

Parkland Fuel Corporation

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2019



Parkland Fuel Corporation
Consolidated Balance Sheets
(Unaudited)

(\$ millions)	Note	June 30, 2019	December 31, 2018
Assets			
Current assets			
Cash and cash equivalents		330	40
Restricted cash		17	—
Accounts receivable		1,112	665
Inventories		689	389
Risk management and other derivatives	11	34	40
Prepaid expenses and other		89	43
		2,271	1,177
Property, plant and equipment	5	3,605	2,267
Intangible assets	7	996	714
Goodwill	8	1,764	1,305
Long-term receivables		68	58
Other long-term assets	9	229	39
Deferred tax assets		171	101
		9,104	5,661
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,407	806
Dividends declared and payable		15	14
Income taxes payable		62	—
Long-term debt – current portion	10	103	4
Provisions and other liabilities – current portion	13	322	279
Risk management and other derivatives	11	9	7
		1,918	1,110
Long-term debt	10	3,610	2,259
Provisions and other liabilities	13	1,021	323
Deferred tax liabilities		327	168
		6,876	3,860
Shareholders' equity			
Shareholders' capital	14	2,344	1,886
Contributed surplus		19	18
Accumulated other comprehensive (loss) income		(20)	49
SoI Put Option reserve	13	(494)	—
Deficit		(58)	(152)
Non-controlling interest ("NCI")	15	437	—
		2,228	1,801
		9,104	5,661

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Income (Unaudited)

(\$ millions, unless otherwise stated)	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Sales and operating revenue	19	4,854	3,783	9,069	7,125
Expenses					
Cost of purchases		4,130	3,291	7,658	6,192
Operating costs		256	194	517	401
Marketing, general and administrative		106	70	207	140
Acquisition, integration and other costs	16	14	12	49	29
Depreciation and amortization		140	76	275	145
Finance and other costs	18	72	40	150	81
Foreign exchange (gain) loss		(14)	21	(44)	19
Loss on asset disposals		—	23	—	23
Gain on risk management and other derivatives	11	(3)	(14)	(5)	(4)
Other income	17	(4)	—	(14)	—
Earnings before income taxes		157	70	276	99
Income tax expense		46	10	74	19
Net earnings		111	60	202	80
Net earnings attributable to:					
Parkland		105	60	182	80
NCI	15	6	—	20	—
Net earnings per share (\$ per share)	4				
- Basic		0.72	0.45	1.25	0.61
- Diluted		0.70	0.45	1.22	0.60
Weighted average number of common shares (000's of shares)	4	146,748	132,071	145,966	131,755

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Comprehensive Income (Unaudited)

(\$ millions)	Note	Three months ended June 30,		Six months ended June 30,	
		2019	2018	2019	2018
Net earnings		111	60	202	80
Other comprehensive (loss) income:					
Items that may be reclassified to consolidated statements of income in subsequent periods:					
Exchange differences on translation of foreign operations		(39)	2	(39)	5
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax	10	19	—	(3)	—
Other comprehensive (loss) income		(20)	2	(42)	5
Total comprehensive income		91	62	160	85
Total comprehensive income attributable to:					
Parkland		85	62	139	85
NCI	15	6	—	21	—

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(\$ millions)	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Sol Put Option reserve	Deficit	NCI	Total shareholders' equity
As at January 1, 2019		1,886	18	49	—	(152)	—	1,801
Net earnings		—	—	—	—	182	20	202
Other comprehensive (loss) income		—	—	(43)	—	—	1	(42)
NCI acquired on Sol Transaction	16	—	—	—	—	—	416	416
Shares issued on Sol Transaction	16	423	—	—	—	—	—	423
Dividends		—	—	—	—	(88)	—	(88)
Share incentive compensation		—	6	—	—	—	—	6
Issued under dividend reinvestment plan, net of costs	14	31	—	—	—	—	—	31
Issued under share option plan	14	6	(1)	—	—	—	—	5
Issued on vesting of restricted share units	14	(2)	(4)	—	—	—	—	(6)
Sol Put Option	13	—	—	—	(494)	—	—	(494)
Reclassification of net gain on Sol Transaction Hedge		—	—	(26)	—	—	—	(26)
As at June 30, 2019		2,344	19	(20)	(494)	(58)	437	2,228
As at January 1, 2018		1,816	21	7	—	(199)	—	1,645
Net earnings		—	—	—	—	80	—	80
Other comprehensive income		—	—	5	—	—	—	5
Dividends		—	—	—	—	(79)	—	(79)
Share incentive compensation		—	3	—	—	—	—	3
Issued under dividend reinvestment plan, net of costs		27	—	—	—	—	—	27
Issued under share option plan		7	(1)	—	—	—	—	6
Issued on vesting of restricted share units		1	(3)	—	—	—	—	(2)
Share cancellation		(2)	—	—	—	—	—	(2)
As at June 30, 2018		1,849	20	12	—	(198)	—	1,683

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Consolidated Statements of Cash Flows (Unaudited)

		Three months ended June 30,		Six months ended June 30,	
(\$ millions)	Note	2019	2018	2019	2018
Operating activities					
Net earnings		111	60	202	80
Adjustments for:					
Depreciation and amortization		140	76	275	145
Loss on asset disposals		—	23	—	23
Share incentive compensation		4	4	8	4
Change in risk management and other derivatives		(10)	(8)	(19)	1
Change in other liabilities and other assets		25	(7)	42	(13)
Change in fair value of Redemption Options	18	(10)	7	(37)	11
Change in value of Sol Put Option	13	8	—	40	—
Deferred taxes		(9)	(11)	(33)	(12)
Share of net earnings from investment in associate	9	(3)	—	(5)	—
Other operating activities		2	1	(17)	6
Net change in non-cash working capital related to operating activities	12	253	(54)	191	(61)
Cash generated from operating activities		511	91	647	184
Financing activities					
Net (repayments) proceeds from the Credit Facility		(143)	—	1,032	(630)
Long-term debt repayments, excluding the Credit Facility		(17)	(1)	(20)	(1)
Proceeds from long-term debt, net of financing costs, excluding the Credit Facility		9	3	20	650
Payments on principal amount on leases	6	(32)	—	(58)	—
Change in provisions and other liabilities		(48)	57	6	28
Dividends paid to shareholders, net of dividend reinvestment plan		(29)	(26)	(56)	(52)
Net change in non-cash working capital related to financing activities	12	(12)	—	(72)	—
Cash (used in) generated from financing activities		(272)	33	852	(5)
Investing activities					
Sol Transaction, net of Sol Transaction Hedge and cash assumed	16	—	—	(948)	—
Chevron Acquisition		—	—	—	26
Other acquisitions	16	(27)	(2)	(27)	(2)
Dividends received from investment in associate	9	3	—	10	—
Expenditures on property, plant and equipment and intangible assets		(118)	(67)	(207)	(139)
Change in long-term receivables and other long-term assets		(7)	(13)	(14)	(14)
Proceeds on asset disposals		1	—	3	1
Cash used in investing activities		(148)	(82)	(1,183)	(128)
Increase in net cash		91	42	316	51
Impact of foreign currency translation on cash		(8)	—	(9)	—
Net cash at beginning of period		264	32	40	23
Net cash at end of period		347	74	347	74
Represented by:					
Cash and cash equivalents		330	74	330	74
Restricted cash		17	—	17	—
Net cash		347	74	347	74
Supplementary cash flow information:					
Interest paid		56	33	105	50
Interest received		—	—	(1)	(1)
Income taxes paid		22	22	66	40

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019 (\$ millions, unless otherwise stated)

1. CORPORATE INFORMATION

Parkland Fuel Corporation ("Parkland") is an independent marketer, distributor and refiner of fuel and petroleum products and a convenience retailer. Parkland delivers refined fuels, propane and other high quality petroleum products to motorists, businesses, consumers and wholesale customers across the Americas. Parkland exists under the Business Corporations Act (Alberta) in Canada and its corporate office is located at Suite 6302, 333 96 Avenue NE, Calgary, Alberta, T3K 0S3, Canada. The interim condensed consolidated financial statements include the accounts of Parkland and its subsidiaries and any investments in associates and joint arrangements as at June 30, 2019.

2. BASIS OF PREPARATION

(a) Statement of compliance

Parkland's interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 – Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with Parkland's annual consolidated financial statements for the year ended December 31, 2018 (the "Annual Consolidated Financial Statements").

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on August 1, 2019.

(b) Basis of measurement

Parkland's interim condensed consolidated financial statements are prepared on a historical cost basis, except for certain items recorded at fair value as detailed in the Annual Consolidated Financial Statements.

(c) Presentation and functional currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is Parkland's functional currency.

(d) Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except for: (i) the adoption of IFRS 16 – Leases ("IFRS 16"), as disclosed in Note 3; (ii) non-controlling interest, as described below; and (iii) investments in associates, as described below.

Non-controlling interest ("NCI")

As a result of the Sol Transaction, Parkland now presents NCI in these interim condensed consolidated financial statements. NCI represents the portion of equity ownership in subsidiaries not attributable to Parkland shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings and other comprehensive income attributable to the NCI, as well as any dividends or distributions paid to the NCI.

Investments in associates

An associate is an entity for which Parkland has significant influence and thereby has the power to participate in the financial and operational decisions but does not control or jointly control the investee. Investments in associates are accounted for using the equity method of accounting and are recognized at cost and subsequently adjusted for the proportionate share of the investee's net income. Parkland's interim condensed consolidated financial statements include its share of the investee's post-acquisition net earnings and other comprehensive (loss) income until the date that significant influence ceases. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019 (\$ millions, unless otherwise stated)

(e) Recently adopted accounting pronouncements

IFRS 16 – Leases

On January 1, 2019, Parkland adopted IFRS 16 - Leases, which replaces IAS 17- Leases and related interpretations using the modified retrospective transition approach, which does not require restatement of prior period financial statements. 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. Refer to Note 3 for further details.

(f) Use of estimates and judgments

The preparation of Parkland's financial statements requires management to make estimates and use judgment that affect the reported amounts of revenue, expenses, assets, liabilities and accompanying disclosures. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the financial statements are described in Parkland's Annual Consolidated Financial Statements.

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

(a) IFRS 16 – Leases

The accounting policies under IAS - 17 Leases ("IAS 17") are disclosed separately if they differ from those under IFRS 16 - Leases ("IFRS 16").

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer (right-of-use asset). Control is considered to exist if the customer has:

- the right to obtain substantially all of the economic benefits from the use of an identified asset; and
- the right to direct the use of that asset.

On Parkland's initial adoption of IFRS 16, lease liabilities are measured at the present value of the remaining lease payments, discounted using Parkland's incremental borrowing rate as at January 1, 2019. The right-of-use assets were measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognized in the consolidated balance sheet as at December 31, 2018. Parkland elected to use the following practical expedients permitted by the standard:

- use a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- by class of underlying assets, account for leases with a remaining lease term of less than twelve months on January 1, 2019 as short-term leases;
- exclude initial direct costs from the measurement of right-of-use assets;
- by class of underlying assets, elect to combine lease and non-lease components as a single lease component; and
- treat leases with an underlying asset of low dollar value as operating leases.

The adoption of IFRS 16 increases Parkland's assets and liabilities, depreciation and amortization, and finance and other costs, while reducing operating costs and increasing Adjusted EBITDA. While cash payments associated with operating leases were previously presented under operating activities, cash flows associated with lease payments under IFRS 16 are allocated between financing activities for the repayment of the principal liability, and operating activities for the interest component. The overall impact to cash flow for Parkland remains unchanged.

Adoption of IFRS 16 resulted in the recording of additional right-of-use assets, net of adjustments and lease liabilities of approximately \$239 and \$241 respectively, as of January 1, 2019 with no impact on deficit in the consolidated statements of changes in shareholders' equity. For categories of right-of-use assets recognized, refer to Note 6. A weighted average incremental borrowing rate of 6.62% was applied to the lease liabilities as at January 1, 2019.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as operating costs or marketing, general and administrative expenses, depending on the nature of the business activities to which the leases relate. Short-term leases are leases with a lease term of twelve months or less. Low-value assets are comprised of IT equipment and small office furniture items.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The assessment is reviewed if a significant event or a significant change in circumstances occurs.

The following reconciliation to the opening balance for the lease liabilities as at January 1, 2019 is based on the operating lease obligations as at December 31, 2018:

Reconciliation	January 1, 2019
Operating lease obligations as at December 31, 2018	320
Minimum lease payments on finance lease liabilities as at December 31, 2018	13
Relief option for short-term leases	(12)
Relief options for leases of low-value assets	–
Lease type obligations (service payments)	13
Others	(5)
Gross lease liabilities as at January 1, 2019	329
Discounting	(82)
Lease liabilities as at January 1, 2019	247
Present value of finance leases as at December 31, 2018	(6)
Additional lease liabilities as a result of the initial application of IFRS 16 as at January 1, 2019	241

The lessor accounting model remains substantially unchanged from IAS 17, maintaining the distinction between operating leases and finance leases.

(b) Impact of adopting IFRS 16 on the interim condensed consolidated financial statements

The impact of IFRS 16 on the consolidated balance sheets as at June 30, 2019 is as follows:

	As at June 30, 2019		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Assets			
Prepaid expenses and other	89	2	91
Property, plant and equipment	3,605	(436)	3,169
Intangible assets	996	2	998
Deferred tax assets	171	(36)	135
	4,861	(468)	4,393
Liabilities			
Long-term debt	3,713	(448)	3,265
Provisions and other liabilities	1,343	4	1,347
Deferred tax liabilities	327	(34)	293
	5,383	(478)	4,905
Shareholders' equity			
Deficit	(58)	8	(50)
Non-controlling interest ("NCI")	437	2	439
	379	10	389

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019 (\$ millions, unless otherwise stated)

The impact of IFRS 16 on the consolidated statements of income for the three and six months ended June 30, 2019 is as follows:

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Sales and operating revenue	4,854	–	4,854	9,069	–	9,069
Expenses						
Cost of purchases	4,130	15	4,145	7,658	30	7,688
Operating costs	256	17	273	517	31	548
Marketing, general and administrative	106	3	109	207	6	213
Acquisition, integration and other costs	14	–	14	49	–	49
Depreciation and amortization	140	(34)	106	275	(65)	210
Finance and other costs	72	(7)	65	150	(14)	136
Foreign exchange gain	(14)	–	(14)	(44)	–	(44)
Gain on risk management and other derivatives	(3)	–	(3)	(5)	–	(5)
Other income	(4)	–	(4)	(14)	–	(14)
Earnings before income taxes	157	6	163	276	12	288
Income tax expense	46	–	46	74	2	76
Net earnings	111	6	117	202	10	212
Net earnings attributable to:						
Parkland	105	5	110	182	8	190
NCI	6	1	7	20	2	22

The following table outlines the impact of IFRS 16 on the consolidated statements of cash flows for the three and six months ended June 30, 2019:

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	As reported	IFRS 16 Adjustment	Pre-IFRS 16	As reported	IFRS 16 Adjustment	Pre-IFRS 16
Cash generated from operating activities	511	(32)	479	647	(58)	589
Cash (used in) generated from financing activities	(272)	32	(240)	852	58	910
	239	–	239	1,499	–	1,499

(c) Impact of adopting IFRS 16 on segment information

The following table outlines the impact of IFRS 16 on segment information as attributable to Parkland as disclosed in Note 20 of the interim condensed consolidated financial statements for the three and six months ended June 30, 2019:

	Three months ended June 30, 2019			Six months ended June 30, 2019		
	Adjusted EBITDA as reported	IFRS 16 Adjustment	Pre-IFRS 16 Amount ⁽¹⁾	Adjusted EBITDA as reported	IFRS 16 Adjustment	Pre-IFRS 16 Amount ⁽¹⁾
Canada Retail	63	(6)	57	136	(11)	125
Canada Commercial	10	(2)	8	54	(3)	51
USA	13	(1)	12	24	(1)	23
Supply	216	(7)	209	359	(13)	346
International	74	(14)	60	145	(28)	117
Corporate	(30)	(1)	(31)	(57)	(2)	(59)
Consolidated	346	(31)	315	661	(58)	603

⁽¹⁾ Pre-IFRS 16 Amounts are comparable to the reportable information in the comparative period which was calculated under IAS 17.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

4. NET EARNINGS PER SHARE

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Net earnings attributable to Parkland	105	60	182	80
Weighted average number of common shares (000's of shares)	146,748	132,071	145,966	131,755
Effect of dilutive securities (000's of shares)	2,949	2,585	2,886	2,523
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	149,697	134,656	148,852	134,278
Net earnings per share (\$ per share)				
- Basic	0.72	0.45	1.25	0.61
- Diluted	0.70	0.45	1.22	0.60

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2019
(\$ millions, unless otherwise stated)

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Right-of-use assets ⁽¹⁾	Total
Cost							
As at December 31, 2018		668	113	418	1,746	7	2,952
IFRS 16 Adjustment	3	—	—	—	—	239	239
Adjusted balance as at January 1, 2019		668	113	418	1,746	246	3,191
Additions		7	4	10	153	100	274
Change in ARO costs		—	—	—	45	—	45
Sol Transaction	16	298	25	128	379	172	1,002
Other acquisitions	16	5	3	8	6	—	22
Disposals		(2)	—	(1)	(6)	(2)	(11)
Exchange differences		(6)	(1)	(5)	(13)	(6)	(31)
As at June 30, 2019		970	144	558	2,310	510	4,492
Depreciation							
As at January 1, 2019		—	27	92	564	2	685
Depreciation		—	8	21	117	65	211
Disposals		—	—	—	(5)	—	(5)
Exchange differences		—	—	(1)	(3)	—	(4)
As at June 30, 2019		—	35	112	673	67	887
Net book value							
As at June 30, 2019		970	109	446	1,637	443	3,605

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Right-of-use assets ⁽¹⁾	Total
Cost							
As at January 1, 2018		646	104	347	1,477	7	2,581
Additions		3	5	38	234	—	280
Change in ARO costs		—	—	—	39	—	39
Rhinehart Acquisition	16	13	1	18	16	—	48
Other acquisitions	16	4	2	12	12	—	30
Disposals		—	—	(1)	(39)	—	(40)
Exchange differences		2	1	4	7	—	14
As at December 31, 2018		668	113	418	1,746	7	2,952
Depreciation							
As at January 1, 2018		—	16	64	389	2	471
Depreciation		—	11	27	185	—	223
Disposals		—	—	—	(14)	—	(14)
Exchange differences		—	—	1	4	—	5
As at December 31, 2018		—	27	92	564	2	685
Net book value							
As at December 31, 2018		668	86	326	1,182	5	2,267

⁽¹⁾ The January 1, 2019 right-of-use assets were adjusted to conform with IFRS 16, which replaces IAS 17 and related interpretations. Refer to Notes 3 and 6 for further information.

Included in property, plant and equipment as at June 30, 2019 are assets under construction of \$283 (December 31, 2018 - \$153) consisting primarily of construction and upgrades for the refinery within the Supply segment and for retail stations within the Canada Retail, USA and International segments.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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6. LEASES

(a) Parkland as a lessee

See Note 3 for further discussion on the adoption of IFRS 16. The right-of-use assets carried as property, plant and equipment resulting from leases are presented below:

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Equipment	Other	Total
Cost							
As at January 1, 2019		187	—	36	5	18	246
Additions		28	—	38	2	32	100
Sol Transaction	16	59	83	—	—	30	172
Disposals		(1)	—	—	(1)	—	(2)
Exchange differences		(1)	(1)	(3)	—	(1)	(6)
As at June 30, 2019		272	82	71	6	79	510
Depreciation							
As at January 1, 2019		—	—	—	—	2	2
Depreciation		19	28	10	1	7	65
As at June 30, 2019		19	28	10	1	9	67
Net book value							
As at June 30, 2019		253	54	61	5	70	443

(b) Amounts recognized in the consolidated statements of income

The consolidated statements of income include the following amounts relating to leases:

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Depreciation charge on right-of-use assets	34	—	65	—
Interest expense on lease liabilities ⁽¹⁾	7	—	14	—
Other lease expenses ⁽²⁾	20	24	39	48
	61	24	118	48

⁽¹⁾ See Note 18.

⁽²⁾ Other lease expenses include payments for short-term, low-value and/or variable lease payments not included in lease liabilities included within operating costs and marketing, general and administrative expenses on the consolidated statements of income.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

7. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
December 31, 2018		654	250	61	67	1,032
IFRS 16 Adjustment		—	—	(3)	—	(3)
Adjusted balance as at January 1, 2019		654	250	58	67	1,029
Sol Transaction	16	256	59	29	—	344
Additions		—	—	—	12	12
Exchange differences		(9)	(2)	—	—	(11)
As at June 30, 2019		901	307	87	79	1,374
Amortization						
As at December 31, 2018		239	36	19	24	318
Amortization		40	10	10	4	64
Exchange differences		(2)	(2)	—	—	(4)
As at June 30, 2019		277	44	29	28	378
Net book value						
As at June 30, 2019		624	263	58	51	996

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
As at January 1, 2018		608	240	57	51	956
Additions		—	—	—	16	16
Rhinehart Acquisition	16	40	9	4	—	53
Exchange differences		6	1	—	—	7
As at December 31, 2018		654	250	61	67	1,032
Amortization						
As at January 1, 2018		185	21	13	18	237
Amortization		52	15	6	6	79
Exchange differences		2	—	—	—	2
As at December 31, 2018		239	36	19	24	318
Net book value						
As at December 31, 2018		415	214	42	43	714

8. GOODWILL

	Note	January 1, 2019 to June 30, 2019	January 1, 2018 to December 31, 2018
Goodwill, beginning of period		1,305	1,221
Sol Transaction	16	469	—
Rhinehart Acquisition	16	—	68
Other acquisitions	16	4	7
Exchange differences		(14)	9
Goodwill, end of period		1,764	1,305

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and six months ended June 30, 2019
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9. OTHER LONG-TERM ASSETS

	Note	June 30, 2019	December 31, 2018
Investment in associate (a)		147	—
Redemption Options	11	45	8
Long-term prepaid expenses, deposits and other assets		37	31
		229	39

(a) Investment in associate

Société Anonyme de la Raffinerie des Antilles ("SARA Refinery")

Sol Investments SEZC ("SIL", previously named as Sol Investments Limited), a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery, which is based in Martinique with operations to sell refined crude oil in Guadeloupe, French Guiana and Martinique. The SARA Refinery is an unlisted entity and has a December 31 year end. This entity is treated as an investment in associate and accounted for using the equity method.

Summarized below is the unaudited financial information for the SARA Refinery:

	Three months ended June 30, 2019	Six months ended June 30, 2019
Sales and operating revenue	333	681
Cost of purchases	227	538
Gross profit	106	143
Net earnings	9	17
Share of equity investment (%)	29%	29%
Proportionate share of net earnings	3	5

	June 30, 2019
Current assets	411
Non-current assets	216
Current liabilities	(126)
Non-current liabilities	(183)
Net assets	318

The table below presents the reconciliation of proportionate share of net assets of the SARA Refinery as per unaudited financial information to the carrying amounts recorded in the consolidated balance sheets as at June 30, 2019.

	June 30, 2019
Proportionate share of equity investment (%)	29%
Proportionate share of net assets	92
Fair value adjustments	55
Carrying Amount	147

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019 (\$ millions, unless otherwise stated)

10. LONG-TERM DEBT

	June 30, 2019	December 31, 2018
Credit Facility (a)	1,102	82
Unamortized discount: deferred financing costs	—	(6)
	1,102	76
Senior Notes (b)		
5.50% Senior Notes, due 2021	200	200
6.00% Senior Notes, due 2022	200	200
5.75% Senior Notes, due 2024	300	300
5.625% Senior Notes, due 2025	500	500
6.00% US\$500 Senior Notes, due 2026	655	682
6.50% Senior Notes, due 2027	300	300
Unamortized premium: Redemption Options	17	19
Unamortized discount: deferred financing costs	(28)	(31)
	2,144	2,170
Other notes	13	11
Credit Facility, Senior Notes, and other notes	3,259	2,257
Lease obligations	454	6
Total long-term debt	3,713	2,263
Less: current portion of Credit Facility, Senior Notes, and other notes	(3)	(2)
Less: current portion of Lease obligations	(100)	(2)
Long-term debt	3,610	2,259

Estimated principal repayments of the Credit Facility, Senior Notes, and other notes are as follows:

	2019	2020	2021	2022	2023	Thereafter	Total
Credit Facility (a)	—	—	327	—	775	—	1,102
Senior Notes (b)							
5.50% Senior Notes, due 2021	—	—	200	—	—	—	200
6.00% Senior Notes, due 2022	—	—	—	200	—	—	200
5.75% Senior Notes, due 2024	—	—	—	—	—	300	300
5.625% Senior Notes, due 2025	—	—	—	—	—	500	500
6.00% US\$500 Senior Notes, due 2026	—	—	—	—	—	655	655
6.50% Senior Notes, due 2027	—	—	—	—	—	300	300
Other notes	2	3	6	1	1	—	13
	2	3	533	201	776	1,755	3,270

(a) Credit Facility

On January 8, 2019, in connection with the Sol Transaction, the Credit Facility was amended and restated to expand the available facility and extend the maturity date (the "Amended Credit Facility"). The Amended Credit Facility includes a combined revolving facility amount of US\$780 and \$400 with a maturity date of January 8, 2023, a term loan facility amount of US\$250 with a maturity date of January 8, 2021, and a short-term commitment facility of US\$100 with a maturity date of September 30, 2019. The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. Security on the Amended Credit Facility consists of the assignment of insurance and priority interests on all present and future Parkland properties and assets.

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Details of the Credit Facility as at June 30, 2019 are as follows:

	Rate	Maturity date	Effective rate	Balance
\$400 Canadian Syndicated Facility				
Canadian Prime Rate Loan	Prime + 0.70%	January 8, 2023	4.65%	156
US\$780 US Syndicated Facility				
US Prime Rate Loan	Prime + 0.70%	January 8, 2023	6.20%	488
US LIBOR Loan	LIBOR + 1.70%	January 8, 2023	3.93% to 4.14%	131
US\$250 Term Loan Facility				
Term Loan	LIBOR + 1.70%	January 8, 2021	4.08%	327
Outstanding borrowings under the Credit Facility				1,102

Security on the Credit Facility consists of the assignment of insurance and a floating charge demand debenture, creating a first floating charge over all of Parkland's property and assets, except for those secured under the Intermediation Facility (see Note 11).

Parkland provides guarantees on behalf of its subsidiaries in the form of letters of credit and surety bonds in the ordinary course of business. As at June 30, 2019, these guarantees amounted to \$252 (December 31, 2018 – \$233) and were not recognized in the interim condensed consolidated financial statements. Maturity dates for these guarantees vary and are up to and including August 21, 2020.

As at June 30, 2019, Parkland provided \$1,755 (December 31, 2018 – \$866) of unsecured guarantees to counterparties of commodities swaps used in purchases and supply agreements of crude oil, fuel and other petroleum products.

(b) Senior Notes

The Senior Notes are unsecured obligations guaranteed by Parkland's subsidiaries, summarized as follows:

Series	Private placement date	Maturity date	Principal amount
5.50% Senior Notes	May 29, 2014	May 28, 2021	200
6.00% Senior Notes	November 21, 2014	November 21, 2022	200
5.75% Senior Notes	September 16, 2016	September 16, 2024	300
5.625% Senior Notes	May 9, 2017	May 9, 2025	500
6.00% US Senior Notes	March 23, 2018	March 23, 2026	655
6.50% Senior Notes	November 21, 2018	January 21, 2027	300
			2,155

The Senior Notes contain covenants that limit Parkland's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Senior Notes is paid semi-annually and is recorded in finance and other costs. See Note 18.

(c) Net Investment Hedge

On February 4, 2019, Parkland designated certain USD-denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive (loss) income.

11. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Parkland's financial instruments consist of cash and cash equivalents, accounts receivable, long-term receivables, risk management and other derivative assets, substantially all accounts payable and accrued liabilities, dividends declared and payable, long-term debt, risk management and other derivative liabilities and certain portions of other long-term assets and other liabilities.

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

(a) Fair value measurement hierarchy

The fair value hierarchy for Parkland's financial assets and liabilities measured at fair value is as follows:

Fair value as at June 30, 2019					
	Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Other derivatives					
Emission credits and allowances (b)		—	34	—	34
Risk management and other derivatives - assets		—	34	—	34
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	(6)	—	(6)
Other derivatives					
Emission credits and allowances (b)		—	(3)	—	(3)
Risk management and other derivatives - liabilities		—	(9)	—	(9)
Other items included in other long-term assets					
Redemption Options (c)	9	—	45	—	45
Others	9	—	—	13	13
Other items included in other long-term assets		—	45	13	58
Other derivatives included in provisions and other liabilities					
Intermediation Facility Derivatives	13	—	(4)	—	(4)
Sol Put Option (d)	13	—	—	(534)	(534)
Other derivatives included in provisions and other liabilities		—	(4)	(534)	(538)
Fair value as at December 31, 2018					
	Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	2	—	2
Sol Transaction Hedge		—	26	—	26
Other derivatives					
Emission credits and allowances (b)		—	12	—	12
Risk management and other derivatives — assets		—	40	—	40
Risk management derivatives					
Commodities swaps, forwards and futures contracts		—	(2)	—	(2)
US dollar forward contracts		—	(2)	—	(2)
Other derivatives					
Emission credits and allowances (b)		—	(3)	—	(3)
Risk management and other derivatives — liabilities		—	(7)	—	(7)
Other items included in other long-term assets					
Redemption Options (c)	9	—	8	—	8
Others	9	—	—	7	7
Other items included in other long-term assets		—	8	7	15
Other derivatives included in prepaid expenses and other					
Intermediation Facility Derivatives	13	—	7	—	7

There were no transfers between fair value measurement hierarchy levels during the six months ended June 30, 2019.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

(b) Emission credits and allowances

Emission credits and allowances that are held for trading and that meet the definition of a derivative are accounted for using the fair value method of accounting in risk management and other derivatives. Realized and unrealized gains and losses are included in net earnings as gain or loss on risk management and other derivatives.

(c) Redemption Options

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 accounted for as embedded derivative financial instruments and carried at a fair value of \$45 as at June 30, 2019 (December 31, 2018 — \$8) within other long-term assets.

(d) Sol Put Option

The Sol Put Option is classified as a financial instrument at fair value through profit or loss, with changes in redemption value recorded within finance and other costs on the consolidated statements of income. The proportionate redemption value of the Sol Put Option is calculated by discounting Sol's contractually-defined trailing-twelve-month Adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Business Combination Agreement ("Sol Agreement"). The Sol Put Option is accounted for as a financial instrument and carried at redemption value of \$534 as at June 30, 2019. During the three and six months ended June 30, 2019, a change in redemption value of \$19 and \$49, respectively (2018 — nil and nil) was recorded within finance and other costs. See Note 18.

Significant unobservable inputs assumptions include: (i) a contractually-defined trailing-twelve-month Adjusted EBITDA of Sol multiplied by 8.5; (ii) other adjustments as defined in the Sol Agreement; and (iii) a discount rate of 6.75%. An increase in Adjusted EBITDA would result in an increase to the liability associated with the Sol Put Option. A 1% change in the discount rate would decrease or increase the liability associated with the Sol Put Option by \$10.

(e) Other financial instruments

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at June 30, 2019 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at June 30, 2019, as Parkland currently issues loans and advances to dealers and customers at market terms. The Senior Unsecured Notes have a carrying value of \$2,155 and an estimated fair value of \$2,168 as at June 30, 2019 (December 31, 2018 — \$2,182 and \$2,051 respectively). The carrying value of other long-term debt and other liabilities approximates fair value as at June 30, 2019, as either the interest rate on the long-term debt is adjusted monthly, the debt was recently issued or liabilities were recently incurred.

(f) Offsetting

Parkland enters into enforceable netting arrangements that allow for the offsetting of financial assets and liabilities. The following financial assets and financial liabilities are subject to offsetting on the consolidated balance sheets:

	As at June 30, 2019			As at December 31, 2018		
	Gross amounts	Amounts offset	Net	Gross amounts	Amounts offset	Net
Risk management and other derivatives — assets	29	(3)	26	28	(14)	14
Risk management and other derivatives — liabilities	(7)	3	(4)	(21)	14	(7)

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)
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(\$ millions, unless otherwise stated)

12. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

(a) Operating activities

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Accounts receivable	(8)	(45)	(78)	(75)
Inventories	(21)	(12)	(132)	(28)
Prepaid expenses and other	7	(9)	(33)	(11)
Accounts payable and accrued liabilities	206	11	341	50
Income tax payable	45	—	64	—
Deferred revenue	24	1	29	3
Total net change in non-cash working capital related to operating activities	253	(54)	191	(61)

(b) Financing activities

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Accounts receivable	(12)	—	(72)	—
Total net change in non-cash working capital related to financing activities	(12)	—	(72)	—

13. PROVISIONS AND OTHER LIABILITIES

	Note	June 30, 2019	December 31, 2018
Intermediation Facility (a)		266	260
Intermediation Facility Derivatives (a)		4	—
Asset retirement and other obligations – current portion (b)		10	4
Deferred revenue		42	15
Provisions and other liabilities – current		322	279
Sol Put Option (c)	11	534	—
Asset retirement and other obligations (b)		421	282
Employee benefits		27	8
Long-term deposits, provisions and other		29	21
DSU liability	14	10	8
Above-market leases		—	4
Provisions and other liabilities – non-current		1,021	323

Parkland Fuel Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

(a) Intermediation Facility Derivatives

In 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery that includes a daily settlement feature, which is accounted for as a derivative financial instrument carried at fair value (the "Intermediation Facility Derivatives"). For the three and six months ended June 30, 2019, a realized gain of \$2 and a realized loss of \$18 respectively (2018 — loss of \$22 and \$29) and an unrealized gain of \$3 and unrealized loss of \$11 respectively (2018 — gain of \$3 and \$5) relating to the Intermediation Facility Derivatives are included within cost of purchases on the consolidated statements of income. As at June 30, 2019, \$4 is recorded on the consolidated balance sheets within provisions and other liabilities — current (December 31, 2018 — \$7 within prepaid expenses and other). See Note 11.

(b) Asset retirement and other obligations

	Note	January 1, 2019 to June 30, 2019	January 1, 2018 to December 31, 2018
Asset retirement and other obligations, beginning of period		286	243
Additional provisions made during the period		14	14
Sol Transaction	16	95	—
Rhinehart Acquisition	16	—	3
Acquisition of other businesses		2	3
Obligations settled during the period		(4)	(12)
Change due to passage of time, foreign exchange, discount rate and inflation rate		38	35
Asset retirement and other obligations, end of period		431	286
Current		10	4
Non-current		421	282
Asset retirement and other obligations, end of period		431	286

As at June 30, 2019, the inflation rate used to determine the value of future asset retirement costs ranged from 2.76% to 2.84% (December 31, 2018 — 2.58% to 2.75%) and the discount rates used to determine the present value of the future asset retirement costs ranged from 3.27% to 3.96% (December 31, 2018 — 4.07% to 4.86%). Asset retirement and other obligations include certain provisions calculated for annual recurring environmental activities at the Burnaby Refinery. Excluding these provisions, the total undiscounted estimated future cash flows required to settle Parkland's asset retirement and other obligations ("ARO") were \$674 as at June 30, 2019 (December 31, 2018 — \$412). These costs are expected to be paid up to 2063 (December 31, 2018 — 2056).

(c) Sol Put Option

	Note	January 1, 2019 to June 30, 2019
Sol Put Option, beginning of period		—
Initial valuation, January 8, 2019		494
Change in redemption value of Sol Put Option	18	49
Exchange differences		(9)
Sol Put Option, end of period		534

The Sol Transaction includes a non-expiring call right for Parkland to acquire (the "Sol Call Option"), and a non-expiring put right for the non-controlling shareholders of SIL to sell (the "Sol Put Option") the remaining outstanding shares of SIL at a proportionate purchase price based on Sol's contractually-defined trailing-twelve-month Adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Agreement. Parkland will have the non-expiring right to refuse the exercise of the Sol Put Option on up to two occasions. The Sol Put Option is first exercisable after the release of Parkland's audited consolidated financial statements for the year ended December 31, 2021. The Sol Call Option has no separate value as it is exercisable at Parkland's discretion.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

14. SHAREHOLDERS' CAPITAL

(a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding.

Changes to shareholders' capital were as follows:

	January 1, 2019 to June 30, 2019		January 1, 2018 to December 31, 2018	
	Number of common shares (000's)	Amount (\$ millions)	Number of common shares (000's)	Amount (\$ millions)
Shareholders' capital, beginning of period	133,668	1,886	131,228	1,816
Shares issued on Sol Transaction	12,231	423	—	—
Issued under dividend reinvestment plan, net of costs	811	31	1,643	55
Issued under share option plan	298	6	690	15
Issued on vesting of restricted share units	264	(2)	205	2
Cancelled	—	—	(98)	(2)
Shareholders' capital, end of period	147,272	2,344	133,668	1,886

(b) Share options, restricted share units, and deferred share units

Details of share options, restricted share units ("RSUs") and deferred share units ("DSUs") held by officers and employees are summarized as follows:

(000's)	June 30, 2019	December 31, 2018
Number of share options outstanding	3,755	3,427
Number of share options outstanding and exercisable	2,361	1,894
Number of RSUs outstanding	1,168	1,016
Number of DSUs outstanding	245	218

Expenses related to share options, RSUs and DSUs for the three and six months ended June 30, 2019 are \$3 and \$8 respectively (2018 - \$4 and \$4). The liability recorded for DSUs in other long-term liabilities as at June 30, 2019 is \$10 (December 31, 2018 - \$8).

(c) Base shelf prospectus

On July 17, 2018, Parkland filed a base shelf prospectus ("Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as units composed of one or more of the aforementioned (collectively, the "Securities") with an aggregate offering amount of up to \$1,000. The Shelf Prospectus allows for the offering of the Securities from time to time in one or more offerings. Terms of the Securities, including, but not limited to, prices or maturity dates, will be determined at the date of issue. The Shelf Prospectus expires in August 2020. As at August 1, 2019, no Securities have been issued under the Shelf Prospectus. The previous base shelf prospectus dated April 11, 2016 expired in May 2018.

15. NON-CONTROLLING INTEREST

Parkland's non-controlling interest ("NCI") represents a third party's 25% ownership interest in Sol. The businesses and assets included in Sol are predominantly located in the Caribbean and northeastern coast of South America. NCI is classified as a component of total equity.

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(\$ millions, unless otherwise stated)

Summarized unaudited interim financial information of Sol is provided below and is based on amounts before intercompany eliminations.

	June 30, 2019
Current assets	1,029
Non-current assets	1,530
Current liabilities	(343)
Non-current liabilities	(492)
Total equity	1,724
Attributable to Parkland	1,287
Attributable to NCI	437

	Three months ended June 30, 2019	Six months ended June 30, 2019
Sales and operating revenue - International	1,283	2,345
Cost of purchases - International	1,120	2,021
Total adjusted gross profit - International	162	319
Adjusted EBITDA attributable to NCI	24	48
Net earnings attributable to NCI	6	20
Total comprehensive income attributable to NCI	6	21
Dividends paid to NCI	—	—

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019 (\$ millions, unless otherwise stated)

16. BUSINESS COMBINATIONS

(a) Sol Transaction

Parkland successfully completed the acquisition of 75% of the outstanding shares of Sol Investments SEZC ("SIL", previously named as Sol Investments Limited) on January 8, 2019 (the "Sol Transaction"), for preliminary purchase price consideration of \$1,350, consisting of cash consideration of \$960 net of estimated cash assumed, preliminary working capital adjustments of \$21, gain on a US dollar currency hedge of \$12 and fair value of share consideration of \$423 (representing 12.2 million common shares calculated using the trading price of \$34.56 per share) in respect of the purchase price under the Sol Agreement.

The issuance of common shares resulted in the non-controlling shareholders of SIL owning 9.9% of the outstanding shares of Parkland immediately after closing. The cash consideration of the Sol Transaction was primarily financed through the Amended Credit Facility (see Note 10). The preliminary purchase price is subject to change as a result of customary post-closing activities.

The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and northern coast of South America and consist of: (i) Sol's retail businesses, which include 268 company-owned or company-leased sites and 239 dealer-owned and dealer-operated sites under brands such as Shell, Esso and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including 32 import terminals, 7 pipelines, 3 marine berths and 10 charter ships; (iii) Sol's commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) Sol's aviation businesses, which operate in 13 countries. The Sol Transaction provides Parkland access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and northern coast of South America.

In addition, the Sol Agreement includes the Sol Call Option and the Sol Put Option. See Note 13(c) for details.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

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In the second quarter of 2019, Parkland revised the preliminary purchase price allocation of the Sol Transaction. These adjustments have been applied retrospectively to the acquisition date. The revised preliminary fair values of the identifiable assets acquired and liabilities assumed are presented below. Parkland expects to finalize these amounts no later than one year from the acquisition date.

	Note	Previously reported values	Adjustments	Revised purchase price allocation
Assets				
Accounts receivable ⁽¹⁾		290	—	290
Prepaid expenses and other		24	(1)	23
Inventories		174	—	174
Property, plant and equipment	5	839	(9)	830
Property, plant and equipment — right-of-use assets	5	178	(6)	172
Intangible assets	7	342	2	344
Long-term receivables		3	—	3
Other long-term assets		177	—	177
Deferred tax assets		33	(3)	30
		2,060	(17)	2,043
Liabilities				
Accounts payable and accrued liabilities ⁽²⁾		(293)	(1)	(294)
Long-term debt		(2)	—	(2)
Long-term debt — lease liability		(178)	7	(171)
Asset retirement obligations	13	(94)	(1)	(95)
Deferred tax liabilities		(165)	5	(160)
Other liabilities		(24)	—	(24)
		(756)	10	(746)
Non-controlling interest ⁽³⁾	15	(418)	2	(416)
Goodwill arising on acquisition	8	464	5	469
Net assets acquired		1,350	—	1,350
Fair value analysis of purchase consideration transferred				
Cash paid on acquisition date, less cash assumed of \$368		960	—	960
Common shares issued on acquisition		423	—	423
Working capital adjustment		(21)	—	(21)
Sol Transaction Hedge		(12)	—	(12)
Purchase consideration transferred		1,350	—	1,350

⁽¹⁾ The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.

⁽²⁾ Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.

⁽³⁾ Non-controlling interest is calculated based on Parkland's proportionate share of the acquired net identifiable assets.

Since the transaction date, sales and operating revenue of \$2,345 and net earnings of \$81 attributable to the Sol Transaction are included in the consolidated statements of comprehensive income. The estimated consolidated sales and operating revenue and net earnings of Parkland would have been approximately \$9,138 and \$202, respectively for the six months ended June 30, 2019 and \$4,854 and \$111, respectively for the three months ended June 30, 2019, if the Sol Transaction occurred on January 1, 2019. Although these amounts represent Parkland's best estimate, there can be no assurance that these would have been the actual results had the Sol Transaction occurred on January 1, 2019.

(b) Rhinehart Acquisition

On August 27, 2018, Parkland completed the acquisition of all outstanding shares of Rhinehart Oil Co., LLC and its affiliates (collectively, "Rhinehart") for a purchase price of \$176 (the "Rhinehart Acquisition"). There are no changes to the fair values of the identifiable assets and liabilities of the Rhinehart Acquisition presented in the Annual Consolidated Financial Statements. Parkland expects to finalize these amounts no later than one year from the acquisition date.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and six months ended June 30, 2019

(\$ millions, unless otherwise stated)

(c) Other acquisitions

During the three months ended June 30, 2019 and 2018, Parkland completed the acquisitions of individually immaterial businesses complementary to Parkland's existing lines of business. There are no changes to the preliminary fair values of the identifiable assets and liabilities of these acquisitions and Parkland expects to finalize the purchase price allocations for these acquisitions no later than one year from their respective acquisition dates.

(d) Other information

Details of acquisition, integration and other costs are outlined below.

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Acquisition costs	2	3	7	4
Integration costs	5	9	21	23
Restructuring and other costs	7	—	21	2
Acquisition, integration and other costs	14	12	49	29

17. OTHER INCOME

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Customer finance income	—	—	1	—
Insurance recoveries	—	—	6	—
Equity in net earnings from associate ⁽¹⁾	3	—	5	—
Others	1	—	2	—
	4	—	14	—

⁽¹⁾ A subsidiary of SIL, a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery. The investment in the SARA Refinery is accounted for using the equity method in accordance with IAS 28. See Note 9 for further discussion on the investment in associate.

18. FINANCE AND OTHER COSTS

		Three months ended June 30,		Six months ended June 30,	
	Note	2019	2018	2019	2018
Interest on leases	6	7	—	14	—
Interest on long-term debt		51	31	100	60
Change in fair value of Redemption Options		(10)	7	(37)	11
Change in redemption value of Sol Put Option	11	19	—	49	—
Interest income		(2)	—	(3)	—
Amortization, accretion and other finance costs		7	2	27	10
		72	40	150	81

Parkland Fuel Corporation

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(\$ millions, unless otherwise stated)

19. SALES AND OPERATING REVENUE

Parkland recognizes revenue in accordance with IFRS 15 – Revenue from contracts with customers as detailed in Note 2 of the Annual Consolidated Financial Statements.

The following table presents Parkland's revenue disaggregated by product type, amount and segment:

	Canada Retail		Canada Commercial ⁽⁴⁾		USA		Supply ⁽⁴⁾		International		Corporate		Consolidated	
Three months ended June 30,	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Gas and diesel	1,602	1,738	552	632	280	192	527	277	990	—	—	—	3,951	2,839
Liquid petroleum gas ⁽¹⁾	1	1	27	31	5	1	87	118	11	—	—	—	131	151
Other fuel and petroleum products ⁽²⁾	—	—	—	—	5	—	235	568	234	—	—	—	474	568
Fuel and petroleum product revenue	1,603	1,739	579	663	290	193	849	963	1,235	—	—	—	4,556	3,558
Convenience store	98	102	—	—	27	12	—	—	—	—	—	—	125	114
Lubricants	—	—	13	17	64	20	—	—	25	—	—	—	102	37
Other non-fuel ⁽³⁾	6	19	33	29	2	2	7	24	23	—	—	—	71	74
Non-fuel revenue	104	121	46	46	93	34	7	24	48	—	—	—	298	225
Sales and operating revenue	1,707	1,860	625	709	383	227	856	987	1,283	—	—	—	4,854	3,783

	Canada Retail		Canada Commercial ⁽⁴⁾		USA		Supply ⁽⁴⁾		International		Corporate		Consolidated	
Six months ended June 30,	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Gas and diesel	2,872	3,166	1,191	1,308	507	344	868	449	1,801	—	—	—	7,239	5,267
Liquid petroleum gas ⁽¹⁾	1	1	99	112	9	3	220	288	22	—	—	—	351	404
Other fuel and petroleum products ⁽²⁾	—	—	—	—	5	—	472	1,053	425	—	—	—	902	1,053
Fuel and petroleum product revenue	2,873	3,167	1,290	1,420	521	347	1,560	1,790	2,248	—	—	—	8,492	6,724
Convenience store	192	191	—	—	48	21	—	—	1	—	—	—	241	212
Lubricants	—	—	27	32	117	35	—	—	48	—	—	—	192	67
Other non-fuel ⁽³⁾	12	36	53	48	15	5	16	33	48	—	—	—	144	122
Non-fuel revenue	204	227	80	80	180	61	16	33	97	—	—	—	577	401
Sales and operating revenue	3,077	3,394	1,370	1,500	701	408	1,576	1,823	2,345	—	—	—	9,069	7,125

⁽¹⁾ Liquid petroleum gas includes propane and butane.

⁽²⁾ Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.

⁽³⁾ Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

⁽⁴⁾ For comparative purposes, information for the three and six months ended June 30, 2019 was restated due to a change in segment presentation, resulting from a reclassification of the wholesale business from the Canada Commercial segment to the Supply segment, reflecting a change in organizational structure in the second quarter of 2019.

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20. SEGMENT INFORMATION

Parkland's reportable operating segments are differentiated by the nature of their products, services, and geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate. The operations in each segment are defined as follows:

Canada Retail

Canada Retail (formerly "Retail") operates and services a network of retail gas stations in Canada operating under many key retail brands including Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates a convenience store brand, On the Run / Marché Express, as well as other convenience store brands.

Canada Commercial

Canada Commercial (formerly "Commercial") delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs, oilfield fluids and other related products and services to commercial, industrial and residential customers across Canada. Commercial brands include Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane.

USA

USA (formerly "Parkland USA") operates and services a network of retail service stations and delivers gasoline, distillates, propane and lubricating oils in the United States. Brands operated by USA include SPF Energy, Farstad Oil, Superpumper, and Rhinehart.

Supply

Supply is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, refining fuel, marketing, transporting and distributing fuel through ships, rail and highway carriers, storing fuel in owned and leased facilities, and serving wholesale and reseller customers. The profits are derived through refining, supply logistics management, aviation fuel sales, and wholesale fuel sales.

International

International represents the contributions of the Sol business that closed on January 8, 2019, which includes operations in 23 countries predominantly located in the Caribbean and northern coast of South America. International operates and services a network of retail service stations under brands including Esso, Shell and Sol. International also serves commercial, industrial and aviation businesses.

Corporate

Corporate 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.

General information

Depreciation and amortization, finance and other costs, acquisition, integration and other costs, (gain) loss on risk management and other derivatives—unrealized, gain on foreign exchange—unrealized, and income taxes are not allocated to segments because they are not reviewed as part of segment information by the chief operating decision maker. Accordingly, there are certain asymmetries in the allocation of net earnings to segments with respect to these items.

The segregation of total assets and total liabilities is not practical, as the balance sheets of the reportable segments are not presented to or reviewed by the chief operating decision maker. Similarly, intersegment sales are not presented to or reviewed by the chief operating decision maker. Intersegment sales are eliminated from sales and operating revenue and cost of purchases of the selling segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Parkland Fuel Corporation

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(\$ millions, unless otherwise stated)

Geographic information

	Three months ended June 30,		Six months ended June 30,	
	2019	2018	2019	2018
Revenue from external customers – Canada	2,851	3,556	5,337	6,717
Revenue from external customers – United States	800	227	1,276	408
Revenue from external customers – International	1,203	—	2,456	—
Sales and operating revenue	4,854	3,783	9,069	7,125

	June 30, 2019			
	Canada	United States	International	Consolidated
Property, plant and equipment	2,456	172	977	3,605
Intangible assets	599	79	318	996
Goodwill	1,164	138	462	1,764
Total	4,219	389	1,757	6,365

	December 31, 2018			
	Canada	United States	International	Consolidated
Property, plant and equipment	2,118	149	—	2,267
Intangible assets	627	87	—	714
Goodwill	1,165	140	—	1,305
Total	3,910	376	—	4,286

Parkland Fuel Corporation

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Segment information	Canada Retail		Canada Commercial		USA		Supply		International		Corporate		Consolidated	
Three months ended June 30 ⁽¹⁾	2019	2018	2019	2018 ⁽⁵⁾	2019	2018	2019	2018 ⁽⁵⁾	2019	2018	2019	2018	2019	2018
Fuel and petroleum product volume (million litres)⁽²⁾	1,733	1,725	686	743	394	246	1,442	1,488	1,270	—	—	—	5,525	4,202
Sales and operating revenue⁽³⁾	1,707	1,860	625	709	383	227	856	987	1,283	—	—	—	4,854	3,783
Cost of purchases														
Fuel and petroleum product cost of purchases	1,486	1,601	529	603	270	184	550	745	1,098	—	—	—	3,933	3,133
Non-fuel cost of purchases	68	81	31	32	69	25	7	20	22	—	—	—	197	158
Cost of purchases	1,554	1,682	560	635	339	209	557	765	1,120	—	—	—	4,130	3,291
Adjusted gross profit														
Fuel and petroleum product adjusted gross profit, before the following:	117	138	50	60	20	9	299	218	137	—	—	—	623	425
Gain on risk management and other derivatives - realized	—	—	—	—	—	—	4	14	—	—	—	—	4	14
Gain (loss) on foreign exchange - realized	—	—	—	—	—	—	5	9	(1)	—	(1)	1	3	10
Other adjusting items ⁽⁴⁾	—	—	—	—	—	—	(3)	(3)	—	—	—	—	(3)	(3)
Fuel and petroleum product adjusted gross profit	117	138	50	60	20	9	305	238	136	—	(1)	1	627	446
Non-fuel adjusted gross profit	36	40	15	14	24	9	—	4	26	—	—	—	101	67
Total adjusted gross profit	153	178	65	74	44	18	305	242	162	—	(1)	1	728	513
Other income	—	—	—	—	—	—	—	—	(4)	—	—	—	(4)	—
Operating costs	73	82	45	45	23	11	72	56	43	—	—	—	256	194
Marketing, general and administrative	17	14	10	11	8	2	17	16	25	—	29	27	106	70
Other adjusting items	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted EBITDA including NCI	63	82	10	18	13	5	216	170	98	—	(30)	(26)	370	249
Attributable to Parkland ("Adjusted EBITDA")	63	82	10	18	13	5	216	170	74	—	(30)	(26)	346	249
Attributable to NCI	—	—	—	—	—	—	—	—	24	—	—	—	24	—
Adjusted EBITDA including NCI	63	82	10	18	13	5	216	170	98	—	(30)	(26)	370	249
Depreciation and amortization	—	—	—	—	—	—	—	—	—	—	—	—	140	76
Finance and other costs	—	—	—	—	—	—	—	—	—	—	—	—	72	40
Loss on asset disposals	—	—	—	—	—	—	—	—	—	—	—	—	—	23
Acquisition, integration and other costs	—	—	—	—	—	—	—	—	—	—	—	—	14	12
Loss on risk management and other derivatives - unrealized	—	—	—	—	—	—	—	—	—	—	—	—	1	—
Gain on foreign exchange - unrealized	—	—	—	—	—	—	—	—	—	—	—	—	(11)	(3)
Other adjusting items ⁽⁴⁾	—	—	—	—	—	—	—	—	—	—	—	—	(3)	31
Income tax expense	—	—	—	—	—	—	—	—	—	—	—	—	46	10
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	111	60
Attributable to Parkland	—	—	—	—	—	—	—	—	—	—	—	—	105	60
Attributable to NCI	—	—	—	—	—	—	—	—	—	—	—	—	6	—
Property, plant and equipment and intangible asset additions	29	18	14	5	3	1	24	19	21	—	11	1	102	44
Property, plant and equipment, intangible asset and goodwill acquisitions	—	2	—	—	24	—	—	—	—	—	—	—	24	2

⁽¹⁾ 2019 results reflect the adoption of IFRS 16 on January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽²⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽³⁾ See Note 19 for further details on sales and operating revenue.

⁽⁴⁾ Other adjusting items included an unrealized gain of \$3 (2018 - unrealized gain of \$3) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

⁽⁵⁾ For comparative purposes, information for the three and six months ended June 30, 2018 was restated due to a change in segment presentation, resulting from a reclassification of the wholesale business from the Canada Commercial segment to the Supply segment, reflecting a change in organizational structure in the second quarter of 2019.

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Segment information	Canada Retail		Canada Commercial		USA		Supply		International		Corporate		Consolidated	
Six months ended June 30 ⁽¹⁾	2019	2018	2019	2018 ⁽⁶⁾	2019	2018	2019	2018 ⁽⁶⁾	2019	2018	2019	2018	2019	2018
Fuel and petroleum product volume (million litres)⁽²⁾	3,341	3,311	1,579	1,658	725	465	2,883	2,979	2,333	—	—	—	10,861	8,413
Sales and operating revenue⁽³⁾	3,077	3,394	1,370	1,500	701	408	1,576	1,823	2,345	—	—	—	9,069	7,125
Cost of purchases														
Fuel and petroleum product cost of purchases	2,634	2,904	1,144	1,270	486	330	1,043	1,417	1,980	—	—	—	7,287	5,921
Non-fuel cost of purchases	132	152	53	52	133	44	12	23	41	—	—	—	371	271
Cost of purchases	2,766	3,056	1,197	1,322	619	374	1,055	1,440	2,021	—	—	—	7,658	6,192
Adjusted gross profit														
Fuel and petroleum product adjusted gross profit, before the following:	239	263	146	150	35	17	517	373	268	—	—	—	1,205	803
Gain on risk management and other derivatives – realized	—	—	—	—	—	—	2	9	—	—	—	—	2	9
Gain (loss) on foreign exchange – realized	—	—	—	—	—	—	7	8	(5)	—	(1)	(2)	1	6
Other adjusting items ⁽⁴⁾	—	—	—	—	—	—	11	(5)	—	—	—	—	11	(5)
Fuel and petroleum product adjusted gross profit	239	263	146	150	35	17	537	385	263	—	(1)	(2)	1,219	813
Non-fuel adjusted gross profit	72	75	27	28	47	17	4	10	56	—	—	—	206	130
Total adjusted gross profit	311	338	173	178	82	34	541	395	319	—	(1)	(2)	1,425	943
Other income	—	—	(1)	—	—	—	—	—	(13)	—	—	—	(14)	—
Operating costs	142	158	98	102	44	21	147	120	86	—	—	—	517	401
Marketing, general and administrative	33	29	22	20	14	4	35	34	47	—	56	53	207	140
Other adjusting items ⁽⁵⁾	—	—	—	—	—	—	—	—	6	—	—	—	6	—
Adjusted EBITDA including NCI	136	151	54	56	24	9	359	241	193	—	(57)	(55)	709	402
Attributable to Parkland ("Adjusted EBITDA")	136	151	54	56	24	9	359	241	145	—	(57)	(55)	661	402
Attributable to NCI	—	—	—	—	—	—	—	—	48	—	—	—	48	—
Adjusted EBITDA including NCI	136	151	54	56	24	9	359	241	193	—	(57)	(55)	709	402
Depreciation and amortization	—	—	—	—	—	—	—	—	—	—	—	—	275	145
Finance and other costs	—	—	—	—	—	—	—	—	—	—	—	—	150	81
Loss on asset disposals	—	—	—	—	—	—	—	—	—	—	—	—	—	23
Acquisition, integration and other costs	—	—	—	—	—	—	—	—	—	—	—	—	49	29
(Gain) loss on risk management and other derivatives – unrealized	—	—	—	—	—	—	—	—	—	—	—	—	(3)	5
Gain on foreign exchange – unrealized	—	—	—	—	—	—	—	—	—	—	—	—	(43)	(5)
Other adjusting items ⁽⁴⁾⁽⁵⁾	—	—	—	—	—	—	—	—	—	—	—	—	5	25
Income tax expense	—	—	—	—	—	—	—	—	—	—	—	—	74	19
Net earnings	—	—	—	—	—	—	—	—	—	—	—	—	202	80
Attributable to Parkland	—	—	—	—	—	—	—	—	—	—	—	—	182	80
Attributable to NCI	—	—	—	—	—	—	—	—	—	—	—	—	20	—
Property, plant and equipment and intangible asset additions	42	27	28	11	5	1	57	90	41	—	13	1	186	130
Property, plant and equipment, intangible asset and goodwill acquisitions	—	2	—	—	24	—	—	—	1,815	—	—	—	1,839	2

⁽¹⁾ 2019 results reflect the adoption of IFRS 16 on January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽²⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽³⁾ See Note 19 for further details on sales and operating revenue.

⁽⁴⁾ Other adjusting items included an unrealized loss of \$11 (2018 – unrealized gain of \$5) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

⁽⁵⁾ Other adjusting items included insurance recoveries of \$6 (2018 – nil) within other income.

⁽⁶⁾ For comparative purposes, information for the three and six months ended June 30, 2018 was restated due to a change in segment presentation, resulting from a reclassification of the wholesale business from the Canada Commercial segment to the Supply segment, reflecting a change in organizational structure in the second quarter of 2019.

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Canada Commercial and Supply

For comparative purposes, information for the prior periods reported in 2018 was retrospectively restated due to a change in segment presentation, resulting from a reclassification of the wholesale business from the Canada Commercial segment to the Supply segment, reflecting a change in organizational structure in the second quarter of 2019. The restated comparative information is as follows:

Segment information	Canada Commercial						Supply					
	2019	2018					2019	2018				
	Three months ended	Year ended	Three months ended				Three months ended	Year ended	Three months ended			
	Mar 31	Dec 31	Dec 31	Sep 30	Jun 30	Mar 31	Mar 31	Dec 31	Dec 31	Sep 30	Jun 30	Mar 31
Fuel and petroleum product volume (million litres)⁽¹⁾	893	3,178	820	700	743	915	1,441	5,833	1,470	1,384	1,488	1,491
Sales and operating revenue												
Fuel and petroleum product revenue	711	2,722	674	628	663	757	711	3,547	829	928	963	827
Non-fuel revenue	34	158	40	38	46	34	9	59	18	8	24	9
Sales and operating revenue	745	2,880	714	666	709	791	720	3,606	847	936	987	836
Cost of purchases												
Fuel and petroleum product cost of purchases	615	2,450	600	580	603	667	493	2,666	525	724	745	672
Non-fuel cost of purchases	22	103	27	24	32	20	5	35	9	3	20	3
Cost of purchases	637	2,553	627	604	635	687	498	2,701	534	727	765	675
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit, before the following:	96	272	74	48	60	90	218	881	304	204	218	155
(Loss) gain on risk management and other derivatives - realized	—	—	—	—	—	—	(2)	(20)	(13)	(16)	14	(5)
(Loss) gain on foreign exchange - realized	—	—	—	—	—	—	2	13	4	1	9	(1)
Other adjusting items	—	—	—	—	—	—	14	(15)	(13)	3	(3)	(2)
Fuel and petroleum product adjusted gross profit	96	272	74	48	60	90	232	859	282	192	238	147
Non-fuel adjusted gross profit	12	55	13	14	14	14	4	24	9	5	4	6
Total adjusted gross profit	108	327	87	62	74	104	236	883	291	197	242	153
Other income	(1)	—	—	—	—	—	—	—	—	—	—	—
Operating costs	53	191	48	41	45	57	75	255	73	62	56	64
Marketing, general and administrative	12	43	12	11	11	9	18	67	19	14	16	18
Adjusted EBITDA including NCI	44	93	27	10	18	38	143	561	199	121	170	71
Attributable to Parkland ("Adjusted EBITDA")	44	93	27	10	18	38	143	561	199	121	170	71
Attributable to NCI	—	—	—	—	—	—	—	—	—	—	—	—

⁽¹⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

21. SUBSEQUENT EVENT

On July 10, 2019, Parkland closed the private offering (the "2019 offering") of US\$500 million aggregate principal amount of senior unsecured notes due 2027 (the "2019 notes"). The 2019 notes were priced at par and bear interest at a rate of 5.875% per annum, payable semi-annually in arrears beginning January 15, 2020. Parkland used the net proceeds from the offering to: (i) repay in full its US\$250 million Term Loan Facility due 2021; and (ii) repay certain outstanding amounts borrowed under its existing revolving credit facilities.