 2017, Parkland's combined growth and maintenance capital expenditures decreased by $9.5 million and $7.2 million, respectively, compared to the same periods in 2016. The decrease in growth and maintenance capital expenditures is primarily due to the timing of expenditures incurred. The majority of capital expenditures year-to-date are attributable to purchasing fleet and equipment to support new and existing customer contracts in Commercial Fuels, investing in the Hamilton transloading facility to improve the security of supply for our customers, and investing in IT and system upgrades in Corporate to drive future efficiencies and provide Parkland with a scalable platform for growth.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at June 30, 2017 were $7.0 million (December 31, 2016 – $3.5 million). These commitments relate primarily to projects to retrofit and rebrand the On The Run / Marché Express brand, expand facilities, increase fleet, and build new and upgrade existing retail service stations. We plan to fund these commitments using cash and cash equivalents, cash flow from operations, and cash proceeds from the Credit Facility, as required.

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

Financial covenants and metrics

As at June 30, 2017, 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	
			June 30, 2017	December 31, 2016
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50 at Q1 and Q4 and first two full quarters following a completion of a material acquisition, and < 3.00 at Q2 and Q3	< 3.50 at Q1 and Q4 and first two full quarters following a completion of a material acquisition, and < 3.00 at Q2 and Q3	**(1.17)**	0.48
2. Total Funded Debt to Credit Facility EBITDA ratio	<4.50	2.00 - 3.50	**1.92**	2.02
3. Interest coverage ratio	>3.00	>3.00	**7.56**	7.33

Refer to Section 12 for the calculation of Parkland's debt covenants.

9. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

Standards issued but not yet effective

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

IFRS 9 - Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39 - Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt.

IFRS 9 will be applied for annual periods beginning on or after January 1, 2018. Parkland plans on adopting the standard effective January 1, 2018 and is currently in the process of evaluating the impact of adopting IFRS 9 on the consolidated financial statements.

IFRS 15 - Revenue from Contracts with Customers

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

IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Early adoption is permitted. Parkland is currently assessing the impact of this standard and it is anticipated that the adoption of IFRS 15 will not have a material impact on the consolidated financial statements.

IFRS 16 - Leases

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

IFRS 16 will be applied for annual periods beginning on or after January 1, 2019. Early adoption is permitted if IFRS 15 has also been applied. Parkland is currently assessing the impact of this standard and it is anticipated that the adoption of IFRS 16 will have a material impact on the consolidated balance sheets.

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. Refer to "Significant accounting estimates, assumptions and judgments" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgments. Since the date of our Annual MD&A, there have been no material changes to the significant accounting estimates, assumptions and judgments.

10. RISK FACTORS

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

Risks relating to the Chevron Canada Acquisition

Certainty of closing the Chevron Canada Acquisition

The Chevron Canada Acquisition is subject to certain conditions that may be outside the control of Parkland, such as obtaining various third-party consents and regulatory approvals, including those required under the Competition Act (Canada); the outcome of any legal proceedings that may be instituted against the parties following announcement of the Chevron Canada Acquisition and transactions contemplated therein; and the possibility that the parties to the Chevron Canada Acquisition may be adversely affected by other economic, business, and/or competitive factors that may, among other things, result in the Chevron Canada Acquisition not occurring.

The Chevron Canada Acquisition is subject to other commercial risks that it may not close on the terms negotiated or at all. If the Chevron Canada Acquisition is not completed, Parkland will have incurred significant costs associated therewith.

Significant acquisition and related costs

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

Foreign currency risk on purchase price

The purchase price of the Chevron Canada Acquisition is denominated in US dollars and the financing of the Chevron Canada Acquisition is denominated in Canadian dollars. Parkland is exposed to foreign currency risks on the portion of the purchase price that is not hedged by a US dollar forward contract. The Canadian dollar purchase price will increase if the Canadian dollar depreciates against the US dollar in foreign currency markets, and this may adversely affect Parkland's ability to achieve the anticipated benefits or financial projections related to the Chevron Canada Acquisition. To reduce the exposure of this risk, Parkland has entered into US dollar forward window contracts to hedge the full US$1.1 billion purchase price against foreign currency risks. The US dollar forward window contracts have a weighted average forward rate of 1.343 and settlement window dates ranging from September 19, 2017 to May 23, 2018.

Execution of the financing of the Chevron Canada Acquisition

The commitment of the lenders to enter into the new credit facilities is subject to certain standard conditions. Obtaining the new credit facilities on terms less favourable to Parkland could adversely impact Parkland's financial condition and decrease the amount of cash available in the future.

Failure to realize the anticipated benefits of the Chevron Canada Acquisition

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

Potential undisclosed liabilities associated with the Chevron Canada Acquisition

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

Increased indebtedness

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

Parkland's degree of leverage could have other important consequences for purchasers, including the following:

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

Risks relating to refinery operations

After completion of the Chevron Canada Acquisition, Parkland will own and operate an industrial site in the form of a crude oil refinery in British Columbia. There are risks inherent to the operations of any large, complex refinery units, including risks related to accidents, availability of third-party crude oil for use in Parkland's refinery, labour and material shortages, direct and indirect risks related to legislative and regulatory requirements, and risks related to local opposition. A key operational risk for Parkland's refinery is the availability of sufficient power and water supplies to support refinery operations. Large amounts of power and large volumes of water are used in the refining of crude oil. Even a temporary interruption of power or water could adversely affect operations. Parkland does not have full control over the supply of power or water to the refinery.

Environmental risks relating to refinery operations

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

Commodity pricing risks

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

Human resource risks relating to refinery operations

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

Parkland's refinery operations are subject to industrial relations risks. A majority of the employees at the Burnaby Refinery are represented by a labour union (Unifor and Teamsters). Failure to maintain productive relationships with the labour union could result in production delays and increased labor costs and could adversely impact Parkland's operating results.

Contractor risks relating to refinery operations

The Burnaby Refinery may rely on contractors to conduct some of its operations and is exposed to risks related to their activities. As a result, the refinery's operations are subject to a number of risks, some of which are outside Parkland's full control, including:

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

In addition, Parkland may incur liability to third parties as a result of the actions of its contractors. The occurrence of one or more of these risks could adversely affect Parkland's results of operations and financial position.

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

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

Parkland's financial instruments recorded at fair value through profit or loss include risk management assets and liabilities and Redemption Options.

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, US dollar forward exchange contracts and US dollar forward window contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices and US dollar exchange rates. While these derivative contracts form a component of Parkland's overall risk management program, only the US dollar forward window contracts are accounted for as cash flow hedges under IFRS. The US dollar forward window contracts were entered into to hedge the purchase price of the Chevron Canada Acquisition, which is denominated in US dollars. The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options have been accounted for as an embedded derivative financial instrument under IFRS. For more information on Parkland’s financial instruments and related financial risk factors, see Note 8 of the Interim Condensed Consolidated Financial Statements, Note 13 of the Annual Consolidated Financial Statements and Section 10 of Parkland’s Annual MD&A.

Fair value measurement hierarchy

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

	Fair value as at June 30, 2017			
($ millions)	**Quoted prices in active market (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Redemption Options	–	**11.8**	–	**11.8**
Risk management assets				
Commodities swaps and forward contracts	–	**1.7**	–	**1.7**
Total risk management assets	–	**1.7**	–	**1.7**
Risk management liabilities				
Commodities swaps and forward contracts	–	**(0.4)**	–	**(0.4)**
Commodities futures contracts	–	**(0.1)**	–	**(0.1)**
US dollar forward window contracts	–	**(48.8)**	–	**(48.8)**
Total risk management liabilities	–	**(49.3)**	–	**(49.3)**

Impact on the consolidated balance sheets and consolidated statements of income (loss)

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are fair valued at the end of each reporting period and any change in fair value is recognized in the consolidated statements of income (loss) in finance costs. The fair value of the Redemption Options recorded in other long-term assets was $11.8 million as at June 30, 2017 (December 31, 2016 – $8.7 million). The change in fair value of the Redemption Options for the three and six months ended June 30, 2017 was a gain of $1.0 million and $0.5 million respectively (2016 - gain of $2.2 million and $10.1 million).

The US dollar forward window contracts are designated as cash flow hedges to hedge the purchase price of the Chevron Canada Acquisition denominated in US dollars. These contracts were entered into in the second quarter of 2017 in anticipation of the transaction close in the fourth quarter of 2017. The fair value of the net US dollar forward window contracts is a liability of $48.8 million. The change in fair value of the net US dollar forward window contracts for the three months ended June 30, 2017 is a loss of $48.8 million and has been recorded in other comprehensive income (loss). This loss is a result of the strengthening of the Canadian dollar compared to the US dollar from the inception of the hedge until June 30, 2017.

All other risk management assets and liabilities are fair valued at the end of the reporting period and any change in the fair value is recognized in the consolidated statements of income (loss) in loss on risk management activities. The fair value of the risk management assets and liabilities not under hedging arrangements as at June 30, 2017 was $1.7 million and $0.5 million respectively (December 31, 2016 – $0.8 million and $8.4 million). The gain on risk management activities for the three and six months ended June 30, 2017 was $1.1 million and $5.6 million respectively (2016 - loss of $4.5 million and $5.0 million) and were driven by commodities swaps and forward contracts, commodities futures contracts and US dollar forward exchange contracts.

11. OTHER

Controls environment

Internal control over financial reporting

Based on the evaluation of the design of Parkland's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined in National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), the Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO") have concluded that Parkland's DC&P and ICFR were designed effectively as at June 30, 2017.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, has limited the scope of their design of Parkland's DC&P and ICFR to exclude controls, policies and procedures of CST Brands Canada, since Parkland closed the CST Brands Canada Acquisition on June 28, 2017 (not more than 365 days before June 30, 2017). The scope limitation is due to the time required for Parkland's management to assess CST Brands Canada's DC&P and ICFR in a manner consistent with Parkland's other operations.

The following is a summary of certain financial information related to CST Brands Canada effective from the date of acquisition:

($ millions)	Six months ended June 30, 2017
Revenue	**18.1**
Adjusted EBITDA	**0.6**
Net loss	**(0.4)**

	As at June 30, 2017
Current assets	**146.4**
Non-current assets	**1,191.2**
Current liabilities	**(210.5)**
Non-current liabilities	**(152.8)**

Changes in internal controls over financial reporting

Other than as described above, there are no changes in Parkland's ICFR during the interim period ended June 30, 2017 that materially affect, or are reasonably likely to materially affect, Parkland's ICFR.

Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

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

Guarantees

As at June 30, 2017, Parkland provided $746.1 million (December 31, 2016 – $743.6 million) of unsecured guarantees to counterparties of commodities swaps and US dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

Letters of credit

As at June 30, 2017, the total outstanding balance for letters of credit was $14.6 (December 31, 2016 – $8.9 million) and have various maturity dates up to May 14, 2018.

Shares outstanding

As at August 2, 2017, Parkland had approximately 130.5 million shares, 3.4 million share options and 1.0 million restricted share units outstanding. The share options consist of approximately 1.8 million share options that are currently exercisable into shares.

12. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 24 – Segment Information of the Annual Consolidated Financial Statements and Note 14 – Segment Information of the Interim Condensed Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 24 of the Annual Consolidated Financial Statements and Note 14 of the Interim Condensed Consolidated Financial Statements for a full reconciliation.

Adjusted EBITDA

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

	Three months ended June 30,		**Six months ended June 30,**	
($ millions)	**2017**	2016	**2017**	2016
Net earnings (loss)	**(1.4)**	4.6	**20.6**	29.5
Finance costs	**13.4**	5.4	**27.7**	5.2
Loss (gain) on disposal of property, plant and equipment	**0.8**	0.1	**0.5**	(0.4)
Income tax expense	**0.2**	4.8	**8.5**	10.2
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**–**	3.2	**(8.8)**	2.5
Unrealized loss on foreign exchange	**0.1**	0.3	**0.7**	0.6
Acquisition, integration and other costs	**16.3**	8.4	**23.9**	13.0
Depreciation and amortization	**24.2**	29.6	**50.5**	55.5
Adjusted EBITDA	**53.6**	56.4	**123.6**	116.1

Adjusted gross profit

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

	Three months ended June 30,		**Six months ended June 30,**	
($ millions)	**2017**	2016	**2017**	2016
Sales and operating revenue	**1,806.2**	1,569.8	**3,590.7**	2,887.9
Cost of goods sold	**(1,639.7)**	(1,401.4)	**(3,229.7)**	(2,545.5)
Realized gain (loss) on risk management activities	**1.1**	(1.3)	**(3.2)**	(2.5)
Realized (loss) gain on foreign exchange	**–**	(0.5)	**0.8**	(0.5)
Adjusted gross profit	**167.6**	166.6	**358.6**	339.4
Fuel and petroleum product adjusted gross profit	**126.7**	131.0	**282.1**	268.0
Non-fuel adjusted gross profit	**40.9**	35.6	**76.5**	71.4
Adjusted gross profit	**167.6**	166.6	**358.6**	339.4

Non-GAAP financial measures

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

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

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

[1] Calculated on a trailing-twelve-month basis.
[2] Determined pursuant to the terms of the Credit Facility.

Maintenance capital expenditures and growth capital expenditures

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

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

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

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

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

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

($ millions)	Three months ended September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Trailing twelve months ended June 30, 2017
Adjusted EBITDA	**60.3**	**77.1**	**70.0**	**53.6**	**261.0**
Share incentive compensation	**3.3**	**4.7**	**1.7**	**1.4**	**11.1**
	63.6	**81.8**	**71.7**	**55.0**	**272.1**
Acquisition pro-forma adjustment [1]					**112.2**
Acquisition, integration and other costs adjustment[2]					**–**
Credit Facility EBITDA					**384.3**

[1] Amounts for the trailing twelve months ended June 30, 2017 include pro-forma pre-acquisition estimates as if the acquisitions during the year occurred on July 1, 2016, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.
[2] The adjustment for acquisition, integration and other costs was calculated to be nil pursuant to the terms of the Credit Facility dated June 27, 2017. This amount is used for debt covenant calculation purposes only.

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

[1] Amounts for the trailing twelve months ended December 31, 2016 include pro-forma pre-acquisition estimates as if the acquisitions during the year occurred on January 1, 2016, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.
[2] The adjustment for acquisition, integration and other costs was calculated to be $14.4 million pursuant to the terms of the Credit Facility amended on June 30, 2016. This amount is used for debt covenant calculation purposes only.

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

($ millions)	**June 30, 2017**	December 31, 2016
Senior Funded Debt:		
Long-term debt – current portion[1]	**5.6**	1.9
Bank indebtedness	**9.5**	—
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	**656.1**	138.8
Letters of credit and surety bonds[2]	**14.6**	8.9
Less:		
Finance lease obligations related to the CST Brands Canada Acquistion[2]	**(82.3)**	—
Cash and cash equivalents, restricted cash and cash reserved for acquisition	**(1,054.9)**	(25.6)
Senior Funded Debt[1]	**(451.4)**	124.0
Senior Unsecured Notes[1]	**1,187.5**	399.2
Total Funded Debt[1]	**736.1**	523.2
Credit Facility EBITDA	**384.3**	258.8
Senior Funded Debt to Credit Facility EBITDA ratio	**(1.17)**	0.48
Total Funded Debt to Credit Facility EBITDA ratio	**1.92**	2.02

[1] Consent was provided by lenders to exclude the 5.75% Senior Notes, the subscription receipts, and the related proceeds held in escrow from the calculation of Total Funded Debt and Senior Funded Debt as at December 31, 2016. These amounts were not excluded as at June 30, 2017.
[2] Calculated pursuant to the terms of the Credit Facility.

Interest coverage ratio

For the trailing twelve months ended ($ millions)	**June 30, 2017**	December 31, 2016
Credit Facility EBITDA	**384.3**	258.8
Interest[1]	**50.8**	35.3
Interest coverage ratio	**7.56**	7.33

[1] Calculated pursuant to the terms of the Credit Facility.

NUOC

($ millions)	Three months ended September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Trailing twelve months ended June 30, 2017
Operating costs	**24.5**	**25.1**	**24.8**	**26.2**	**100.6**
Marketing, general and administrative	**5.6**	**6.4**	**6.7**	**6.8**	**25.5**
Less: Non-fuel adjusted gross profit	**(14.0)**	**(14.5)**	**(12.6)**	**(14.4)**	**(55.5)**
	16.1	**17.0**	**18.9**	**18.6**	**70.6**
Fuel and petroleum product volume[1] (millions of litres)	**1,001.8**	**935.9**	**844.2**	**966.7**	**3,748.6**
NUOC	**1.61**	**1.82**	**2.24**	**1.92**	**1.88**

[1] Includes diesel, gasoline and propane volumes.

($ millions)	Three months ended September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	Trailing twelve months ended June 30, 2016
Operating costs	23.8	23.6	22.9	24.6	94.9
Marketing, general and administrative	6.2	6.4	6.2	5.9	24.7
Less: Non-fuel adjusted gross profit	(12.9)	(12.8)	(14.0)	(13.7)	(53.4)
	17.1	17.2	15.1	16.8	66.2
Fuel and petroleum product volume[1] (millions of litres)	996.8	912.0	843.1	936.0	3,687.9
NUOC	1.72	1.89	1.79	1.79	1.80

[1] Includes diesel, gasoline and propane volumes.

TTM operating ratio

Commercial Fuels

($ millions)	Three months ended September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Trailing twelve months ended June 30, 2017
Operating costs	**28.1**	**33.3**	**38.4**	**33.0**	**132.8**
Marketing, general and administrative	**5.9**	**6.3**	**6.2**	**6.1**	**24.5**
	34.0	**39.6**	**44.6**	**39.1**	**157.3**
Adjusted gross profit	**38.3**	**54.9**	**72.7**	**44.1**	**210.0**
TTM operating ratio					**74.9%**

($ millions)	Three months ended September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	Trailing twelve months ended June 30, 2016
Operating costs	28.4	31.9	33.2	28.9	122.4
Marketing, general and administrative	5.8	5.8	6.3	6.4	24.3
	34.2	37.7	39.5	35.3	146.7
Adjusted gross profit	39.8	52.0	61.6	41.5	194.9
TTM operating ratio					75.3%

Parkland USA

($ millions)	Three months ended September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	Trailing twelve months ended June 30, 2017
Operating costs	**10.2**	**9.7**	**10.4**	**10.5**	**40.8**
Marketing, general and administrative	**1.6**	**2.0**	**1.8**	**2.1**	**7.5**
	11.8	**11.7**	**12.2**	**12.6**	**48.3**
Adjusted gross profit	**16.1**	**15.9**	**15.2**	**17.6**	**64.8**
TTM operating ratio					**74.5%**

($ millions)	Three months ended September 30, 2015	December 31, 2015	March 31, 2016	June 30, 2016	Trailing twelve months ended June 30, 2016
Operating costs	9.9	10.8	10.7	9.9	41.3
Marketing, general and administrative	1.7	1.9	2.1	1.9	7.6
	11.6	12.7	12.8	11.8	48.9
Adjusted gross profit	17.9	16.8	16.2	15.2	66.1
TTM operating ratio					74.0%

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

($ millions)	Three months ended June 30, 2017	2016	Six months ended June 30, 2017	2016
Corporate marketing, general and administrative	**12.7**	12.8	**23.1**	23.6
Parkland's adjusted gross profit	**167.6**	166.6	**358.6**	339.4
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	**7.6%**	7.7%	**6.4%**	7.0%

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 owned, retailer operated sites. The effects of opening and closing stores, temporary closures, expansions and renovations of stores in the period are excluded.

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

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

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

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

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

Measures calculated on a cents-per-litre basis

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

13. OUTLOOK

As a result of the CST Brands Canada Acquisition, we have revised our 2017 Adjusted EBITDA guidance to a range of $310 million to $340 million, an increase from the previous guidance of $255 million to $285 million.

For the remainder of 2017, Parkland will be focused on integrating the CST Brands Canada Acquisition as well as planning, closing and integrating the Chevron Canada Acquisition, including driving synergies to create shareholder value. Upon the closing of the Chevron Canada Acquisition, we anticipate increasing our network to an estimated 1,860 sites across Canada, which will include approximately 600 Company sites.

	Ultramar	Esso	Fas Gas Plus	Pioneer	Race Trac	Chevron	Other	Total
Existing site count								
Company sites	**143**	**73**	**86**	**119**	**1**	**32**	**16**	**470**
Dealer sites	**490**	**525**	**90**	**36**	**70**	**16**	**33**	**1,260**
Site count, as at June 30, 2017	**633**	**598**	**176**	**155**	**71**	**48**	**49**	**1,730**
Estimated additions from the Chevron Canada Acquisition[1]								
Company sites	–	–	–	–	–	**129**	–	**129**
Dealer sites	–	–	–	–	–	–	–	–
Estimated site count additions	–	–	–	–	–	**129**	–	**129**
Pro forma site count upon closing of the Chevron Canada Acquisition[1]								
Company sites	**143**	**73**	**86**	**119**	**1**	**161**	**16**	**599**
Dealer sites	**490**	**525**	**90**	**36**	**70**	**16**	**33**	**1,260**
Pro forma site count	**633**	**598**	**176**	**155**	**71**	**177**	**49**	**1,859**

[1] See Section 10 of this MD&A for risk factors related to the Chevron Canada Acquisition.

Furthermore, Parkland anticipates 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 drive organic growth in the Parkland Retail Fuels offering across Canada. Parkland will also continue to search for opportunities to drive improvements in our supply economics and supply optionality as part of executing our supply strategy, while adding additional company volume through organic growth. We intend to maintain our ongoing focus on integrating the CST Brands Canada Acquisition and the Chevron Canada Acquisition, retaining existing customers and winning new customers in our various markets. We also intend to take advantage of growth opportunities we expect will materialize for our Commercial Fuels business when the economy recovers in Western Canada. Parkland will continue to review its acquisition pipeline for potential targets, and initiate acquisitions as strategic opportunities arise.

Revised 2017 Adjusted EBITDA guidance considerations

The revised 2017 Adjusted EBITDA guidance of $310 million to $340 million includes growth scenarios that build off the 2016 Adjusted EBITDA of $253.5 million and adds Adjusted EBITDA based on Parkland management's estimate of how the business acquired in the CST Brands Canada Acquisition will perform, whereby such estimate is based on prior performance of the CST Brands Canada business. The revised 2017 Adjusted EBITDA guidance is also based on the assumption that general market conditions, including but not limited to fuel margins and weather, will remain the same for the remainder of 2017. Additionally, the lower end of range accounts for potential adverse market conditions in Western Canada and the Northern U.S. and the higher range accounts for contributions from synergies relating to prior acquisitions and Parkland achieving its previously disclosed average annual organic growth goal of 3-5%. The guidance does not include the Adjusted EBITDA impact of the Chevron Canada Acquisition. Refer to Parkland's press releases issued on August 2, 2017 and March 2, 2017 on SEDAR at www.sedar.com for more information.

14. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

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

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

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

- the regulatory framework that governs the operation of Parkland's business;
- Parkland's ability to successfully close the Chevron Canada Acquisition;
- Parkland's ability to successfully integrate the CST Brands Canada Acquisition and the Chevron Canada Acquisition into Parkland's operations;
- commodity prices for gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products;
- financial market conditions, including interest rates and exchange rates;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program;
- the completion of the Chevron Canada Acquisition, and the use of proceeds from the Equity Offering and the 5.625% Senior Notes offering; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

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

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

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

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