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Basis of presentation

This Management's Discussion and Analysis ("MD&A") dated May 2, 2017 should be read in conjunction with Parkland Fuel Corporation's ("Parkland", "we", "our" or "us") March 31, 2017 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), Parkland's audited consolidated financial statements for the year ended December 31, 2016 (the "Annual Consolidated Financial Statements") and the 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. 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 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 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 10 of the Interim Condensed Consolidated Financial Statements and Note 24 of the Annual Consolidated Financial Statements. Refer to Section 12 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 the 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 12 of the MD&A and the "Risk Factors" section in the Annual Information Form. Readers are cautioned that such financial outlook information contained in this MD&A should not be used for the 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 13 of this MD&A.

1. FINANCIAL AND OPERATING SUMMARY

(\$ millions, unless otherwise noted)	Three months ended March 31,		
	2017	2016	2015
Financial Summary			
Sales and operating revenue	1,784.5	1,318.1	1,391.6
Adjusted gross profit ⁽¹⁾	191.0	172.8	155.2
Adjusted EBITDA ⁽¹⁾	70.0	59.7	57.1
Net earnings	22.0	24.9	19.8
Per share – basic	0.23	0.26	0.24
Per share – diluted	0.22	0.26	0.24
Distributable cash flow ⁽²⁾	38.8	34.9	36.3
Per share ⁽²⁾⁽³⁾	0.40	0.37	0.44
Adjusted distributable cash flow ⁽²⁾	46.4	39.5	39.0
Per share ⁽²⁾⁽³⁾	0.48	0.42	0.47
Dividends	28.0	26.7	23.5
Per share outstanding	0.29	0.28	0.28
Dividend payout ratio ⁽²⁾	72%	77%	65%
Adjusted dividend payout ratio ⁽²⁾	60%	68%	60%
Total assets	2,469.1	1,772.0	1,514.2
Total long-term liabilities	690.1	580.4	549.9
Shares outstanding (millions)	96.6	94.7	82.9
Weighted average number of common shares (millions)	96.4	94.3	82.9
Operating Summary			
Fuel and petroleum product volume (millions of litres)	2,755.6	2,437.1	2,238.0
Fuel and petroleum product adjusted gross profit ⁽¹⁾ (cpl):			
Retail Fuels	5.25	5.16	4.87
Commercial Fuels	13.16	13.11	13.56
Parkland USA	3.58	3.86	3.41
Operating costs (cpl)	3.12	3.24	2.97
Adjusted marketing, general and administrative ⁽²⁾ (cpl)	1.28	1.42	1.43

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

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

⁽³⁾ Calculated by 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. 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 and 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 improving efficiencies continuously. Parkland deploys growth capital effectively, 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 by 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 in which we operate. Given our purchase of the full range of refined products, we have a variety of "owned" marketing channels through which we sell these products 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 the 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

Q1 2017 Highlights

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

Grow

- Parkland achieved a record first quarter Adjusted EBITDA of \$70.0 million, which is a growth rate of 17% compared to \$59.7 million for the same period of 2016. The record first quarter was driven by an exceptional 44% growth in the Supply and Wholesale segment and 28% growth in the Commercial Fuels segment.
- We achieved a 13% growth in volume, delivering approximately 2.8 billion litres of fuel and petroleum products in the first quarter of 2017, compared to 2.4 billion litres in the first quarter of 2016. The volume increase was driven by growth in propane volumes in the Commercial Fuels and Supply and Wholesale segments.
- Sales and operating revenue increased from \$1.3 billion in the first quarter of 2016 to \$1.8 billion in the first quarter of 2017. The increase in revenue was driven primarily by rising commodity prices and a growth in fuel and petroleum product volume.
- Cash generated from operating activities increased from \$27.7 million in the first quarter of 2016 to \$40.1 million in the first quarter of 2017. Similarly, distributable cash flow increased from \$34.9 million to \$38.8 million.
- Net earnings were \$22.0 million in the first quarter of 2017, compared to net earnings of \$24.9 million in the first quarter of 2016. The growth in operating segments' Adjusted EBITDA was offset primarily by an

increase in acquisition, integration and other costs as Parkland prepares for the closing of the CST Brands Canada Acquisition (further described below), and an increase in interest on long-term debt as Parkland partially prefunded the CST Brands Canada Acquisition through the September 16, 2016 private placement of the 5.75% Senior Notes.

- In the first quarter of 2017, Commercial Fuels delivered 57% more propane than in the first 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. Parkland saw growth in both Eastern Canada and Western Canada as indicators of a recovering economy in its early stage.
- Although Retail Fuels in Western Canada has not yet materially benefitted from the early stages of an economic recovery, we experienced modest improvements in Company C-Store same-store sales growth and volume same-store sales growth in the region.

Supply

- Parkland's Supply and Wholesale segment continues to benefit from improvements in our supply economics that were initiated in the beginning of the second quarter of 2016, which partially contributed to the 44% growth in Supply and Wholesale's Adjusted EBITDA in the first quarter of 2017. The team is committed to drive ongoing improvements to our supply economics as part of our supply advantage strategy.
- The Supply and Wholesale segment also benefitted from higher than normal propane sales this quarter, which also contributed to the growth in Adjusted EBITDA. Supply and Wholesale delivered an additional 217.5 million litres of propane in the first quarter of 2017 as compared to the first quarter of 2016.
- Parkland is utilizing the recently completed expansion of a transloading facility in Hamilton, Ontario to continue 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. Parkland's plan for organic growth includes further investment in the facility to improve its capacity and our ability to service our customers in Ontario.
- As at March 31, 2017, we supported a network of 1,079 service stations across Canada through our dealer and retailer operated models, which continues to allow us to service strong demands and support our supply advantage strategy.

Acquire

- **CST Brands Canada Acquisition**

Parkland is actively working towards closing the previously announced agreement with Alimentation Couche-Tard Inc. ("Couche-Tard") to acquire the majority of the Canadian business and assets of CST Brands, Inc. ("CST") for a preliminary purchase price of \$965 million (the "CST Brands Canada Acquisition"). The CST Brands Canada Acquisition is conditional upon closing of Couche-Tard's acquisition of CST, receipt of regulatory approvals and other conditions. The Canadian business and assets that Parkland will acquire will consist of: (i) approximately 490 dealer and commissioned agents retail businesses, (ii) approximately 72 commercial cardlock sites, (iii) approximately 27 commercial and home heating sites, (iv) a number of high quality company-operated stores to be determined following the Competition Bureau of Canada's review of the Couche-Tard's acquisition of CST, and (v) a corporate presence in Montréal. Parkland is working with strategic partners and preparing for a disciplined close and integration of the acquisition. We expect to close the CST Brands Canada Acquisition in the second quarter of 2017. See Section 13 – Outlook.

- **Chevron Canada Acquisition**

On April 18, 2017, Parkland announced it had 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, 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 supply infrastructure and logistics capability to support Parkland's existing operations. Parkland will also become the exclusive distributor of Chevron-branded fuels in the network. See Section 13 – Outlook.

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 capital financing for the Chevron Canada Acquisition.

On April 18, 2017, Parkland entered into an agreement with a syndicate of underwriters to complete a bought deal private placement of 23.9 million shares at \$27.70 per share for gross proceeds of approximately \$662.0 million (the "Equity Offering"). The Equity Offering is expected to close on or about May 9, 2017, subject to customary closing conditions.

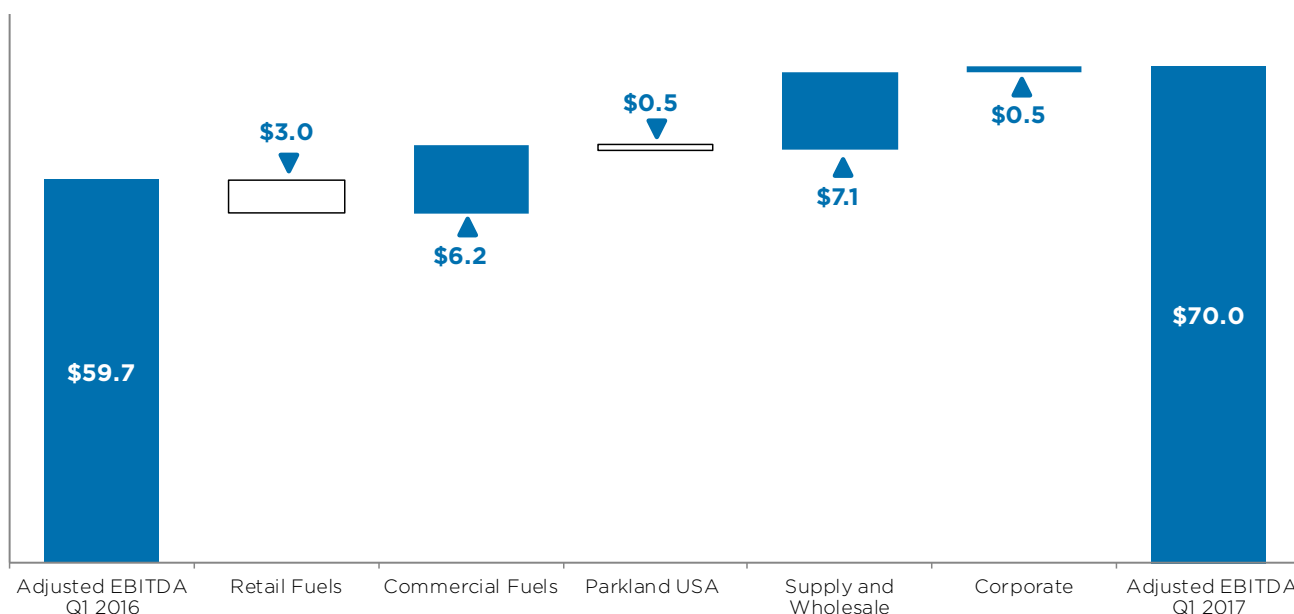
On April 21, 2017, Parkland announced a private placement of Senior Unsecured Notes with an aggregate principal amount of \$500.0 million due May 9, 2025, bearing an interest rate of 5.625% per annum, payable semi-annually in arrears on May 9 and November 9 each year until maturity (the "5.625% Senior Notes"). The 5.625% Senior Notes will be used to partially fund the Chevron Canada Acquisition. The first interest payment will be paid on November 9, 2017. The private placement is expected to close on or about May 9, 2017, subject to customary closing conditions.

On April 18, 2017, in order to partially mitigate the foreign currency risk on the purchase price, Parkland entered into a US dollar forward window contract with a financial institution with a notional amount of US\$300.0 million, a forward rate of 1.33775, and a settlement date window of September 19, 2017 to April 19, 2018.

Q1 2017 vs. Q1 2016 overall performance

Adjusted EBITDA growth by segment

(\$ millions)



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

Adjusted EBITDA to Net Earnings

For the three months ended (\$ millions)	March 31, 2017	March 31, 2016	Change	%
Adjusted EBITDA ⁽¹⁾				
Retail Fuels	25.4	28.4	(3.0)	(11%)
Commercial Fuels	28.5	22.3	6.2	28%
Parkland USA	3.0	3.5	(0.5)	(14%)
Supply and Wholesale	23.3	16.2	7.1	44%
Corporate	(10.2)	(10.7)	0.5	(5%)
	70.0	59.7	10.3	17%
Less:				
Depreciation and amortization	26.3	25.9	0.4	2%
Finance costs				
Interest on long-term debt	13.1	6.8	6.3	93%
Change in fair value of Redemption Options	0.5	(7.9)	8.4	(106%)
Other finance costs ⁽²⁾	0.7	0.9	(0.2)	(22%)
	14.3	(0.2)	14.5	(7,250%)
Gain on disposal of property, plant and equipment	(0.3)	(0.5)	0.2	(40%)
Acquisition, integration and other costs	7.6	4.6	3.0	65%
Unrealized gain from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	(8.8)	(0.7)	(8.1)	1,157%
Unrealized loss on foreign exchange	0.6	0.3	0.3	100%
Income tax expense	8.3	5.4	2.9	54%
Net earnings	22.0	24.9	(2.9)	(12%)

⁽¹⁾ Measure of segment profit. See Section 12 of the 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.

- Parkland achieved a record first quarter Adjusted EBITDA of \$70 million, representing a growth rate of 17% as compared to the first quarter of 2016, driven by growth in our Commercial Fuels and Supply and Wholesale segments. Commercial Fuels grew by 28% as a result of increase in fuel volumes and related service and lubricant contributions across the segment, strong organic growth efforts, ramp up activities of recent business wins, and contributions from recently completed business acquisitions. Supply and Wholesale grew by 44% as a result of higher than normal first quarter propane sales and improved supply economics that was initiated in the beginning of the second quarter of 2016 as part of our supply advantage strategy. The growth was offset by softer results in Retail Fuels, which declined due to market dynamics, and softer results in Parkland USA driven by a slower wholesale business during the quarter.
- Depreciation and amortization expense increased in the first quarter of 2017 primarily due to increased property, plant and equipment and intangible assets as a result of the acquisition of multiple businesses throughout 2016.
- Finance costs increased in the first quarter of 2017, driven by a \$6.3 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. Furthermore, during the first quarter of 2017, a \$0.5 million non-cash loss was recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes, as compared to a gain of \$7.9 million recognized in the first quarter 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, and is 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, Chevron Canada Acquisition, and other acquisition and integration activities during the quarter.
- 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) was \$8.8 million, compared to \$0.7 million in the first quarter of 2016. The gains incurred for the quarter were primarily driven by liquid petroleum gas ("LPG") sell-side swap positions taken by Parkland in a declining LPG market pricing environment. 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. These unrealized gains on risk management contracts, which are recognized under IFRS, are expected to partially

offset any unrealized losses on physical products to be delivered in the future, which are not recognized under IFRS until the delivery to the customer is complete.

- Income tax expense increased to \$8.3 million in the first quarter of 2017, compared to \$5.4 million in the first quarter of 2016. The effective tax rate was lower in the first quarter of 2016 as a result of non-taxable items.
- As a result of the above main drivers, net earnings for the first quarter of 2017 were \$22.0 million, compared to net earnings of \$24.9 million in the first quarter of 2016.

4. SEGMENT RESULTS

Refer to the Annual MD&A and Note 24 of the Annual 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 1,079 retail gas stations in Canada. Parkland owns six proprietary brands, Fas Gas Plus, Race Trac, Pioneer, On the Run / Marché Express, Snack Express, and Verve, and is a branded wholesaler for Esso and Chevron. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments. Parkland also operates under two main models: i) Company owned, retailer operated ("Company") sites; and ii) Dealer 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.

Site count by brand and business models

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

	Fas Gas Plus	Race Trac	Esso	Chevron	Pioneer	Other	Total
Company sites	91	1	67	32	119	-	310
Dealer sites	89	72	528	15	36	29	769
Site count, as at March 31, 2017	180	73	595	47	155	29	1,079
Company sites	87	1	68	31	120	-	307
Dealer sites	87	73	526	13	34	35	768
Site count, as at December 31, 2016	174	74	594	44	154	35	1,075
Net change in site count	6	(1)	1	3	1	(6)	4

The 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 first quarter of 2017 was \$25.4 million, as compared to \$28.4 million for the first quarter of 2016. The primary driver of the decrease is due to lower non-fuel adjusted gross profit, higher operating costs and marketing, general and administrative expenses.

The Retail Fuels segment had continued success in Company C-Store same-store sales growth. Overall Company C-Store same-store sales growth was 0.3% for the three months ended March 31, 2017. The C-Store same-store sales growth continued its trend of positive quarter-on-quarter growth, driven by ongoing initiatives, refinements and store refresh programs. This was partially offset by pressure from higher street pump prices.

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	844.2	843.1	1.1	0%
Sales and operating revenue	681.4	550.5	130.9	24%
Fuel and petroleum product adjusted gross profit ⁽²⁾	44.3	43.5	0.8	2%
Non-fuel adjusted gross profit ⁽²⁾	12.6	14.0	(1.4)	(10%)
Adjusted gross profit ⁽²⁾	56.9	57.5	(0.6)	(1%)
Operating costs	24.8	22.9	1.9	8%
Marketing, general and administrative	6.7	6.2	0.5	8%
Adjusted EBITDA ⁽²⁾	25.4	28.4	(3.0)	(11%)
KPIs:				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	5.25	5.16	0.09	2%
Operating costs (cpl)	2.94	2.72	0.22	8%
Marketing, general and administrative (cpl)	0.79	0.73	0.06	8%
Adjusted EBITDA ⁽²⁾ (cpl)	3.01	3.37	(0.36)	(11%)
Volume same-store sales growth ⁽⁵⁾⁽⁶⁾	(1.3%)	(3.6%)	2.3 p.p.	
Company C-Store same-store sales growth ⁽⁵⁾	0.3%	7.5%	(7.2 p.p.)	
TTM net unit operating cost ("NUOC")(cpl) ⁽³⁾	1.85	1.71	0.14	8%
Company sites:				
TTM volume (million litres) ⁽⁴⁾⁽⁶⁾	1,788.6	1,472.7	315.9	21%
TTM weighted average number of active sites ⁽⁴⁾	309	270	39	14%
TTM average volume per active site (million litres) ⁽⁴⁾⁽⁶⁾	5.8	5.5	0.3	5%
Dealer sites:				
TTM volume (million litres) ⁽⁴⁾⁽⁶⁾	1,924.8	1,739.0	185.8	11%
TTM weighted average number of active sites ⁽⁴⁾	751	702	49	7%
TTM average volume per active site (million litres) ⁽⁴⁾⁽⁶⁾	2.6	2.5	0.1	4%

⁽¹⁾ Includes diesel, gasoline and propane volumes.

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

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

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

⁽⁵⁾ See Section 12 of the MD&A for an explanation of this KPI.

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

Q1 2017 vs. Q1 2016

In the first quarter of 2017, fuel volumes remained consistent compared to the first quarter of 2016 with no significant fuel demand changes in Eastern Canada or Western Canada.

Sales and operating revenue increased in the first quarter primarily due to rising fuel and petroleum commodity prices.

Adjusted gross profit comprises: i) fuel and petroleum product adjusted gross profit, which primarily consists of gasoline and diesel sales; and ii) non-fuel adjusted gross profit, which primarily consists of convenience store rents, car wash revenue, sales of select merchandise, and other ancillary sales. Non-fuel adjusted gross profit decreased primarily due to lower store merchandise margin contribution and lower car-wash margin contribution from unfavourable weather. This was offset by higher fuel and petroleum product adjusted gross profit, attributable to higher margins on gasoline and diesel sales.

Operating costs are expenses incurred primarily at Company sites, and generally include 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 for the first quarter increased primarily due to additional larger format Company site locations and increased variable credit card transaction fees due to higher street pump prices.

Marketing, general and administrative expenses in Retail Fuels are typically fixed in nature and do not vary with volume. Departments included in this category are marketing, real estate, finance, operations, credit, network development, and infrastructure. Marketing, general and administrative expenses for the first quarter increased

primarily due to expenditures on strategic marketing campaigns 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 operations in Quebec.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased primarily due to stronger fuel margins from favourable market conditions.

Operating costs on a cpl basis increased primarily due to new larger format Company sites that were introduced throughout 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 primarily due to expenditures on marketing campaigns to drive long-term future growth in volume and backcourt convenience store sales.

Although volume same-store sales growth was -1.3%, as a result of early signs of economic recovery in the Western Canada market, the metric improved by 2.3 percentage points in the first quarter of 2017 as compared to the first quarter of 2016.

Company C-Store same-store sales growth was 0.3% in the first quarter of 2017, which is a continuation of positive same-store sales growth quarter-on-quarter driven by ongoing initiatives, refinements and store refresh programs. This was partially offset by pressure from higher fuel street prices. In contrast, Company C-Store same-store sales growth was higher at 7.5% in the first quarter of 2016 as a result of convenience store refresh programs associated with the Pioneer Energy acquisition and other improvement initiatives that led to an improvement in same-store sales in Eastern Canada.

Net unit operating costs ("NUOC") were higher in the trailing twelve months ended March 31, 2017 as compared to the same period of 2016, primarily due to the June 2015 acquisition of Pioneer Energy, which has a higher cost structure due to more concentration of Company sites as compared to the rest of the Parkland network.

Average volume per active Company site and Dealer site increased on a trailing-twelve-month basis primarily due to the additional contribution from Pioneer Energy sites that were acquired in June 2015, which have greater site volumes than the sites of the pre-existing business.

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 for use in its business, which Parkland regards as having significant value and as being important factors in the marketing of its products. The family of brands in this segment includes Bluewave Energy, Columbia Fuels, Sparlings Propane, Island Petroleum, Propane Nord-Ouest ("PNO") and PNE Propane ("PNE"). Parkland Commercial Fuels' customer base is diverse, supplying across 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 the Annual MD&A for an overview of Commercial Fuel's operations.

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA for the first quarter of 2017 grew to \$28.5 million, as compared to \$22.3 million for the first quarter of 2016. The 28% increase was primarily driven by an increase in fuel volumes and related service and lubricant contributions across the segment, strong organic growth efforts, the impact of recent customer wins, and contributions from business acquisitions completed in 2016. The growth in performance was observed in both Eastern and Western Canada.

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2017	2016	Change	%
Gas and diesel volume (million litres)	320.5	304.5	16.0	5%
Propane volume (million litres)	133.1	84.8	48.3	57%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	453.6	389.3	64.3	17%
Sales and operating revenue	362.6	269.4	93.2	35%
Fuel and petroleum product adjusted gross profit ⁽²⁾	59.7	51.1	8.6	17%
Non-fuel adjusted gross profit ⁽²⁾	13.0	10.5	2.5	24%
Adjusted gross profit ⁽²⁾	72.7	61.6	11.1	18%
Operating costs	38.4	33.2	5.2	16%
Marketing, general and administrative	6.2	6.3	(0.1)	(2%)
Adjusted EBITDA ⁽²⁾	28.5	22.3	6.2	28%
KPIs				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	13.16	13.11	0.05	0%
Operating costs (cpl)	8.47	8.52	(0.05)	(1%)
Marketing, general and administrative (cpl)	1.37	1.62	(0.25)	(15%)
Adjusted EBITDA ⁽²⁾ (cpl)	6.28	5.72	0.56	10%
TTM operating ratio ⁽³⁾⁽⁴⁾	74.0%	74.5%	(0.5 p.p.)	

⁽¹⁾ Includes diesel, gasoline, and propane volumes.

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

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

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

Q1 2017 vs. Q1 2016

Fuel and petroleum product volume increased primarily as a result of a 57% 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%, 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 as a result of rising fuel and petroleum commodity prices and growth in fuel and petroleum product volume, driven by growth in propane volume in both Eastern and Western Canada.

Adjusted gross profit increased primarily due to an increase in fuel volumes and related service and lubricant contributions across the segment.

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 primarily due to additional labour and other fuel delivery costs driven by higher volumes in the first quarter of 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 for the first quarter remained consistent as compared to the prior year 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 remained relatively consistent as compared to the first quarter of 2016.

Operating costs on a cpl basis decreased primarily as a result of successful cost control initiatives as volumes increased. Furthermore, Parkland continues to roll out in fleet routing and dispatching automation as part of ongoing initiatives to control and reduce costs.

Marketing, general and administrative expenses on a cpl basis decreased primarily due to increased fuel volumes across Canada as these costs are relatively fixed.

The trailing-twelve-month ("TTM") operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, decreased as adjusted gross profit was higher in 2017 as a result of early signs of increased economic activity in Western Canada, an increase in propane volumes due to organic growth efforts, contributions from business acquisitions completed in 2016, and stronger non-fuel contributions from services and lubricant sales.

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 of product from Western Canada. Brands operated by Parkland USA include Farstad Oil and Superpumper. Refer to the Annual MD&A for an overview of Parkland USA's brands and operations.

Parkland USA segment performance highlights

Parkland USA's Adjusted EBITDA was \$3.0 million in the first quarter of 2017, compared to \$3.5 million in the first quarter of 2016. The 14% decrease was primarily driven by lower wholesale volumes due to reduced winter travel as a result of several winter storms experienced in the region during the quarter, as well as the continued soft economic activity in the Bakken oil region. Despite a modest increase in crude oil prices, regional oil production and average rig count in the first quarter of 2017 remain lower than the first quarter of 2016, which has contributed to a softening of demand.

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2017	2016	Change	%
Retail volume (million litres)	31.3	23.7	7.6	32%
Wholesale volume (million litres)	175.4	194.7	(19.3)	(10%)
Fuel and petroleum product volume ⁽¹⁾ (million litres)	206.7	218.4	(11.7)	(5%)
Sales and operating revenue	153.9	119.9	34.0	28%
Fuel and petroleum product adjusted gross profit ⁽²⁾	7.4	8.4	(1.0)	(12%)
Non-fuel adjusted gross profit ⁽²⁾	7.8	7.8	-	-
Adjusted gross profit ⁽²⁾	15.2	16.2	(1.0)	(6%)
Operating costs	10.4	10.7	(0.3)	(3%)
Marketing, general and administrative	1.8	2.1	(0.3)	(14%)
Adjusted EBITDA ⁽²⁾	3.0	3.5	(0.5)	(14%)
KPIs				
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl)	3.58	3.86	(0.28)	(7%)
Operating costs (cpl)	5.03	4.89	0.14	3%
Marketing, general and administrative (cpl)	0.87	0.95	(0.08)	(8%)
Adjusted EBITDA ⁽²⁾ (cpl)	1.45	1.59	(0.14)	(9%)
TTM operating ratio ⁽³⁾⁽⁴⁾	76.1%	72.2%	3.9 p.p.	

⁽¹⁾ Includes diesel, gasoline, and propane volumes.

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

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

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

Q1 2017 vs. Q1 2016

The decrease in Parkland USA's fuel volume is primarily attributable to decreased wholesale volume due to reduced winter travel as a result of several winter storms experienced in the region during the quarter, as well as the continued reduced economic activity in the Bakken oil region, with lower regional oil production as compared to the first quarter of 2016. This decline in volumes was partially offset by increased retail volume resulting from the acquisition of three service stations in Wyoming in late 2016.

Sales and operating revenue increased primarily as a result of rising fuel and petroleum commodity prices.

Adjusted gross profit decreased due to the decline in wholesale gas and diesel volumes during the quarter.

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 decreased primarily due to cost-saving initiatives and a reduction in variable costs due to cost control initiatives.

Marketing, general and administrative expenses are typically fixed in nature and do not vary with volume. Departments included in this category are marketing, real estate, finance, operations, credit, network development, and infrastructure. Marketing, general and administrative expenses decreased in the first quarter of 2017 mainly due to cost-saving initiatives and reduced staffing costs.

KPIs

Fuel and petroleum product adjusted gross profit decreased on a cpl basis mainly as a result of market dynamics in the market.

Operating costs increased on a cpl basis due to less volumes sold during the quarter relative to the reduction in operating costs.

Marketing, general and administrative expenses decreased on a cpl basis due to cost-saving initiatives and reduced staffing costs.

The TTM operating ratio increased as a result of the lower adjusted gross profit due to decreased economic activity in the Bakken oil region, which saw lower regional oil production in the first quarter of 2017 as compared to the first quarter of 2016.

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 Canada and in the United States. Supply and Wholesale serves internal Parkland operating segments and external customers. Refer to the Annual MD&A for an overview of Supply and Wholesale's sales categories, brands and operations.

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA for the first quarter of 2017 was \$23.3 million, compared to \$16.2 million in the first quarter of 2016. The Supply and Wholesale segment continues to benefit from improvements made to our supply economics that were initiated in the beginning of the second quarter of 2016, which partially contributed to the 44% growth in Supply and Wholesale's Adjusted EBITDA in the first quarter of 2017. Furthermore, the Supply and Wholesale segment benefitted from higher than normal propane sales this quarter. The team is committed to drive ongoing improvements to our supply economics as part of our supply advantage strategy.

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2017	2016	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,251.1	986.3	264.8	27%
Sales and operating revenue	586.5	378.2	208.3	55%
Fuel and petroleum product adjusted gross profit ⁽²⁾	44.0	34.0	10.0	29%
Non-fuel adjusted gross profit ⁽²⁾	2.0	3.4	(1.4)	(41%)
Adjusted gross profit ⁽²⁾	46.0	37.4	8.6	23%
Operating costs	12.5	12.1	0.4	3%
Marketing, general and administrative	10.2	9.1	1.1	12%
Adjusted EBITDA ⁽²⁾	23.3	16.2	7.1	44%

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

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

Q1 2017 vs. Q1 2016

Fuel volume increased primarily due to higher than normal propane sales this quarter. Supply and Wholesale delivered 217.5 million litres more propane in the first quarter of 2017 as compared to the first quarter of 2016. Furthermore, Supply and Wholesale also saw growth in crude, asphalt and fuel oils ("CAF") volumes as part of new business initiatives in the CAF category, and growth in wholesale gas and diesel volumes due to strengthening demand across Canada.

Sales and operating revenue increased primarily due to higher commodity prices and higher volume of fuel and petroleum product volume delivered during the quarter, particularly in propane, CAF and wholesale gas and diesel.

Adjusted gross profit increased primarily due to the impact of improvements made to our supply economics that were initiated in the beginning of the second quarter of 2016 and higher than normal propane sales during the first quarter of 2017.

Operating costs increased marginally primarily due to increased storage and tank car storage costs. Marketing, general and administrative expenses increased primarily 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 to manage expenses so that they grow at a slower pace than Parkland's growth in business activities and adjusted gross profit.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	Three months ended March 31,			
	2017	2016	Change	%
Marketing, general and administrative	18.0	15.4	2.6	17%
Less: Acquisition, integration and other costs	(7.6)	(4.6)	(3.0)	65%
Corporate adjusted marketing, general and administrative ⁽¹⁾	10.4	10.8	(0.4)	(4%)
Adjusted EBITDA ⁽²⁾	(10.2)	(10.7)	0.5	(5%)
KPIs				
Corporate adjusted marketing, general and administrative expenses as a % of Parkland's adjusted gross profit ⁽¹⁾	5.4%	6.3%	(0.9 p.p.)	

⁽¹⁾ Non-GAAP financial measure. See Section 12 of the MD&A.

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

Q1 2017 vs. Q1 2016

Marketing, general and administrative expenses increased due to increased acquisition, integration and other costs incurred primarily as a result of the CST Brands Canada Acquisition and Chevron Canada Acquisition, which include legal, consulting and professional expenses. Excluding the impact of these costs, corporate adjusted marketing, general and administrative expenses decreased due to cost control initiatives and lower variable compensation expenses. As a result, corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit improved from 6.3% to 5.4%.

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:

	March 31, 2017	March 31, 2016
Lost time injury frequency (TTM)	0.17	0.35

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted) For the three months ended	2017	2016				2015		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Sales and operating revenue	1,784.5	1,740.0	1,638.1	1,569.8	1,318.1	1,655.8	1,862.3	1,389.9
Adjusted gross profit ⁽¹⁾	191.0	197.2	171.1	166.6	172.8	182.3	167.0	123.0
Adjusted EBITDA ⁽¹⁾								
Retail Fuels	25.4	33.4	40.9	36.1	28.4	29.1	39.1	18.1
Commercial Fuels	28.5	15.7	4.7	6.5	22.3	15.0	5.9	8.5
Parkland USA	3.0	4.2	4.3	3.4	3.5	4.1	6.4	4.9
Supply and Wholesale	23.3	33.9	23.5	23.1	16.2	28.0	17.7	13.6
Corporate	(10.2)	(10.1)	(13.1)	(12.7)	(10.7)	(11.4)	(10.0)	(11.0)
Consolidated	70.0	77.1	60.3	56.4	59.7	64.8	59.1	34.1
Net earnings	22.0	3.0	14.7	4.6	24.9	15.6	14.6	(10.5)
Per share – basic	0.23	0.03	0.15	0.05	0.26	0.17	0.16	(0.13)
Per share – diluted	0.22	0.03	0.15	0.05	0.26	0.17	0.16	(0.13)
Distributable cash flow ⁽²⁾	38.8	29.2	27.9	28.3	34.9	35.3	29.1	9.1
Per share ⁽²⁾⁽³⁾	0.40	0.30	0.29	0.30	0.37	0.39	0.32	0.11
Adjusted distributable cash flow ⁽²⁾	46.4	43.2	33.2	36.8	39.5	42.2	34.5	22.0
Per share ⁽²⁾⁽³⁾	0.48	0.45	0.35	0.39	0.42	0.46	0.38	0.26
Dividends	28.0	27.5	27.7	27.2	26.7	25.4	25.4	23.3
Per share outstanding	0.29	0.29	0.29	0.29	0.28	0.27	0.28	0.26
Dividend payout ratio ⁽²⁾	72%	94%	99%	96%	77%	72%	87%	257%
Total assets	2,469.1	2,561.5	2,424.0	1,834.1	1,772.0	1,818.7	1,836.9	1,819.6
Shares outstanding (millions of shares)	96.6	96.2	95.9	95.4	94.7	93.9	90.8	89.9
Weighted average number of common shares (millions of shares)	96.4	96.0	95.6	95.1	94.3	91.5	90.4	83.9

Operating Summary

For the three months ended	2017	2016				2015		
	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Fuel and petroleum product volume (millions of litres)	2,755.6	2,783.4	2,658.6	2,536.1	2,437.1	2,613.9	2,730.5	2,031.0
Fuel and petroleum product adjusted gross profit ⁽¹⁾								
Retail Fuels (cpl)	5.25	5.39	5.69	5.64	5.16	5.07	5.63	5.09
Commercial Fuels (cpl)	13.16	11.47	8.64	10.47	13.11	11.59	8.89	10.46
Parkland USA (cpl)	3.58	3.62	3.26	3.17	3.86	3.44	3.34	3.33
Operating costs (cpl)	3.12	2.94	2.80	2.94	3.24	3.07	2.71	2.97
Adjusted marketing, general and administrative ⁽²⁾ (cpl)	1.28	1.39	1.38	1.42	1.42	1.45	1.26	1.44

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

⁽²⁾ Non-GAAP financial measure. See Section 12 of the 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 and fluctuations due to the variability of crude oil and petroleum prices and the seasonality of the business. Specifically, the following items have had a significant impact on the financial results:

- Sales and operating revenue in the first quarter of 2017 was higher than its comparable period in 2016 due to the increase in Supply and Wholesale and Commercial Fuels fuel volumes and increase in fuel and petroleum commodity prices. Sales and operating revenue is generally sensitive to fluctuations in commodity prices and energy markets.
- Net earnings in the first quarter of 2017 were lower than its comparable period in 2016 due to the increase in interest on long-term debt related to the CST Brands Canada Acquisition. Further, Parkland saw an increase in acquisition, integration and other costs as Parkland prepared for the closing of the CST Brands Canada Acquisition and the announcement of the Chevron Canada Acquisition. These increases in costs were largely offset by the growth in Adjusted EBITDA.
- Total assets increased significantly in the second quarter of 2015 due to the Pioneer Acquisition, and 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.
- Without the effect of acquisitions, Commercial Fuels generally experiences higher volumes and 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.
- Operating costs on a cpl basis increased in the first quarter of 2017 as compared to prior quarters due to growth in Commercial Fuels, which has a higher concentration of operating costs on a per litre basis.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, except per share amounts)	Three months ended March 31,	
	2017	2016
Adjusted EBITDA ⁽¹⁾	70.0	59.7
Amounts to reconcile Adjusted EBITDA to net earnings ⁽²⁾	(48.0)	(34.8)
Net earnings	22.0	24.9
Amounts to reconcile net earnings to cash generated from operating activities ⁽³⁾	18.1	2.8
Cash generated from operating activities	40.1	27.7
Reverse: Change in other liabilities	(1.5)	(0.3)
Reverse: Net change in non-cash working capital	6.0	8.8
	44.6	36.2
Include: Maintenance capital expenditures	(7.1)	(6.1)
Include: Proceeds on sale of property, plant and equipment and intangible assets	1.3	4.8
Distributable cash flow ⁽⁵⁾	38.8	34.9
Reverse: Acquisition, integration and other costs	7.6	4.6
Adjusted distributable cash flow ⁽⁵⁾	46.4	39.5
Weighted average number of common shares	96.4	94.3
Distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.40	0.37
Adjusted distributable cash flow per share ⁽⁴⁾⁽⁵⁾	0.48	0.42
Dividends	28.0	26.7
Dividend payout ratio ⁽⁵⁾	72%	77%
Adjusted dividend payout ratio ⁽⁵⁾	60%	68%

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

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

⁽³⁾ Refer to the consolidated statements of cash flows in the Interim Condensed Consolidated Financial Statements for a detailed reconciliation from net earnings to cash generated from operating activities.

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

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

Dividends

Dividends declared were \$28.0 million in the first quarter of 2017, an increase compared to \$26.7 million for the same period of 2016. Dividends declared increased primarily due to the increase in the number of shares outstanding from 94.7 million shares as at March 31, 2016 to 96.6 million shares as at March 31, 2017. Effective March 22, 2017, the annual dividend was increased by 2% to \$1.154 per share.

Net of the dividend reinvestment plan, cash dividends paid to shareholders were \$19.9 million during the first quarter of 2017, an increase compared to \$7.6 million for the same period of 2016. Cash dividends increased primarily due to the discontinuation of the Premium Dividend™ Plan on April 1, 2016, which resulted in higher cash payout.

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

Q1 2017 vs. Q1 2016

The dividend payout ratio and adjusted dividend payout ratio decreased from 77% to 72% and 68% to 60%, respectively, as a result of higher distributable cash in proportion to higher dividends declared. Distributable cash flow increased by \$3.9 million compared to the first quarter of 2016, which was primarily attributable to the increase in Adjusted EBITDA, offset by a decrease in proceeds received on sale of property, plant and equipment during the quarter. Acquisition, integration and other costs vary from quarter to quarter, are dependent on merger and acquisition activities, and are not permanent costs of the business. Acquisition, integration and other costs in the first quarter of 2017 primarily relate to costs incurred on the CST Brands Canada Acquisition. Removing the impact of acquisition, integration and other costs, adjusted distributable cash flow in the first quarter of 2017 increased by \$6.9 million compared to the first quarter of 2016.

7. LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended March 31,		
	2017	2016	2015
Cash generated from operating activities	40.1	27.7	94.8
Cash used in investing activities	(15.2)	(11.5)	(9.5)
Net cash generated before financing activities	24.9	16.2	85.3
Cash used in financing activities	(32.2)	(15.5)	(6.1)
Increase (decrease) in net cash	(7.3)	0.7	79.2
Net foreign exchange difference	-	0.7	1.5
Net cash, beginning of period	25.6	21.7	199.1
Net cash, end of period	18.3	23.1	279.8

Operating activities

Cash flow from operating activities is 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 repayment of debt as appropriate. Parkland anticipates meeting payment obligations as they come due.

Q1 2017 vs. Q1 2016

Cash generated from operating activities was \$12.4 million higher in the first quarter of 2017 compared to the same period of 2016 primarily as a result of net change in non-cash working capital during the first quarter of 2016. Net change in non-cash working capital was a net outflow of \$6.0 million during the first quarter of 2017 as compared to a net outflow of \$8.8 million during the same period in 2016. The net outflow experienced in the first quarter of 2017 is mainly attributable to increased volumes across the overall company and higher commodity prices, which would generally create a higher working capital requirement.

Investing activities

Parkland's investing activities primarily consist of acquisitions of businesses 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.

Q1 2017 vs. Q1 2016

During the first quarter of 2017, investing activities used \$15.2 million of cash as compared to \$11.5 million used during the same period of 2016. The increase in investing activities is primarily due to higher expenditures on property, plant and equipment and intangible assets of \$15.2 million in the first quarter of 2017, partially driven by increased expenditures in Commercial Fuels to support growth and operations. In contrast, during the first quarter of 2016, \$13.5 million was used for expenditures on property, plant and equipment and intangible assets offset by \$4.8 million from the sale of property, plant and equipment and intangible assets.

Financing activities

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

Although it is typical for Parkland's cash flow to have seasonal fluctuations, the current intention of Parkland's Board of Directors is to pay consistent regular monthly dividends throughout the year based on estimated annual cash flow. Parkland's Board of Directors reviews dividends giving consideration to current performance, historical and future trends in the business, expected sustainability of those trends, as well as 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 will depend on, among other things, Parkland's financial performance, debt covenants and obligations, working capital requirements, future capital requirements and the deductibility of items for income tax purposes, all of which are susceptible to a number of risks.

Q1 2017 vs. Q1 2016

Cash used in financing activities during the first quarter of 2017 was \$32.2 million, consisting of \$37.7 million of cash used in long-term debt repayments, \$19.9 million of cash used in dividends paid to shareholders and \$25.4 million of cash generated from proceeds from long-term debt. In contrast, cash used in financing activities during the first quarter of 2016 was \$15.5 million, consisting of \$22.9 million of cash used in long-term debt repayments, \$7.6 million of cash used in dividends paid to shareholders and the remainder generated primarily from proceeds from long-term debt.

Cash flows generated on proceeds from long-term debt and long-term debt repayments are a product of supporting fluctuating working capital requirements and Parkland's cash management strategy. See "Available Sources of Liquidity" in Section 8 for a description of Parkland's capital structure management.

Cash dividends increased 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 first quarter of 2017, Parkland paid a monthly dividend between \$0.0945 per share (2016 - \$0.0900 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were \$19.9 million (2016 - \$7.6 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. During the three months ended March 31, 2017, Parkland's commitments decreased from \$1,932.3 million as at December 31, 2016 to \$1,838.2 million as at March 31, 2017. The decrease is primarily attributable to lower accounts payable and accrued liabilities.

Acquisition commitments

Parkland has contractual commitments relating to the CST Brands Canada Acquisition and Chevron Canada Acquisition as described in Section 3 of this MD&A and Notes 9 and 11 of the Interim Condensed Consolidated Financial Statements.

Parkland intends to fund the acquisitions as follows:

	CST Brands Canada Acquisition	Chevron Canada Acquisition
Expected close	<ul style="list-style-type: none"> Second quarter of 2017 	<ul style="list-style-type: none"> Fourth quarter of 2017
Expected uses	<ul style="list-style-type: none"> Approximately \$965.0 million plus working capital adjustments, fees and expenses 	<ul style="list-style-type: none"> Approximately \$1,460.0 million (converted from US\$1,100.0 million) plus working capital adjustments, fees and expenses
Expected available sources	<ul style="list-style-type: none"> \$536.6 million currently held as cash held in escrow, net of equivalent dividends or fees, previously financed by subscription receipts issued on September 7, 2016 and the 5.75% Senior Notes issued on September 16, 2016. \$500.0 million from 5.625% Senior Notes, due May 9, 2025, net of fees, expected to close on or about May 9, 2017. \$662.0 million from a bought deal private placement of 23,900,000 shares at \$27.70 per share, net of fees, expected to close on or about May 9, 2017. Increase of Parkland's credit facilities to approximately \$1,000.0 million and US\$50.0 million, net of fees. Remainder from other non-debt sources, as required. 	

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at March 31, 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 and by 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:

(\$ millions)	March 31, 2017	December 31, 2016
Cash and cash equivalents	18.3	25.6
Bank indebtedness	-	-
Unused credit facilities	226.6	219.0
	244.9	244.6

New credit facilities

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

- (i) a four-year \$1,000 million senior secured revolving credit facility;
- (ii) a four-year US\$50 million senior secured revolving credit facility; and
- (iii) twelve-month unsecured bridge facilities in an aggregate amount of \$1,100, which are expected to be cancelled immediately following the closing of the Equity Offering and the offering of the 5.625% Senior Notes.

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:

(\$ millions)	Three months ended March 31,	
	2017	2016
Growth Capital Expenditures		
Retail Fuels	1.5	4.4
Commercial Fuels	2.5	1.2
Parkland USA	-	1.0
Supply and Wholesale	4.7	0.4
Corporate	-	0.4
Growth Capital Expenditures	8.7	7.4
Maintenance Capital Expenditures		
Retail Fuels	0.9	1.3
Commercial Fuels	3.6	1.7
Parkland USA	0.5	1.6
Supply and Wholesale	0.3	0.8
Corporate	1.8	0.7
Maintenance Capital Expenditures	7.1	6.1
Additions to property, plant and equipment and intangible assets	15.8	13.5

During the first quarter of 2017, Parkland's combined growth and maintenance capital expenditures increased by \$2.3 million as compared to the same period of 2016. The majority of the capital expenditures increase is 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 in Supply and Wholesale, 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 March 31, 2017 were \$4.7 million (December 31, 2016 - \$3.5 million). The commitments primarily related to projects to 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 March 31 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	
			March 31, 2017	December 31, 2016
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50 at Q1 and Q4 and first two full quarters following a completion of a material acquisition, and < 3.00 as 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 as at Q2 and Q3	0.48	0.48
2. Total Funded Debt to Credit Facility EBITDA ratio	<4.50	2.00 - 3.50	2.00	2.02
3. Interest Coverage ratio	>3.00	>3.00	6.31	7.33

Refer to Section 12 of Parkland's Annual MD&A for the calculation of Parkland's debt covenants.

9. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. 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:

Certainty of closing the Chevron Canada Acquisition

The Chevron Canada Acquisition is subject to certain conditions that may be outside the control of Parkland, including 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 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. Closing of the Chevron Canada Acquisition is not conditional on the closing of the CST Brands Canada Acquisition. There are risks to the certainty to the closing of the CST Brands Canada Acquisition discussed in the Annual MD&A.

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 Parkland and 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 a US dollar forward window contract to hedge a portion of the purchase price against foreign currency risks.

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. In addition, the terms of such facilities are subject to "market flex" provisions in certain circumstances which, if exercised, could adversely affect the pricing and structure and related terms and conditions of those credit facilities. 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.

In addition, completion of the Equity Offering and the 5.625% Senior Notes offering is subject to certain standard conditions and there can be no guarantee that such conditions will be satisfied. If the offerings are not completed, Parkland will be required to utilize the underwritten bridge facilities to fund the portion of the purchase price for the Chevron Assets that was intended to be funded by such offering, which will increase Parkland's outstanding indebtedness.

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, along with the issuance of the 5.625% Senior Notes, will represent an increase in Parkland's consolidated indebtedness. Such additional indebtedness 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) and national (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 emissions 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 to operate 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, labor 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, which is 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, and US dollar forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices and US dollar exchange rates. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under IFRS.

The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options 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 5 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:

(\$ millions)	Fair value as at March 31, 2017			Total
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Redemption Options	-	8.2	-	8.2
Risk management assets				
Commodities swaps and forward contracts	-	1.6	-	1.6
Commodities futures contracts	-	0.1	-	0.1
Total risk management assets	-	1.7	-	1.7
Risk management liabilities				
Commodities swaps and forward contracts	-	(0.1)	-	(0.1)
Commodities futures contracts	-	(0.4)	-	(0.4)
Total risk management liabilities	-	(0.5)	-	(0.5)

Impact on the consolidated balance sheets and consolidated statements of income

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 the fair value is recognized in the consolidated statements of income in finance costs. The fair value of the Redemption Options recorded in other long-term assets was \$8.2 million as at March 31, 2017 (December 31, 2016 - \$8.7 million). The change in fair value of the Redemption Options for the three months ended March 31, 2017 was a loss of \$0.5 million (March 31, 2016 - gain of \$7.9 million).

The risk management assets and liabilities are fair valued at the end of the reporting period and any change in the fair value is recognized in the consolidated statements of income in loss on risk management activities. The fair value of the risk management assets and liabilities as at March 31, 2017 were \$1.7 million and \$0.5 million, respectively (December 31, 2016 - \$0.8 million and \$8.4 million). Gain on risk management activities for the three months ended March 31, 2017 was \$4.5 million (March 31, 2016 - loss of \$0.5 million). The gain incurred for the three months ended March 31, 2017 were primarily driven by LPG sell-side swap positions taken by Parkland in a declining LPG market pricing environment.

11. OTHER

Controls environment

Disclosure controls and procedures

As part of the requirements mandated by the Canadian securities regulatory authorities under National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings ("NI 52-109"), Parkland's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO") have evaluated, or caused to be evaluated under their supervision, the design of Parkland's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at March 31, 2017.

Based on the evaluation of the design of Parkland's DC&P, the CEO and the CFO have concluded that Parkland's DC&P were designed effectively as at March 31, 2017.

Internal control over financial reporting

The CEO and CFO are also responsible for establishing and maintaining internal controls over financial reporting ("ICFR"), as such term is defined in NI 52-109. In making its assessment, management used the Internal Control - Integrated Framework (2013) published by The Committee of Sponsoring Organizations of the Treadway Commission to evaluate the design effectiveness of ICFR. These controls are designed to provide reasonable assurance regarding the reliability of Parkland's financial reporting and compliance with IFRS.

Parkland's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design of such controls as at March 31, 2017.

Based on the evaluation of the design of Parkland's ICFR, the CEO and the CFO have concluded that Parkland's ICFR were designed effectively as at March 31, 2017.

Changes in internal controls over financial reporting

There have been no changes in Parkland's ICFR during the interim period ended March 31, 2017 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR.

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

Off-balance sheet arrangements

In the normal course of business, Parkland is obligated to make future payments, including contractual obligations and guarantees. Parkland believes 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 March 31, 2017, Parkland provided \$756.8 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 March 31, 2017, the total outstanding balance for letters of credit was \$12.9 million (December 31, 2016 - \$8.9 million) with maturity at various dates up to February 27, 2018.

Shares outstanding

As at May 2, 2017, Parkland had approximately 96.7 million shares, 2.8 million share options and 0.8 million restricted share units outstanding. The share options consist of approximately 1.2 million share options that are currently exercisable into shares.

12. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted Gross Profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 24 – Segment Information of the Annual Consolidated Financial Statements and Note 10 – 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 10 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. Other issuers may calculate Adjusted EBITDA differently. Adjusted EBITDA is calculated and reconciled from net earnings as follows:

(\$ millions)	Three months ended March 31,	
	2017	2016
Net earnings	22.0	24.9
Finance costs	14.3	(0.2)
Gain on disposal of property, plant and equipment	(0.3)	(0.5)
Income tax expense	8.3	5.4
Unrealized gain from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	(8.8)	(0.7)
Unrealized loss on foreign exchange	0.6	0.3
Acquisition, integration and other costs	7.6	4.6
Depreciation and amortization	26.3	25.9
Adjusted EBITDA	70.0	59.7

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:

Adjusted Gross Profit

(\$ millions)	Three months ended March 31,	
	2017	2016
Sales and operating revenue	1,784.5	1,318.1
Cost of goods sold, excluding depreciation	(1,590.0)	(1,144.1)
Realized loss on risk management activities	(4.3)	(1.2)
Realized gain on foreign exchange	0.8	-
Adjusted gross profit	191.0	172.8
Fuel and petroleum product adjusted gross profit	155.4	137.0
Non-fuel adjusted gross profit	35.6	35.8
Adjusted gross profit	191.0	172.8

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 and restricted cash	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 (excluding 5.75% Senior Notes)	

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
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.
Adjusted Marketing, General and Administrative expenses (cpl)	A MG&A expense metric that excludes acquisition, integration and other costs, which are considered to be non-representative of Parkland's underlying core operating performance.	Adjusted MG&A expenses = MG&A expenses - acquisition, integration and other costs Adjusted MG&A expenses (cpl) = Adjusted MG&A expenses / fuel and petroleum product volume	We use this metric to set targets and assess core and non-acquisition expenses of Parkland. We believe this metric provides useful information to investors and shareholders as it provides increased transparency and predictive value on Parkland's MG&A expenses.
Corporate Adjusted 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 adjusted MG&A as a % of adjusted gross profit = [Corporate MG&A expenses - acquisition, integration and other costs] / 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.
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	

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
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.
- Upgrade of software systems or point-of-sale systems.

Parkland uses growth capital expenditure 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.
- 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 the MD&A.

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended				Trailing twelve months ended March 31, 2017
	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	
Adjusted EBITDA	56.4	60.3	77.1	70.0	263.8
Share incentive compensation	2.4	3.3	4.7	1.7	12.1
	58.8	63.6	81.8	71.7	275.9
Acquisition pro-forma adjustment ⁽¹⁾					5.4
Acquisition, integration and other costs adjustment ⁽²⁾					(17.4)
Credit Facility EBITDA					263.9

⁽¹⁾ Amounts for the trailing twelve months ended March 31, 2017 include pro-forma pre-acquisition estimates as if the acquisitions during the year had occurred on April 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 \$17.4 million pursuant to the terms of the Credit Facility amended on June 30, 2016. This amount is used for debt covenant calculation purposes only.

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

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2016 include pro-forma pre-acquisition estimates as if the acquisitions during the year had 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

	March 31, 2017	December 31, 2016
Senior Funded Debt:		
Long-term debt - current portion (excluding 5.75% Senior Notes) ⁽¹⁾	4.3	1.9
Bank indebtedness	-	-
Long-term debt - non-current portion (excluding Senior Unsecured Notes)	128.4	138.8
Letters of credit and surety bonds ⁽²⁾	12.9	8.9
Cash and cash equivalents and restricted cash	(18.3)	(25.6)
Senior Funded Debt ⁽¹⁾	127.3	124.0
Senior Unsecured Notes (excluding 5.75% Senior Notes) ⁽¹⁾	399.2	399.2
Total Funded Debt ⁽¹⁾	526.5	523.2
Credit Facility EBITDA	263.9	258.8
Senior Funded Debt to Credit Facility EBITDA Ratio	0.48	0.48
Total Funded Debt to Credit Facility EBITDA Ratio	2.00	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.

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

Interest Coverage Ratio

For the trailing twelve months ended	March 31, 2017	December 31, 2016
Credit Facility EBITDA	263.9	258.8
Interest ⁽¹⁾	41.8	35.3
Interest Coverage Ratio	6.31	7.33

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

NUOC

(\$ millions)	June 30, 2016	Three months ended			March 31, 2017	Trailing twelve months ended March 31, 2017
		September 30, 2016	December 31, 2016			
Operating costs	24.5	24.5	25.1	24.8	98.9	
Marketing, general and administrative	6.0	5.6	6.4	6.7	24.7	
Less: Non-fuel adjusted gross profit	(13.7)	(14.0)	(14.5)	(12.6)	(54.8)	
	16.8	16.1	17.0	18.9	68.8	
Fuel and petroleum product volume ⁽¹⁾ (millions of litres)	936.0	1,001.8	935.9	844.2	3,717.9	
NUOC	1.79	1.61	1.82	2.24	1.85	

⁽¹⁾ Includes diesel, gasoline and propane volumes.

(\$ millions)	June 30, 2015	Three months ended			March 31, 2016	Trailing twelve months ended March 31, 2016
		September 30, 2015	December 31, 2015			
Operating costs	8.0	23.8	23.6	22.9	78.3	
Marketing, general and administrative	3.4	6.2	6.4	6.2	22.2	
Less: Non-fuel adjusted gross profit	(5.9)	(12.9)	(12.8)	(14.0)	(45.6)	
	5.5	17.1	17.2	15.1	54.9	
Fuel and petroleum product volume ⁽¹⁾ (millions of litres)	463.1	996.8	912.0	843.1	3,215.0	
NUOC	1.19	1.72	1.89	1.79	1.71	

⁽¹⁾ Includes diesel, gasoline and propane volumes.

TTM Operating Ratio

Commercial Fuels

(\$ millions)	June 30, 2016	Three months ended			March 31, 2017	Trailing twelve months ended March 31, 2017
		September 30, 2016	December 31, 2016			
Operating costs	28.9	28.1	33.3	38.4	128.7	
Marketing, general and administrative	6.4	5.9	6.3	6.2	24.8	
Adjusted gross profit	35.3	34.0	39.6	44.6	153.5	
TTM operating ratio	41.5	38.3	54.9	72.7	207.4	74.0%

(\$ millions)	June 30, 2015	Three months ended			March 31, 2016	Trailing twelve months ended March 31, 2016
		September 30, 2015	December 31, 2015			
Operating costs	29.4	28.4	31.9	33.2	122.9	
Marketing, general and administrative	5.7	5.8	5.8	6.3	23.6	
Adjusted gross profit	35.1	34.2	37.7	39.5	146.5	
TTM operating ratio	43.2	39.8	52.0	61.6	196.6	74.5%

Parkland USA

(\$ millions)	June 30, 2016	Three months ended			March 31, 2017	Trailing twelve months ended March 31, 2017
		September 30, 2016	December 31, 2016			
Operating costs	9.9	10.2	9.7	10.4	40.2	
Marketing, general and administrative	1.9	1.6	2.0	1.8	7.3	
Adjusted gross profit	11.8	11.8	11.7	12.2	47.5	
TTM operating ratio	15.2	16.1	15.9	15.2	62.4	76.1%

(\$ millions)	June 30, 2015	Three months ended			March 31, 2016	Trailing twelve months ended March 31, 2016
		September 30, 2015	December 31, 2015			
Operating costs	9.4	9.9	10.8	10.7	40.8	
Marketing, general and administrative	1.9	1.7	1.9	2.1	7.6	
Adjusted gross profit	11.3	11.6	12.7	12.8	48.4	
TTM operating ratio	16.1	17.9	16.8	16.2	67.0	72.2%

Adjusted Marketing, General and Administrative expenses

(\$ millions)	Three months ended March 31,	
	2017	2016
Marketing, general and administrative	42.9	39.1
Less: Acquisition, integration and other costs	(7.6)	(4.6)
Adjusted marketing, general and administrative	35.3	34.5
Fuel and petroleum product volume (millions of litres)	2,755.6	2,437.1
Adjusted marketing, general and administrative (cpl)	1.28	1.42

Corporate Adjusted Marketing, General, and Administrative expenses as a % of Adjusted Gross Profit

(\$ millions)	Three months ended March 31,	
	2017	2016
Corporate marketing, general and administrative	18.0	15.4
Less: Acquisition, integration and other costs	(7.6)	(4.6)
Corporate adjusted marketing, general and administrative	10.4	10.8
Parkland's adjusted gross profit	191.0	172.8
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	5.4%	6.3%

Key Performance Indicators ("KPIs")

In addition to the non-GAAP financial measures, Parkland uses a number of 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 same-store sales growth refers to sales growth generated by retail convenience stores at company owned, retailer operated sites, and removes the effect of opening and closing stores in the period. Parkland also excludes temporary closures, expansions or renovations of stores.

At Parkland, Company C-Store same-store sales growth 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, by comparing the current year POS sales of active sites to the prior year POS sales of comparable sites. As Parkland generally collects from the retailer a fixed rent for the facilities plus a percentage rent on the convenience store sales, and does not directly own or sell the convenience store inventory, the POS amounts used to calculate Company C-Store same-store sales growth is not a financial measure of Parkland and does not form part of Parkland's consolidated financial statements.

Same-store sales growth is a metric commonly used in the retail industry and Parkland believes that this measure provides meaningful information to investors to help assess 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 same-store sales growth refers to fuel and petroleum product sales growth at active Company and Dealer sites, and removes the effect of opening and closing stores in the period as well as temporary closures, expansions or renovations of stores. Volume same-store sales growth is a metric commonly used in the retail fuels industry and Parkland believes that this measure provides meaningful information to investors to help assess the health and strength of Parkland's brands and the Retail Fuels network, which ultimately impacts its financial performance. At Parkland, volume same-store sales growth is derived by comparing the current year volume of active sites to the prior year volume of comparable sites.

Measures calculated on a cents-per-litre ("cpl") basis

Certain financial measures are calculated on a 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 variability of volumes, where appropriate.

13. OUTLOOK

For the remainder of 2017, Parkland will be focused on planning, closing and integrating the CST Brands Canada Acquisition and Chevron Canada Acquisition as well as driving synergies to create shareholder value. Upon the closing of the CST Brands Canada Acquisition and the Chevron Canada Acquisition, we anticipate increasing our network to an estimated 1,838 sites across Canada, which will include approximately 579 Company sites.

	Fas Gas Plus	Race Trac	Esso	Pioneer	Chevron	Ultramarc / CST	Other	Total
Existing site count								
Company sites	91	1	67	119	32	-	-	310
Dealer sites	89	72	528	36	15	-	29	769
Site count, as at March 31, 2017	180	73	595	155	47	-	29	1,079
Estimated additions from the CST Brands Canada Acquisition⁽¹⁾⁽²⁾ and the Chevron Canada Acquisition⁽²⁾								
Company sites	-	-	-	-	129	140	-	269
Dealer sites	-	-	-	-	-	490	-	490
Estimated site count additions	-	-	-	-	129	630	-	759
Pro forma site count upon closing of the CST Brands Canada Acquisition⁽¹⁾⁽²⁾ and the Chevron Canada Acquisition⁽²⁾								
Company sites	91	1	67	119	161	140	-	579
Dealer sites	89	72	528	36	15	490	29	1,259
Pro forma site count	180	73	595	155	176	630	29	1,838

⁽¹⁾ This assumes site count additions of 140 Company sites for the CST Brands Canada Acquisition. This estimate will not be finalized until the closing of the CST Brands Canada Acquisition

⁽²⁾ See Section 10 – Risk Factors of this MD&A and the Annual MD&A on risk factors related to the respective acquisitions.

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 support the Parkland Retail Fuels offering across Canada. Parkland will also continue to search for opportunities to drive improvements in our supply costs as part of executing our supply strategy, while adding additional volume through organic growth. We intend to maintain our ongoing focus on retaining existing customers and winning new customers in our various markets. We also intend to take advantage of growth opportunities posed by a potential economic recovery in Western Canada in our Commercial Fuels business. Furthermore, in line with our disciplined strategy of acquiring prudently, Parkland will continue to review its acquisition pipeline for potential targets, and initiate acquisitions as strategic opportunities arise.

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;
- goal to purchase large volumes of full range of products produced by refineries and sell them using its various marketing channels;
- goal of being a leader in consolidating North America's fragmented fuel distribution market through its potential synergies on acquisitions and experience across all fuel marketing channels;
- strategies to continue to maximize penetration of its brands by acquiring new sites and modernizing and maintaining existing sites;
- 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;
- platform for growth in the United States and Canada;

- 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 CST Brands Canada Acquisition and the Chevron Canada Acquisition;
- expectations regarding the financing arrangements with respect to previously announced transactions, including the closing of the CST Brands Canada Acquisition and 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 CST Brands Canada Acquisition and 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 Equity Offering, 5.625% Senior Notes offering and the Chevron Canada Acquisition, and the use of proceeds from the Equity Offering and the 5.625% Senior Notes offering;
- the satisfaction of all conditions to the completion of the: (i) Chevron Canada Acquisition; (ii) CST Brands Canada Acquisition; (iii) Equity Offering and (iv) the 5.625% Senior Notes offering and the satisfaction of all conditions to the release to Parkland of the net proceeds of the offering of the subscription receipts and 5.75% Senior Notes, including, without limitation, and in each case, obtaining all necessary third-party and regulatory consents and approvals; 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, the CST Brands Canada Acquisition, the Equity Offering or the 5.625% Senior Notes offering;
- 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 and CST Brands Canada Acquisition;
- failure to complete the Equity Offering or 5.625% Senior Notes offering;
- ability to secure alternative sources of financing for the bridge facility on terms acceptable to Parkland;
- 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.