Parkland
FUEL CORPORATION

Year ended December 31, 2016

Report to Shareholders

Management's Discussion and Analysis Q4 2016

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") dated March 2, 2017 should be read in conjunction with Parkland Fuel Corporation's ("Parkland", "we", "our" or "us") audited consolidated financial statements for the year ended December 31, 2016 (the "Annual Consolidated Financial Statements"). The Annual Consolidated Financial Statements have been prepared in accordance with 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. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland including quarterly and annual reports, and the annual information form for the fiscal year ended December 31, 2015 dated March 29, 2016 ("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 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 in the Risk factors section of this MD&A and the Annual Information Form.

This MD&A contains forward-looking information 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.

Financial outlook information contained in this MD&A about prospective results of operations, financial position or cash flows is based on assumptions about future events, including economic conditions and proposed courses of action, based on management's assessment of the relevant information currently available. 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

	Three months ended December 31,			Year ended December 31,		
($ millions, unless otherwise noted)	**2016**	2015	2014	**2016**	2015	2014
Financial Summary						
Sales and operating revenue	**1,740.0**	1,655.8	1,738.5	**6,266.0**	6,299.6	7,527.6
Adjusted gross profit(1)	**197.2**	182.3	141.5	**707.7**	627.5	540.8
Adjusted EBITDA(1)	**77.1**	64.8	51.1	**253.5**	215.1	183.2
Net earnings	**3.0**	15.6	10.2	**47.2**	39.5	49.9
Per share – basic	**0.03**	0.17	0.13	**0.50**	0.45	0.66
Per share – diluted	**0.03**	0.17	0.13	**0.49**	0.45	0.66
Distributable cash flow(2)	**29.2**	35.3	23.1	**120.2**	109.8	107.0
Per share(2)(3)	**0.30**	0.39	0.29	**1.26**	1.26	1.41
Adjusted distributable cash flow(2)	**43.2**	42.2	30.9	**152.6**	137.7	122.7
Per share(2)(3)	**0.45**	0.46	0.39	**1.60**	1.58	1.62
Dividends	**27.5**	25.4	26.9	**109.1**	97.6	85.9
Per share outstanding	**0.29**	0.27	0.33	**1.13**	1.04	1.05
Dividend payout ratio(2)	**94%**	72%	117%	**91%**	89%	80%
Adjusted dividend payout ratio(2)	**64%**	60%	87%	**71%**	71%	70%
Total assets	**2,561.5**	1,818.7	1,531.8	**2,561.5**	1,818.7	1,531.8
Total long-term liabilities	**691.5**	591.6	551.1	**691.5**	591.6	551.1
Shares outstanding (millions)	**96.2**	93.9	82.1	**96.2**	93.9	82.1
Weighted average number of common shares (millions)	**96.0**	91.5	78.8	**95.3**	87.1	75.9
Operating Summary						
Fuel and petroleum product volume (millions of litres)	**2,783.4**	2,613.9	2,327.8	**10,415.2**	9,613.4	8,855.1
Fuel and petroleum product adjusted gross profit(1) (cpl):						
Retail Fuels	**5.39**	5.07	5.37	**5.48**	5.25	5.00
Commercial Fuels	**11.47**	11.59	11.63	**11.09**	11.39	10.47
Parkland USA	**3.62**	3.44	3.72	**3.46**	3.38	3.22
Operating costs (cpl)	**2.94**	3.07	2.58	**2.98**	2.92	2.74
Adjusted marketing, general and administrative(2) (cpl)	**1.39**	1.45	1.32	**1.40**	1.39	1.32

(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 in its consolidation given our potential supply and cost synergies on acquisitions and experience across all fuel marketing channels.

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

3. PERFORMANCE OVERVIEW

Q4 2016 Highlights

In the fourth quarter of 2016, Parkland made strong progress towards its three-pillared five-year strategic plan.

Grow

- Parkland achieved a record fourth quarter Adjusted EBITDA of $77.1 million, which is a growth rate of 19% compared to $64.8 million for the same period of 2015. The record fourth quarter was driven by positive growth in all of Parkland's operating segments, including 21% growth in Supply and Wholesale, 15% growth in Retail Fuels, and 5% growth in Commercial Fuels.
- We achieved a 6% growth in volume, delivering approximately 2.8 billion litres of fuel and petroleum products in the fourth quarter of 2016, compared to 2.6 billion litres in the same quarter of 2015. The volume increase was driven by growth in Supply and Wholesale, Retail Fuels and Commercial Fuels segments.
- Sales and operating revenue increased from $1.66 billion in the fourth quarter of 2015 to $1.74 billion in the fourth quarter of 2016. The increase in revenue was driven primarily by an increase in fuel volumes.
- Net earnings were $3.0 million in the fourth quarter of 2016, compared to net earnings of $15.6 million in the fourth quarter of 2015, primarily as a result of a $14.2 million non-cash finance cost charge recognized on the change in fair value of Redemption Options of the Senior Unsecured Notes due to changing credit market conditions.
- Company C-Store same-store sales growth in Retail Fuels was 1.9% overall, driven by high performing C-Store same-store sales growth in Eastern Canada.

- Retail volume same-store sales growth in Eastern Canada was 5.5%.
- In November 2016, Parkland added a new retail dealer site in Rougemont, Quebec, representing the second site in Quebec after opening a new retail company site in La Prairie, Quebec in August 2016 under our "New-to-Industry" program. We are in the process of opening more sites in Quebec in 2017 as part of our organic growth into the province.
- In the fourth quarter of 2016, Commercial Fuels delivered 50% more propane than in 2015 due to organic growth, several propane-related business acquisitions, and comparatively colder weather.

Supply

- Parkland's Supply and Wholesale team continues to drive and support further growth, maintaining a commitment to ongoing improvements to our cost of supply as demonstrated by their 21% improvement in segment Adjusted EBITDA.
- Parkland completed the expansion of a transloading facility in Hamilton, Ontario, which is expected to continue to optimize supply, enhance capacity and increase capability in Parkland's distribution network.
- The Supply and Wholesale segment saw strong results this quarter from strong US transloading operations and expanding propane sales in Mexico. Liquid petroleum gas ("LPG") volumes increased by 196.3 million litres in the fourth quarter of 2016 as compared to 2015.
- As at December 31, 2016, we supported a network of 1,075 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.

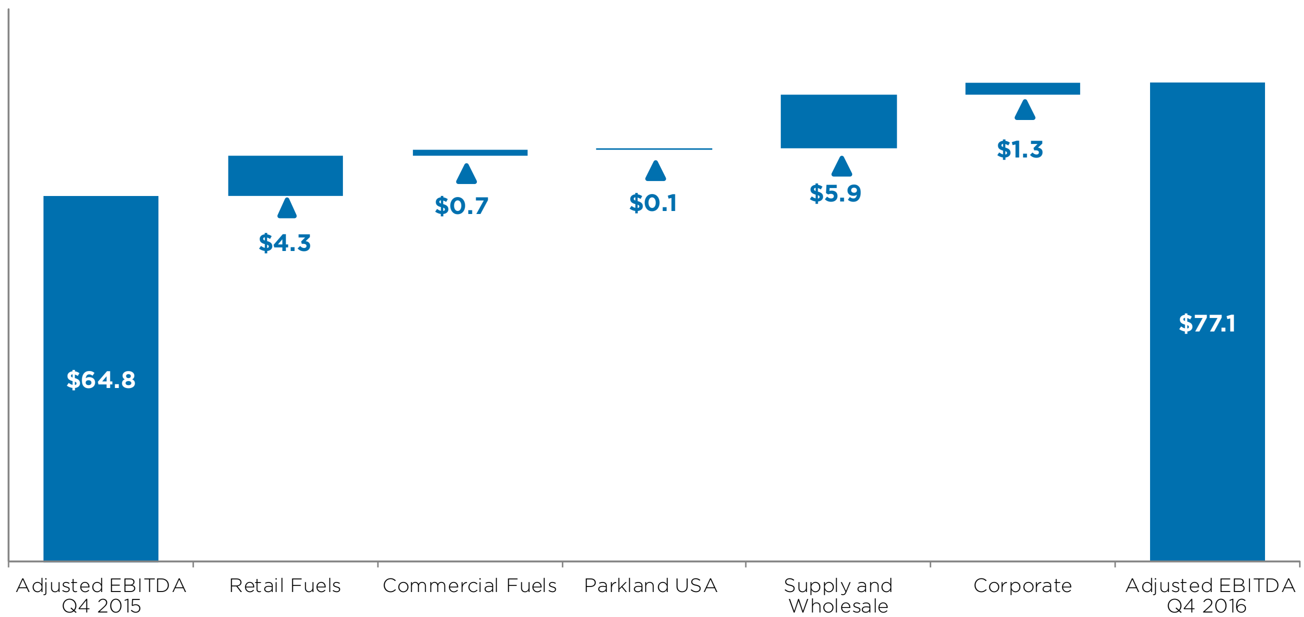
Acquire

- On October 5, 2016, Parkland closed the acquisition of the On the Run/Marché Express convenience store franchise system and related trademarks in Canada. The On the Run/Marché Express convenience store franchise system is a strong retail platform for Parkland and is expected to expand and support Parkland's Retail Fuels offering across Canada.
- Between November 29, 2016 and December 1, 2016, Parkland successfully completed the acquisition of three service stations, which include two truck stops and one retail station in and around Cheyenne, Wyoming. Collectively, these service stations are expected to sell more than 55 million litres of fuel on an annual basis.
- On December 1, 2016, Parkland successfully completed the acquisition of the assets and business of PNE Corporation ("PNE"), which expands the scope of our propane offering to include a national provider of propane cylinder exchange services. PNE currently serves several large national customers and retail fuel marketers including Canadian Tire, Loblaws, Lowes, Rona, The Home Depot, Esso, and Petro-Canada. The acquisition is expected to add approximately 17 million litres of propane annually and will expand the scope of Parkland's propane business to include a national 20-pound cylinder exchange offering in addition to a 33- and 100-pound cylinder offering in Ontario. Integration activities are well under way and we look forward to continuing to provide strong customer service nationwide under the PNE banner.
- 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.

Q4 2016 vs. Q4 2015 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)	**December 31, 2016**	December 31, 2015	Change	%
Adjusted EBITDA[1]				
Retail Fuels	**33.4**	29.1	4.3	15%
Commercial Fuels	**15.7**	15.0	0.7	5%
Parkland USA	**4.2**	4.1	0.1	2%
Supply and Wholesale	**33.9**	28.0	5.9	21%
Corporate	**(10.1)**	(11.4)	1.3	(11%)
	77.1	64.8	12.3	19%
Less:				
Depreciation and amortization	**20.0**	29.0	(9.0)	(31%)
Finance costs				
Interest on long-term debt	**12.6**	7.0	5.6	80%
Interest and accretion on convertible debentures	**-**	0.6	(0.6)	(100%)
Change in fair value of Redemption Options	**14.2**	0.4	13.8	3,450%
Other finance costs[2]	**0.4**	1.1	(0.7)	(64%)
	27.2	9.1	18.1	199%
Loss on disposal of property, plant and equipment	**1.2**	1.1	0.1	9%
Acquisition, integration and other costs	**14.0**	6.9	7.1	103%
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**5.4**	(3.8)	9.2	(242%)
Unrealized loss on foreign exchange	**0.1**	0.7	(0.6)	(86%)
Income tax expense	**6.2**	6.2	-	-
Net earnings	**3.0**	15.6	(12.6)	(81%)

[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 fourth quarter Adjusted EBITDA and 19% growth as a result of growth in all of our operating segments. Supply and Wholesale grew by 21% as a result of significant progress in improving our supply economics as part of our supply advantage strategy. Retail Fuels grew by 15% as a result of fuel volumes, strong fuel margins and C-store sales growth in Eastern Canada. Commercial Fuels grew by 5% as a result of ramp up activities of new business wins, a reduction in variable operating costs on a cents-per-litre ("cpl") basis, and a colder winter as compared to last year. Parkland USA and Corporate saw improvements as a result of continuous cost reduction activities.
- Depreciation and amortization expense in the fourth quarter of 2016 decreased primarily due to the income impact of decreased asset retirement obligations as a result of using higher market-based discount rates for discounting future estimated cash outflows in a higher risk-free interest rate environment.
- Finance costs in the fourth quarter of 2016 increased primarily due to a $14.2 million non-cash charge recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes arising from changing debt market conditions and increased risk-free yield curves. 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. Furthermore, interest on long-term debt increased by $5.6 million during the fourth quarter as compared to the prior year due to the private placement of the 5.75% Senior Notes on September 16, 2016 to partially fund the CST Brands Canada Acquisition.
- Acquisition, integration and other costs increased primarily due to costs incurred as part of the CST Brands Canada Acquisition and other acquisition activities during the quarter.
- The unrealized loss from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts (included within loss on risk management activities) was $5.4 million, compared to an unrealized gain of $3.8 million in the same period of 2015. The losses incurred for the quarter were primarily driven by LPG and refined fuels sell-side swap positions taken by Parkland in an increased LPG and refined fuels 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 losses on risk management contracts, which are recognized under IFRS, are expected to partially offset any unrealized gains on physical products in transit, which are not recognized under IFRS until the delivery to the customer is complete.
- As a result of above main drivers, net earnings for the fourth quarter of 2016 were $3.0 million, compared to net earnings of $15.6 million for the fourth quarter of 2015.

2016 Highlights

Grow

- Parkland achieved a record annual Adjusted EBITDA of $253.5 million, which is a growth rate of 18% compared to $215.1 million in 2015. This strong performance was driven by positive growth in Retail Fuels and Supply and Wholesale.
- We delivered a record 10.4 billion litres of fuel and petroleum products in 2016, representing 8% growth compared to 9.6 billion litres in 2015. The volume increase was driven by growth in Supply and Wholesale and Retail Fuels segments.
- Sales and operating revenue remained consistent at $6.3 billion in 2016 compared to 2015, mainly driven by an increase in volume, offset by a decrease in commodity and fuel prices.
- Parkland's net earnings were $47.2 million in 2016, compared to net earnings of $39.5 million in 2015. Although we experienced strong growth in Adjusted Gross Profit and Adjusted EBITDA, this was offset by increased finance costs due to higher debt to partially fund the CST Brands Canada Acquisition, and additional depreciation and amortization costs as Parkland acquired more assets.
- Company C-Store same-store sales growth in Retail Fuels was 3.8% overall, driven by higher C-Store same-store sales growth in Eastern Canada. During the second quarter of 2016, Parkland entered into a new partnership with a national C-store industry wholesale partner, which is expected to allow us to drive cost efficiencies and deliver increasingly competitive product offerings to our customers across our retail segment, including improved product offerings.

Supply

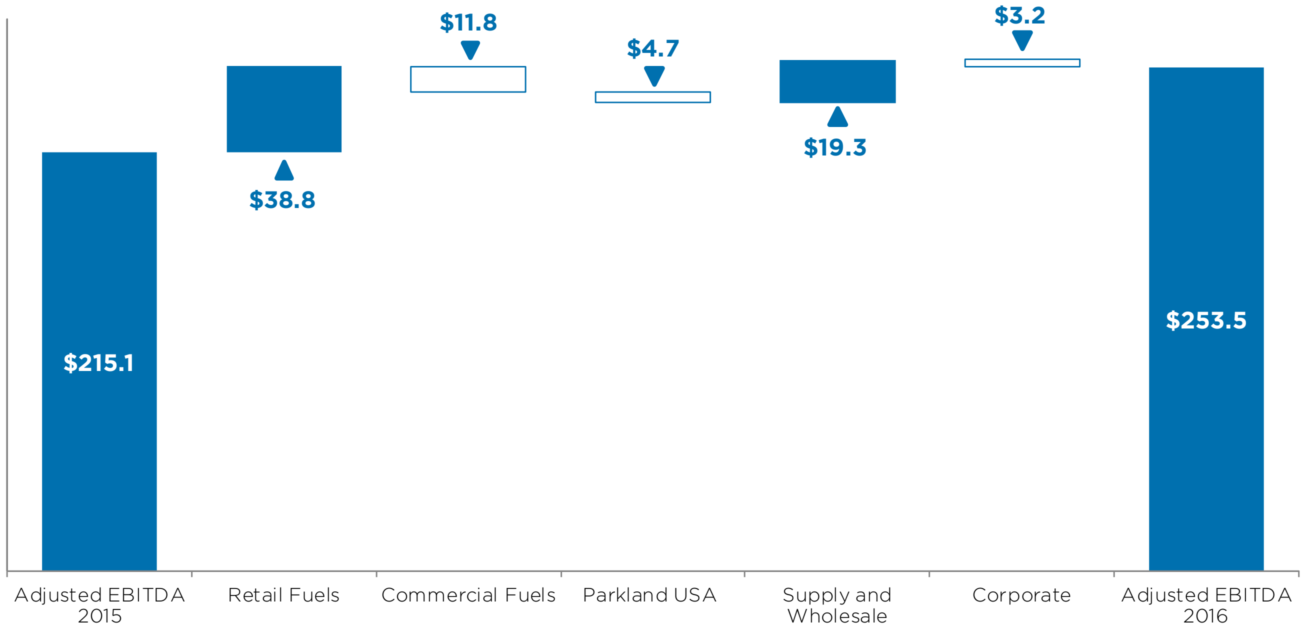
- Parkland's Supply and Wholesale team continues to drive and support further growth, maintaining a commitment to ongoing improvements to our cost of supply as demonstrated by their 25% improvement in segment Adjusted EBITDA.

Acquire

- In 2016, Parkland experienced a strong year of acquisition activities, investing $89.2 million in acquisitions of businesses that complement its existing lines of business in Wyoming, USA and Quebec, Saskatchewan, Alberta, and Ontario, Canada. These acquisitions are expected to support Parkland's growing Retail Fuels, Commercial Fuels and Parkland USA segments in those regions.

2016 vs. 2015 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 years ended ($ millions)	**December 31, 2016**	December 31, 2015	Change	%
Adjusted EBITDA[1]				
Retail Fuels	**138.8**	100.0	38.8	39%
Commercial Fuels	**49.2**	61.0	(11.8)	(19%)
Parkland USA	**15.4**	20.1	(4.7)	(23%)
Supply and Wholesale	**96.7**	77.4	19.3	25%
Corporate	**(46.6)**	(43.4)	(3.2)	7%
	253.5	215.1	38.4	18%
Less:				
Depreciation and amortization	**102.9**	92.9	10.0	11%
Finance costs				
Interest on long-term debt	**33.6**	27.1	6.5	24%
Interest and accretion on convertible debentures	**-**	2.7	(2.7)	(100%)
Change in fair value of Redemption Options	**3.6**	2.2	1.4	64%
Other finance costs[2]	**3.0**	2.9	0.1	3%
	40.2	34.9	5.3	15%
Loss on disposal of property, plant and equipment	**1.0**	1.3	(0.3)	(23%)
Acquisition, integration and other costs	**32.4**	27.9	4.5	16%
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**8.9**	(1.5)	10.4	(693%)
Unrealized loss (gain) on foreign exchange	**1.1**	(0.2)	1.3	(650%)
Income tax expense	**19.8**	20.3	(0.5)	(2%)
Net earnings	**47.2**	39.5	7.7	19%

[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. See Note 14 of the Annual Consolidated Financial Statements.

- Parkland achieved a record annual Adjusted EBITDA and 18% growth primarily as a result of growth in all of our Retail Fuels and Supply and Wholesale operating segments. Retail Fuels Adjusted EBITDA grew by $38.8 million in 2016 due to the increased number of retail sites from the acquisition of Pioneer Energy in June 2015. Supply and Wholesale Adjusted EBITDA grew by $19.3 million as a result of significant progress in improving our supply economics as part of our supply advantage strategy, reduced operating costs, and stronger LPG margins. The growth experienced during the year was partially offset by weaker results in Commercial Fuels and Parkland USA, which saw declines in Adjusted EBITDA as a result of reduced economic activity in Western Canada and North Dakota, USA and declines in volume as a result of a warmer winter season in the first quarter of 2016. The Corporate segment saw increased expenses of $3.2 million primarily due to increased costs to support Parkland's growth-related activities.
- Depreciation and amortization expense increased in 2016 primarily due to the acquisition of Pioneer Energy in June 2015 and other acquisitions in 2015 and 2016.
- Finance costs in 2016 increased primarily due to the increase in interest on long-term debt by $6.5 million due to the private placement of the 5.75% Senior Notes on September 16, 2016 to partially fund the CST Brands Canada Acquisition. This was offset by savings on interest and accretion expenses on convertible debentures, as the convertible debentures matured on December 31, 2015.
- Acquisition, integration and other costs increased primarily due to the CST Brands Canada Acquisition and greater amount of acquisition activities that took place in 2016 as compared to 2015. In 2016, Parkland spent $89.2 million on acquisitions, while spending $51.0 million on acquisitions in 2015, outside of its purchase of Pioneer Energy.
- The unrealized loss from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts (included within loss on risk management activities) in 2016 was $8.9 million, compared to an unrealized gain of $1.5 million in 2015. The unrealized losses incurred for the year were primarily driven by LPG and refined fuels sell-side swap positions taken by Parkland in an increased LPG and refined fuels 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 physically delivered in the future. These unrealized losses on risk management contracts, which are recognized under IFRS, are expected to partially offset any unrealized gains on physical products in transit, which are not recognized under IFRS until the delivery to the customer is complete.

- Income tax expense decreased to $19.8 million in 2016, compared to $20.3 million in 2015. Income tax expense decreased primarily due to the recognition of current tax recovery on deductible losses, offset by higher earnings before income taxes.
- As a result of the above main drivers, net earnings for 2016 were $47.2 million, compared to net earnings of $39.5 million for 2015.

4. SEGMENT RESULTS

Refer to Note 24 of the Annual Consolidated Financial Statements for segment information.

Retail Fuels

Overview

Parkland Retail Fuels supplies and supports a network of 1,075 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, as described below, provides a robust offering to satisfy many fuel market segments:

- **Esso** – The Esso-branded wholesaler agreement provides Parkland with the opportunity to offer Esso's nationally recognized premium brand to Parkland's own or leased network and to independent dealers.
- **Fas Gas Plus** – Fas Gas Plus is a community-focused independent brand that brings consumers an urban offering into non-urban markets through a large, well-merchandised convenience store, a strong loyalty program and knowledgeable and friendly retailer operators and dealers. Parkland's strategy is to continue to maximize penetration of this brand throughout its traditional non-urban markets by acquiring new sites and modernizing and maintaining existing sites to the highest of Parkland's standards.
- **Pioneer** – Pioneer is an Ontario-based brand with high perceived customer value largely located in suburban/commuter markets that offers a market competitive fuel price, regionally relevant loyalty program and convenient locations. Other services include Snack Express or Verve branded convenience stores and Clean Express branded car washes.
- **Chevron** – The Chevron-branded wholesaler agreement provides Parkland with the opportunity to offer Chevron's premium brand to Parkland's owned or leased network and to independent dealers.
- **Race Trac** – Race Trac is designed for the dealer who wants to operate independently in the marketplace and not be restricted by the standards of Parkland's other brand offerings. Parkland has focused on enhancing the brand value of Race Trac. This brand is positioned for locations or markets where the Fas Gas Plus, Chevron or Esso brands are not well-suited and is a complementary offering within Parkland's brand portfolio.
- **On the Run / Marché Express convenience store brand** – Parkland acquired from Imperial Oil Ltd. ("Imperial") the franchisor rights to approximately 80 On the Run / Marché Express convenience store franchise agreements and the associated trademarks in Canada. The On the Run / Marché Express acquisition provides Parkland with a national convenience store brand that is expected to grow and enhance its convenience store offering.
- **Other** – In most cases, "Other" represents brands that are being migrated to Parkland's primary brand offerings over time.

On July 6, 2016, Parkland closed the purchase of the real estate of 17 Esso-branded retail sites in Saskatchewan and Manitoba from Imperial. Parkland previously operated these sites under long-term operating leases with Imperial.

On August 22, 2016, Parkland announced the CST Brands Canada Acquisition, which includes CST's dealer and commissioned agents retail business and a number of CST's company-operated stores to be determined following the Competition Bureau of Canada's review of Couche-Tard's acquisition of CST. With many of the retail sites under the Ultramar brand located in prime urban locations, the CST Brands Canada Acquisition is expected to extend Parkland's Retail Fuels network coverage in Quebec and Atlantic Canada and will further enhance Parkland's presence in Ontario. Parkland is actively working towards closing the CST Brands Canada Acquisition.

On October 5, 2016, Parkland closed the acquisition of the On the Run/Marché Express convenience store franchise system and related trademarks in Canada. The On the Run/Marché Express convenience store franchise system is expected to expand and support Parkland's Retail Fuels offering across Canada.

Business models

Parkland Retail Fuels operates under the following main models:

- **Company owned, retailer operated ("Company") sites**
  Company sites are sites that are either owned or leased by Parkland and operated and managed on its behalf by independent entrepreneurs (retailers). Parkland owns the fuel inventory and maintains control of the retail selling price at the pumps; the retailer owns the convenience store inventory. Parkland pays the retailer a "cents-per-litre" commission on the fuel sales and collects from the retailer a fixed rent for the facilities plus a percentage rent on the convenience store sales.

- **Dealer owned, dealer operated or dealer consigned ("Dealer") sites**
  Dealer owned, dealer operated sites are sites that are either owned or leased by an independent third-party dealer. Parkland secures a long-term fuel supply contract with the dealer, usually five years or longer. Over the term of the agreement, Parkland supplies fuel to the dealer based on independently published rack prices that can fluctuate frequently. The dealer owns the fuel inventory and has control of the retail selling price at the pumps.

  Dealer consigned, dealer operated sites are sites that are owned or leased by an independent third-party dealer. Parkland owns the fuel inventory and maintains control of the retail price at the pumps; the dealer owns the convenience store inventory. Parkland pays the retailer a commission on the fuel sales. The dealer operates under the Pioneer, Esso, or Top Valu fuel brand banner and sells Parkland owned (consigned) fuel and receives compensation based on a variable rate commission scale. The retail fuel pricing is managed by Parkland.

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	**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**
Company sites	94	2	64	30	121	1	312
Dealer sites	83	80	522	11	31	36	763
Site count, as at December 31, 2015	177	82	586	41	152	37	1,075
Net change in site count	(3)	(8)	8	3	2	(2)	-

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 fourth quarter of 2016 grew to $33.4 million, as compared to $29.1 million for the fourth quarter of 2015. The primary driver of the increase is higher fuel volumes, stronger fuel margins and C-store sales growth in Eastern Canada. On a year-to-date basis, Retail Fuels Adjusted EBITDA for 2016 grew to $138.8 million, as compared to $100.0 million for the same period of 2015. The increase in site count from the acquisition of Pioneer Energy in June 2015 was the primary driver of the annual year-over-year growth. Annually, Retail Fuels Adjusted EBITDA increased by 3% on a cents-per-litre ("cpl") basis demonstrating Parkland's ability to meet its strategic organic growth target of 3-5%.

The Retail Fuels segment had continued success in Company C-Store same-store sales growth. Overall Company C-Store same-store sales growth was 1.9% and 3.8% for the three months and twelve months ended December 31, 2016, thereby meeting Parkland's organic growth target on an annual basis. The C-Store same-store sales growth was driven by higher performance in Eastern Canada. Ongoing store refresh programs and other improvement initiatives at Pioneer Energy sites have led to increased same-store sales growth since their acquisition.

Parkland continues to develop its retail capabilities and has taken steps to drive cost efficiencies such as signing a national C-Store industry wholesale partner, which is expected to allow us to deliver increasingly competitive product offerings to our customers across our retail segment, including improved product offerings. Further, in 2016, Parkland held a national vendor summit to develop strong promotional offers for 2017.

($ millions, unless otherwise noted)	Three months ended December 31, 2016	2015	Change	%	Year ended December 31, 2016	2015	Change	%
Fuel and petroleum product volume[1] (million litres)	**935.9**	912.0	23.9	3%	**3,716.8**	2,752.3	964.5	35%
Sales and operating revenue	**725.7**	685.7	40.0	6%	**2,751.6**	2,164.3	587.3	27%
Fuel and petroleum product adjusted gross profit[2]	**50.4**	46.3	4.1	9%	**203.7**	144.5	59.2	41%
Non-fuel adjusted gross profit[2]	**14.5**	12.8	1.7	13%	**56.2**	36.4	19.8	54%
Adjusted gross profit[2]	**64.9**	59.1	5.8	10%	**259.9**	180.9	79.0	44%
Operating costs	**25.1**	23.6	1.5	6%	**97.1**	61.5	35.6	58%
Marketing, general and administrative	**6.4**	6.4	-	-	**24.1**	19.5	4.6	24%
Adjusted EBITDA[2]	**33.4**	29.1	4.3	15%	**138.8**	100.0	38.8	39%
KPIs:								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**5.39**	5.07	0.32	6%	**5.48**	5.25	0.23	4%
Operating costs (cpl)	**2.68**	2.59	0.09	3%	**2.61**	2.23	0.38	17%
Marketing, general and administrative (cpl)	**0.68**	0.70	(0.02)	(3%)	**0.65**	0.71	(0.06)	(8%)
Adjusted EBITDA[2] (cpl)	**3.57**	3.20	0.37	12%	**3.73**	3.63	0.10	3%
Volume same-store sales growth[5][6]	**2.5%**	(8.1%)	10.6 p.p.		**0.3%**	(4.2%)	4.5 p.p.	
Company C-Store same-store sales growth[5]	**1.9%**	(3.2%)	5.1 p.p.		**3.8%**	(3.9%)	7.7 p.p.	
TTM net unit operating cost ("NUOC")(cpl)[3]					**1.75**	1.62	0.13	8%
Company sites:								
TTM volume (million litres)[4][6]					**1,791.4**	1,162.5	628.9	54%
TTM weighted average number of active sites[4]					**307**	229	78	34%
TTM average volume per active site (million litres)[4][6]					**5.8**	5.1	0.7	14%
Dealer sites:								
TTM volume (million litres)[4][6]					**1,921.3**	1,587.2	334.1	21%
TTM weighted average number of active sites[4]					**751**	659	92	14%
TTM average volume per active site (million litres)[4][6]					**2.6**	2.4	0.2	8%

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

Q4 2016 vs. Q4 2015

In the fourth quarter of 2016, fuel volume increased primarily due to strong same-store volume growth in Eastern Canada from stronger demand, contributing 29.0 million litres of additional volume. This was partially offset by a

6.2 million litre softening of volume in Western Canada, reflective of the continued slowdown in economic activity.

Sales and operating revenue increased in the fourth quarter primarily due to increased fuel volumes and strong C-store sales growth in Eastern Canada.

Adjusted gross profit increased in the fourth quarter of 2016 primarily due to increased fuel volumes, strong fuel margins and C-store sales growth in Eastern Canada. Fuel and petroleum product adjusted gross profit consists primarily of gasoline and diesel sales. Non-fuel adjusted gross profit consists primarily of convenience store rents, car wash revenue, sales of select merchandise, and other ancillary sales.

Operating costs are expenses incurred primarily at Company sites. Operating costs include retailer fuel commissions, bonuses, 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 fourth quarter increased primarily due to additional larger format Company site locations and increased variable credit card transaction fees due to higher 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 fourth quarter remained consistent as compared to the prior year as Parkland continues to place a strong emphasis on cost management.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased primarily due to stronger Company and Dealer fuel margins experienced during the quarter.

Operating costs on a cpl basis increased primarily due to new larger format Company sites that were introduced throughout 2016 that has the effect of increasing operating costs on a cpl basis. Furthermore, increased variable credit card transaction fees due to higher pump prices also contributed to an increase in operating costs on cpl basis.

Marketing, general and administrative expenses on a cpl basis decreased primarily due to increased fuel volumes in Eastern Canada.

Volume same-store sales growth improved to 2.5% in the fourth quarter of 2016 due to the strength in the Eastern Canada market.

Quarterly company C-Store same-store sales growth improved to 1.9% primarily due to an improvement in same-store sales in Eastern Canada as a result of ongoing convenience store refresh programs and other improvement initiatives.

2016 vs. 2015

In 2016, fuel volumes increased primarily due to the increased number of retail sites from the acquisition of Pioneer Energy, contributing 1.0 billion litres of additional volume. This was partially offset by a decrease of volumes in Parkland's existing business, due to general softening of volumes in Western Canada, reflective of the continued slowdown in economic activity.

Sales and operating revenue increased in 2016 primarily due to the acquisition of Pioneer Energy, adding $732.4 million, partially offset by a decrease in sales and operating revenue of the existing business as a result of lower volumes and lower pump prices in Western Canada.

Adjusted gross profit increased in 2016 primarily due to the increased number of retail sites from the acquisition of Pioneer Energy in June 2015.

Operating costs for 2016 increased primarily due to the additional Company sites acquired as a result of the acquisition of Pioneer Energy. Excluding the impact of 2015 acquisitions, operating costs increased by approximately 5% due to new Company sites that were added to the Parkland network during the latter part of 2015 and 2016.

Marketing, general and administrative expenses for 2016 increased as a result of the acquisition of Pioneer Energy. Excluding the impact of the Pioneer Acquisition, marketing, general and administrative expenses decreased by approximately 4% due to successful cost control initiatives.

KPIs

Fuel and petroleum adjusted gross profit on a cpl basis increased due to an increase in Company sites from the acquisition of Pioneer Energy, which generally earn higher margins than Dealer sites.

Operating costs on a cpl basis increased primarily due to the acquisition of Pioneer Energy, which has a higher concentration of Company sites that incur operating costs.

Marketing, general and administrative expenses on a cpl basis decreased primarily due to the increased fuel volumes as a result of the acquisition of Pioneer Energy. Excluding the impact of the Pioneer Acquisition, marketing, general and administrative expenses on a cpl basis was lower by 0.01 cpl mainly due to cost control initiatives.

Company C-Store same-store sales growth increased to 3.8% primarily as a result of ongoing convenience store refresh programs and other successful improvement initiatives. Eastern Canada had strong C-Store same-store sales growth during the year. This was partially offset by reduced growth in the West due to the slowdown in economic activity.

Net unit operating costs ("NUOC") were higher in the trailing twelve months ended December 31, 2016 as compared to the same period of 2015, primarily due to the higher cost structure of the Pioneer Energy business acquired in June 2015, due to a higher concentration of Company sites.

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.

Hold Separate Assets

In connection with the Pioneer Acquisition, the Competition Tribunal of Canada (the "Competition Tribunal") had issued an interim order (the "Interim Order") whereby the Pioneer Energy supply agreements with independent dealers and Pioneer Energy owned corporate sites in six local communities were to be held separate from Parkland's other assets and operations and be managed by an independent third-party manager (the "Hold Separate Assets"). On March 29, 2016, Parkland and the Commissioner of Competition (the "Commissioner") entered into a consent agreement registered with the Competition Tribunal to settle the litigation (the "Settlement") initiated by the Commissioner with respect to the Hold Separate Assets.

During the third quarter of 2016, Parkland acquired control of the Hold Separate Assets, which it did not divest as part of the Settlement process. The sole remaining obligation under the Settlement is the requirement for Parkland to not increase dealer prices relative to rack prices or delivery fees charged to dealers in one community for a six-year period.

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.

On April 5, 2016, Parkland successfully completed the acquisition of PNO, expanding the Commercial Fuels business in Quebec. PNO is a propane marketing business that serves the mining industry and other industrial customers in the Abitibi-Témiscamingue region of Northwestern Quebec and is expected to support Parkland's growing Commercial Fuels presence in the region. The transaction also includes exclusive access to the Mirault rail facility in Val d'Or for Parkland's all-season supply of propane as well as fuel and lubricant products.

On May 25, 2016, Parkland successfully completed the acquisition of Girard Bulk Service Ltd., which expands our propane offering into Southeastern Saskatchewan. We are already serving our new customers under the Bluewave Energy banner and have expanded the product offering to include diesel and lubricants.

On August 22, 2016, Parkland announced the CST Brands Canada Acquisition, which includes, among other businesses and assets, CST's commercial cardlock business and CST's commercial and home heat businesses. With approximately 72 commercial cardlock sites and 27 commercial and home heat sites, the CST Brands Canada Acquisition is expected to extend Parkland's Commercial Fuels network coverage in Quebec, Atlantic Canada, and Ontario.

On December 1, 2016, Parkland successfully completed the acquisition of PNE, which expands the scope of our propane offering to include a national provider of propane cylinder exchange services. PNE currently serves several large national customers, including Canadian Tire, Loblaws, Lowes, Rona, and The Home Depot, as well as several retail fuel marketers and brands including Fas Gas, Pioneer, Esso, and Petro-Canada. PNE's head office will remain in Vars, Ontario, and Parkland will continue to utilize PNE's other main facilities located in St. George, Ontario and Linden, Alberta. The acquisition is expected to add approximately 17 million litres of propane on an annual basis and will expand the scope of Parkland's propane business to include a national 20-pound cylinder exchange offering in addition to a 33- and 100-pound cylinder offering in Ontario.

On December 1, 2016, Parkland also successfully completed the acquisition of The Propane Guys, which specializes in residential, commercial and industrial propane supply and equipment rentals to customers in the Saskatoon, Saskatchewan area. This addition will allow Parkland to continue to grow its propane offering in Saskatchewan and complements its existing commercial operations by leveraging The Propane Guys' strong service and tank rental offering.

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA was $15.7 million in the fourth quarter of 2016, compared to $15.0 million in the fourth quarter of 2015. The 5% increase in the fourth quarter Adjusted EBITDA was primarily driven by an increase in propane volumes across the division driven by ramp up activities of recent business wins, a colder winter, and a 6% reduction in the segment's operating cent-per-litre cost through effective cost management.

Commercial Fuels Adjusted EBITDA was $49.2 million in 2016, compared to $61.0 million in 2015. The 19% decrease in 2016 was primarily driven by a decline in diesel volumes and cartage revenue as a result of continued reduced economic activity in Western Canada and declines in volume as a result of a comparatively warmer winter season in the first quarter of 2016.

($ millions, unless otherwise noted)	Three months ended December 31, 2016	2015	Change	%	Year ended December 31, 2016	2015	Change	%
Gas and diesel volume (million litres)	**275.4**	271.9	3.5	1%	**1,080.3**	1,139.0	(58.7)	(5%)
Propane volume (million litres)	**105.6**	70.6	35.0	50%	**295.4**	266.7	28.7	11%
Fuel and petroleum product volume[1] (million litres)	**381.0**	342.5	38.5	11%	**1,375.7**	1,405.7	(30.0)	(2%)
Sales and operating revenue	**303.1**	284.7	18.4	6%	**1,063.9**	1,214.3	(150.4)	(12%)
Fuel and petroleum product adjusted gross profit[2]	**43.7**	39.6	4.1	10%	**152.5**	160.1	(7.6)	(5%)
Non-fuel adjusted gross profit[2]	**11.2**	12.4	(1.2)	(10%)	**43.8**	50.0	(6.2)	(12%)
Adjusted gross profit[2]	**54.9**	52.0	2.9	6%	**196.3**	210.1	(13.8)	(7%)
Operating costs	**33.3**	31.9	1.4	4%	**123.5**	127.5	(4.0)	(3%)
Marketing, general and administrative	**6.3**	5.8	0.5	9%	**24.9**	23.3	1.6	7%
Adjusted EBITDA[2]	**15.7**	15.0	0.7	5%	**49.2**	61.0	(11.8)	(19%)
KPIs								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**11.47**	11.59	(0.12)	(1%)	**11.09**	11.39	(0.30)	(3%)
Operating costs (cpl)	**8.74**	9.30	(0.56)	(6%)	**8.98**	9.07	(0.09)	(1%)
Marketing, general and administrative (cpl)	**1.65**	1.70	(0.05)	(3%)	**1.81**	1.66	0.15	9%
Adjusted EBITDA[2] (cpl)	**4.12**	4.38	(0.26)	(6%)	**3.58**	4.34	(0.76)	(18%)
TTM operating ratio[3][4]					**75.6%**	71.8%	3.8 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.

Q4 2016 vs. Q4 2015

Fuel volume increased primarily due to 50% growth in propane volumes. Parkland's base propane business grew by 29.3 million litres driven by ramp up activities of recent business wins and a colder winter. The acquisitions of PNO and PNE contributed to an additional 5.7 million litres of propane volumes. Gas and diesel volumes continue to remain steady with 1% growth due to continued softness as a result of continued reduced economic activity in Western Canada.

Sales and operating revenue increased primarily due to an increase in propane volumes.

Adjusted gross profit increased primarily due to higher propane sales across the division, partially offset by lower cartage and lubricant revenue.

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 fourth quarter of 2016.

Marketing, general and administrative expenses in the Commercial Fuels business are typically fixed in nature and do not vary with volume. Activities included in this category include sales, marketing, real estate, finance, operations, credit, network development, and infrastructure. Marketing, general and administrative expenses increased due to an increase in marketing costs.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased in the fourth quarter of 2016 compared to the same quarter in 2015. The decrease was mainly due to increased competitive pricing pressures in all major industry sectors including the home heat sector. Lower commercial propane margins have also contributed to the decrease from the prior year.

Operating costs on a cpl basis decreased primarily as a result of successful cost control initiatives as volumes increased. There was no significant change in marketing, general and administrative expenses on a cpl basis.

The trailing-twelve-month ("TTM") operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit calculated on a trailing-twelve-month basis, increased as adjusted gross profit was lower in 2016 due to the lower economic activity in Western Canada, a warmer winter season experienced in the first quarter of 2016 and lower non-fuel revenue.

2016 vs. 2015

Fuel volume decreased due to lower gas and diesel volumes sold as a result of the weaker economic activity in Western Canada and lower furnace oil volumes as a result of the warmer winter season experienced in the first quarter of 2016. The decline was offset by an increase in propane volume as a result of ramp up activities of recent business wins, a colder winter in the fourth quarter of 2016, and contributions of additional volumes from the acquisitions of PNO and PNE.

Sales and operating revenue decreased due to lower petroleum product prices and a decline in gas and diesel volumes.

Adjusted gross profit decreased due to lower furnace oil sales driven by the warmer winter season in Q1 2016, lower diesel sales impacted by lower economic activity in Western Canada, and lower revenue from cartage, ancillary parts, service and agricultural inputs.

Operating costs decreased primarily due to cost reduction initiatives and a result of lower volume, despite over 4,500 new propane tanks being installed to service newly acquired accounts.

Marketing, general and administrative expenses increased due to higher professional fees and business optimization initiatives to reduce labour costs.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 3% or 0.30 cpl as compared to 2015 primarily due to lower commercial propane margins and lower residential margins due to lower margins experienced in the Maritimes.

Operating costs on a cpl basis decreased primarily as a result of successful cost control initiatives.

Marketing, general and administrative expenses on a cpl basis increased due to higher professional fees and business optimization labour costs.

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. Parkland USA operates and generates profits from the following divisions:

- **Wholesale** – Parkland USA's Farstad Oil is responsible for managing Parkland USA's fuel supply contracts, purchasing fuel from suppliers, distribution through third-party rail and highway carriers as well as serving wholesale customers. Farstad Oil has 40,000 barrels of distribution capacity in Minot, North Dakota and supplies fuel to retailers, small resellers and commercial operators. Parkland USA has a fleet of approximately 75 trucks that deliver wholesale fuels and commercial lubricants to its customers.

- **Retail** – This division operates and services a network of retail service stations. Parkland USA owns and operates Superpumper, a proprietary convenience store brand. Parkland USA is also a branded wholesaler for Cenex, Conoco, Exxon, Shell, Sinclair and Tesoro within the United States. Parkland USA operates service stations under the following business models:
    - Dealer owned, dealer operated: Dealers own or lease their own sites and enter into a contract with Parkland USA for fuel supply, the rights to a brand offering and a point-of-sale system. Over the term of the agreement, Parkland supplies fuel to the dealer based on rack prices that can fluctuate frequently. The dealer owns the fuel inventory and maintains control of the retail selling price at the pumps. This division supplies a number of multi-site dealer chains with both branded and unbranded relationships.
    - Company owned, company operated: Parkland USA owns 26 Superpumper sites and operates these sites directly with Parkland USA employees, often co-branded with a major refinery brand in the forecourt.

- **Lubricants** – Parkland USA delivers Exxon Mobil lubricants to commercial, industrial and wholesale customers through an extensive delivery network in the regions we operate.

Between November 29 and December 31, 2016, Parkland successfully completed the acquisition of three service stations, which include two truck stops and one retail station in and around Cheyenne, Wyoming, USA. Collectively, these service stations are expected to sell approximately 55 million litres of fuel on an annual basis.

Parkland USA segment performance highlights

Parkland USA's Adjusted EBITDA was $4.2 million in the fourth quarter of 2016, compared to $4.1 million in the fourth quarter of 2015. The increase of 2% was primarily driven by cost reduction efforts as the operating segment continues to face lower wholesale volumes due to the lower economic activity in the Bakken oil region.

Parkland USA's Adjusted EBITDA was $15.4 million in 2016, compared to $20.1 million in the prior year. The decrease of 23% or $4.7 million was primarily due to lower wholesale gas and diesel volumes and margins due to lower economic activity in the Bakken oil region and a warmer winter in the first quarter of 2016. This was partially offset by the acquisition of seven service stations throughout 2015 and three service stations in late 2016.

($ millions, unless otherwise noted)	Three months ended December 31, 2016	2015	Change	%	Year ended December 31, 2016	2015	Change	%
Retail volume (million litres)	**29.7**	27.9	1.8	6%	**108.9**	101.1	7.8	8%
Wholesale volume (million litres)	**188.3**	208.7	(20.4)	(10%)	**803.1**	955.2	(152.1)	(16%)
Fuel and petroleum product volume[1] (million litres)	**218.0**	236.6	(18.6)	(8%)	**912.0**	1,056.3	(144.3)	(14%)
Sales and operating revenue	**152.4**	167.6	(15.2)	(9%)	**586.2**	752.5	(166.3)	(22%)
Fuel and petroleum product adjusted gross profit[2]	**7.9**	8.2	(0.3)	(4%)	**31.6**	35.7	(4.1)	(11%)
Non-fuel adjusted gross profit[2]	**8.0**	8.6	(0.6)	(7%)	**31.8**	31.2	0.6	2%
Adjusted gross profit[2]	**15.9**	16.8	(0.9)	(5%)	**63.4**	66.9	(3.5)	(5%)
Operating costs	**9.7**	10.8	(1.1)	(10%)	**40.5**	39.6	0.9	2%
Marketing, general and administrative	**2.0**	1.9	0.1	5%	**7.6**	7.4	0.2	3%
Adjusted EBITDA[2]	**4.2**	4.1	0.1	2%	**15.4**	20.1	(4.7)	(23%)
KPIs								
Fuel and petroleum product adjusted gross profit[2] (cpl)	**3.62**	3.44	0.18	5%	**3.46**	3.38	0.08	2%
Operating costs (cpl)	**4.45**	4.54	(0.09)	(2%)	**4.44**	3.75	0.69	18%
Marketing, general and administrative (cpl)	**0.92**	0.80	0.12	15%	**0.83**	0.70	0.13	19%
Adjusted EBITDA[2] (cpl)	**1.93**	1.76	0.17	10%	**1.69**	1.90	(0.21)	(11%)
TTM operating ratio[3][4]					**75.9%**	70.3%	5.6 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.

Q4 2016 vs. Q4 2015

The decrease in Parkland USA's fuel volume is primarily attributable to decreased wholesale volume as a result of reduced economic activity in the Bakken oil region, most notably in western North Dakota. This decline was offset by increased retail volume resulting from the acquisition of two service stations in late 2015 and three service stations in late 2016.

Sales and operating revenue decreased primarily due to a decline in overall fuel and petroleum product volumes as a result of reduced economic activity in the Bakken oil region.

Adjusted gross profit decreased due to the decline in wholesale gas and diesel volumes and margins as a result of decreased activity in the Bakken oil region.

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 reduced variable costs.

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 in the fourth quarter of 2016 were consistent to 2015.

KPIs

Fuel and petroleum product adjusted gross profit increased on a cpl basis mainly due to higher wholesale margins as a result of colder weather.

Operating costs decreased on a cpl basis due to cost-saving initiatives and reduced variable costs.

Marketing, general and administrative expenses increased on a cpl basis due to decreased volumes sold in the quarter while expenses, which are typically fixed in nature, remained consistent as compared to the prior year.

The TTM operating ratio increased as a result of the lower adjusted gross profit due to decreased activity in the Bakken oil region.

2016 vs. 2015

The decrease in Parkland USA's wholesale fuel volume is attributable to the reduced economic activity in the Bakken oil region, most notably in western North Dakota. This decline was partially offset by additional retail volume from the acquisition of two retail stations in late 2015 and three retail stations in late 2016.

Sales and operating revenue decreased due to the decline in volume and petroleum prices.

Adjusted gross profit decreased due to the decline in wholesale gas and diesel volumes and margins as a result of decreased activity in the Bakken oil region.

Operating costs and marketing, general and administrative expenses increased primarily due to the addition of two service stations in 2015 and three service stations in late 2016.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased marginally due to weather-driven winter-grade diesel margins.

Operating costs and marketing, general and administrative expenses increased on a cpl basis due to the addition of two service stations in 2015 and three service stations in late 2016, compounded by the decline in volumes as a result of reduced economic activity in the Bakken oil region.

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. Major sales categories are:

- Refined products, which include wholesale gas, diesel and gasoline blend stock;
- Crude, asphalt and fuel oils ("CAF"), which include gas oils;
- Liquid petroleum gas ("LPG"), which include propane, butane, condensate, and natural gas liquid mix; and
- Renewable fuels, which include ethanol and biodiesel.

Supply and Wholesale products are marketed via the "Parkland", "Les Pétroles Parkland" and "Elbow River Marketing" brands.

Contracts – Parkland maintains fuel supply contracts with multiple oil refiners, wholesale and trading suppliers. This diversity of supply, combined with strategic storage, allows Parkland to obtain fuel at competitive prices and enhances fuel supply security for Parkland owned sites and for all Parkland customers.

Purchases – Supply and Wholesale sources fuel from third-party suppliers and sells, at an arm's length transfer price, to Parkland's Retail Fuels, Commercial Fuels and Parkland USA. Supply and Wholesale also provides transportation services to the Retail Fuels and Commercial Fuels segments at an arm's length transfer price.

Parkland utilizes its leased rail car fleet and leverages its network of North American relationships with a view to match purchase and sales contracts and execute on a strategy of geographic arbitrage.

Storage – Parkland has approximately 227,000 barrels of storage capacity at its Bowden, Alberta terminal. Parkland also has leased storage capacity in Montréal, Quebec and throughout other parts of North America.

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA for the fourth quarter of 2016 was $33.9 million, compared to $28.0 million in the fourth quarter of 2015. Supply and Wholesale Adjusted EBITDA for 2016 was $96.7 million, compared to $77.4 million in 2015. The increase is attributable to significant progress in improving our supply economics, reducing operating costs and strong LPG margins. The increase was partially offset by lower wholesale gas and diesel margins and an increase in marketing, general and administrative expenses.

	Three months ended December 31,				**Year ended December 31,**			
($ millions, unless otherwise noted)	**2016**	**2015**	**Change**	**%**	**2016**	**2015**	**Change**	**%**
Fuel and petroleum product volume[1] (million litres)	**1,248.5**	1,122.8	125.7	11%	**4,410.7**	4,399.1	11.6	0%
Sales and operating revenue	**558.7**	517.7	41.0	8%	**1,863.8**	2,168.0	(304.2)	(14%)
Fuel and petroleum product adjusted gross profit[2]	**58.5**	49.7	8.8	18%	**173.1**	153.3	19.8	13%
Non-fuel adjusted gross profit[2]	**3.2**	4.6	(1.4)	(30%)	**14.7**	16.2	(1.5)	(9%)
Adjusted gross profit[2]	**61.7**	54.3	7.4	14%	**187.8**	169.5	18.3	11%
Operating costs	**13.8**	14.1	(0.3)	(2%)	**48.8**	52.6	(3.8)	(7%)
Marketing, general and administrative	**14.0**	12.2	1.8	15%	**42.3**	39.6	2.7	7%
Adjusted EBITDA[2]	**33.9**	28.0	5.9	21%	**96.7**	77.4	19.3	25%

[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.

Q4 2016 vs. Q4 2015

Fuel volume increased primarily due to a 196.3 million litre increase in LPG volumes resulting from expanding propane sales in Mexico and strong US transloading operations. The increase was partially offset by lower gas and diesel sales in Ontario and Quebec driven by increased competition and a decline in condensate due to lack of demand.

Sales and operating revenue increased primarily due to higher commodity prices and increased fuel and petroleum volume.

Adjusted gross profit increased primarily due to increased fuel and petroleum volume, stronger LPG sales, and a higher supply margin as a result of meaningful improvements made in our supply advantage strategy.

Operating costs decreased marginally primarily due to the decline in rail car costs and the downsizing of the diesel terminal storage in Quebec. Marketing, general and administrative expenses increased due to higher employee-related costs in the quarter.

2016 vs. 2015

Fuel volume increased primarily due to an increase in LPG volumes resulting from expanding propane sales in Mexico and strong US transloading operations. These increases were offset by lower gas and diesel sales in Ontario and Quebec driven by increased competition and lower condensate and butane sales as a result of changing product portfolios.

Sales and operating revenue decreased year-over-year primarily due to lower commodity prices.

Adjusted gross profit increased due to strong LPG margins during the fourth quarter of 2016 and significant improvements in our supply economics as part of our supply advantage strategy. This was partially offset by a lower wholesale gas and diesel fuels margin as a result of high market price volatility.

Operating costs decreased primarily due to lower rail car lease costs. Marketing, general and administrative expenses increased due to higher employee-related costs in the quarter.

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 allow expenses to grow at a slower pace than Parkland's growth in business activities and adjusted gross profit.

Corporate segment performance highlights

	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2016**	**2015**	**Change**	**%**	**2016**	**2015**	**Change**	**%**
Marketing, general and administrative	**23.9**	18.4	5.5	30%	**79.3**	71.7	7.6	11%
Less: Acquisition, integration and other costs	**(14.0)**	(6.9)	(7.1)	103%	**(32.4)**	(27.9)	(4.5)	16%
Corporate adjusted marketing, general and administrative[1]	**9.9**	11.5	(1.6)	(14%)	**46.9**	43.8	3.1	7%
Adjusted EBITDA[2]	**(10.1)**	(11.4)	1.3	(11%)	**(46.6)**	(43.4)	(3.2)	7%
KPIs								
Corporate adjusted marketing, general and administrative expenses as a % of Parkland's adjusted gross profit[1]	**5.0%**	6.3%	(1.3 p.p.)		**6.6%**	7.0%	(0.4 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.

Q4 2016 vs. Q4 2015

Acquisition, integration and other costs are highly variable based on Parkland's acquisition and integration activities, and increased primarily due to the costs of the CST Canada Acquisition and other acquisitions that closed during the quarter. Marketing, general and administrative expenses increased primarily due to these costs and other costs to facilitate growth. Excluding the impact of these costs, corporate adjusted marketing, general and administrative expenses decreased due to lower professional fees and variable compensation. As a result, corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit improved from 6.3% to 5.0%.

2016 vs. 2015

Marketing, general and administrative expenses increased primarily due to increased acquisition, integration and other costs as a result of the CST Canada Acquisition and other acquisitions that closed during the year. Excluding the impact of these costs, corporate adjusted marketing, general and administrative expenses increased due to higher employee costs to facilitate growth, partially offset by decreases in professional fees and variable compensation. Corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit improved from 7.0% to 6.6%.

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:

	December 31, 2016	December 31, 2015
Lost time injury frequency (TTM)	**0.17**	0.29

5. QUARTERLY FINANCIAL DATA

Financial Summary

	2016				2015			
($ millions, unless otherwise noted) For the three months ended	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Sales and operating revenue	**1,740.0**	1,638.1	1,569.8	1,318.1	1,655.8	1,862.3	1,389.9	1,391.6
Adjusted gross profit[(1)]	**197.2**	171.1	166.6	172.8	182.3	167.0	123.0	155.2
Adjusted EBITDA[(1)]								
Retail Fuels	**33.4**	40.9	36.1	28.4	29.1	39.1	18.1	13.7
Commercial Fuels	**15.7**	4.7	6.5	22.3	15.0	5.9	8.5	31.6
Parkland USA	**4.2**	4.3	3.4	3.5	4.1	6.4	4.9	4.7
Supply and Wholesale	**33.9**	23.5	23.1	16.2	28.0	17.7	13.6	18.1
Corporate	**(10.1)**	(13.1)	(12.7)	(10.7)	(11.4)	(10.0)	(11.0)	(11.0)
Consolidated	**77.1**	60.3	56.4	59.7	64.8	59.1	34.1	57.1
Net earnings	**3.0**	14.7	4.6	24.9	15.6	14.6	(10.5)	19.8
Per share – basic	**0.03**	0.15	0.05	0.26	0.17	0.16	(0.13)	0.24
Per share – diluted	**0.03**	0.15	0.05	0.26	0.17	0.16	(0.13)	0.24
Distributable cash flow[(2)]	**29.2**	27.9	28.3	34.8	35.3	29.1	9.1	36.3
Per share[(2)(3)]	**0.30**	0.29	0.30	0.37	0.39	0.32	0.11	0.44
Adjusted distributable cash flow[(2)]	**43.2**	33.2	36.8	39.4	42.2	34.5	22.0	39.0
Per share[(2)(3)]	**0.45**	0.35	0.39	0.42	0.46	0.38	0.26	0.47
Dividends	**27.5**	27.7	27.2	26.7	25.4	25.4	23.3	23.5
Per share outstanding	**0.29**	0.29	0.29	0.28	0.27	0.28	0.26	0.28
Dividend payout ratio[(2)]	**94%**	99%	96%	77%	72%	87%	257%	65%
Total assets	**2,561.5**	2,424.0	1,834.1	1,772.0	1,818.7	1,836.9	1,819.6	1,514.2
Shares outstanding (millions of shares)	**96.2**	95.9	95.4	94.7	93.9	90.8	89.9	82.9
Weighted average number of common shares (millions of shares)	**96.0**	95.6	95.1	94.3	91.5	90.4	83.9	82.9

Operating Summary

	2016				2015			
For the three months ended	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Fuel and petroleum product volume (millions of litres)	**2,783.4**	2,658.6	2,536.1	2,437.1	2,613.9	2,730.5	2,031.0	2,238.0
Fuel and petroleum product adjusted gross profit[(1)]								
Retail Fuels (cpl)	**5.39**	5.69	5.64	5.16	5.07	5.63	5.09	4.87
Commercial Fuels (cpl)	**11.47**	8.64	10.47	13.11	11.59	8.89	10.46	13.56
Parkland USA (cpl)	**3.62**	3.26	3.17	3.86	3.44	3.34	3.33	3.41
Operating costs (cpl)	**2.94**	2.80	2.94	3.24	3.07	2.71	2.97	2.97
Adjusted marketing, general and administrative[(2)] (cpl)	**1.39**	1.38	1.42	1.42	1.45	1.26	1.44	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 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 fourth quarter of 2016 were higher than its comparable period in 2015 due to the increase in fuel volumes in Retail Fuels, Commercial Fuels and Supply and Wholesale. Sales and operating revenue are generally sensitive to fluctuations in commodity prices and energy markets.
- Net earnings in the fourth quarter of 2016 were lower than its comparable period in 2015 due to a $14.2 million non-cash charge recognized on the change in fair value of the Redemption Options of the Senior Unsecured Notes arising from changing debt market conditions.
- Total assets increased significantly in the second quarter of 2015 due to the Pioneer Acquisition, and in the third quarter of 2016 due to the 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, due to higher demand for heating oil and propane in winter. Retail Fuels generally experiences higher volumes in the second and third quarters, during the summer driving season.
- Operating costs on a cpl basis have decreased in the fourth quarter of 2016 compared to previous quarters due to seasonal changes in operating segment activity levels, operating efficiencies and cost reduction initiatives.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

($ millions, except per share amounts)	Three months ended December 31, 2016	2015	Year ended December 31, 2016	2015
Adjusted EBITDA[1]	**77.1**	64.8	**253.5**	215.1
Amounts to reconcile Adjusted EBITDA to net earnings [2]	**(74.1)**	(49.2)	**(206.3)**	(175.6)
Net earnings	**3.0**	15.6	**47.2**	39.5
Amounts to reconcile net earnings to cash generated from operating activities[3]	**22.6**	32.9	**118.1**	183.9
Cash generated from operating activities	**25.6**	48.5	**165.3**	223.4
Reverse: Change in other liabilities	**3.5**	2.5	**2.7**	0.9
Reverse: Net change in non-cash working capital	**18.4**	(3.0)	**(8.8)**	(83.0)
	47.5	48.0	**159.2**	141.3
Include: Maintenance capital expenditures	**(18.5)**	(13.8)	**(45.3)**	(34.2)
Include: Proceeds on sale of property, plant and equipment and intangible assets	**0.2**	1.1	**6.3**	2.7
Distributable cash flow[5]	**29.2**	35.3	**120.2**	109.8
Reverse: Acquisition, integration and other costs	**14.0**	6.9	**32.4**	27.9
Adjusted distributable cash flow[5]	**43.2**	42.2	**152.6**	137.7
Weighted average number of common shares	**96.0**	91.5	**95.3**	87.1
Distributable cash flow per share[4][5]	**0.30**	0.39	**1.26**	1.26
Adjusted distributable cash flow per share[4][5]	**0.45**	0.46	**1.60**	1.58
Dividends	**27.5**	25.4	**109.1**	97.6
Dividend payout ratio[5]	**94%**	72%	**91%**	89%
Adjusted dividend payout ratio[5]	**64%**	60%	**71%**	71%

(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 Annual 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 $27.5 million in the fourth quarter of 2016 and $109.1 million during fiscal year 2016, an increase compared to $25.4 million in the fourth quarter of 2015 and $97.6 million during fiscal year 2015. Dividends declared increased primarily due to the increase in the annual dividend by 5% to $1.134 per share effective April 1, 2016 and the increase in the number of shares outstanding from 93.9 million shares as at December 31, 2015 to 96.2 million shares as at December 31, 2016.

Net of the dividend reinvestment plan, cash dividends paid to shareholders were $19.5 million during the fourth quarter of 2016 and $63.8 million during fiscal year 2016, an increase compared to $7.1 million in the fourth quarter of 2015 and $27.2 million during fiscal year 2015. 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

Q4 2016 vs. Q4 2015

The dividend payout ratio and adjusted dividend payout ratio increased from 72% to 94% and 60% to 64%, respectively, as a result of lower cash flow available for distribution in proportion to higher dividends declared. Distributable cash flow decreased by $6.1 million compared to the fourth quarter of 2015, which was primarily attributable to increased cash expenditures on acquisition, integration and other costs and increased maintenance capital expenditures on various IT and system upgrade projects in Corporate, Retail Fuels and Supply and Wholesale segments in the fourth quarter of 2016. 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. Removing the impact of acquisition, integration and other costs, adjusted distributable cash flow in the fourth quarter of 2016 increased by $1.0 million compared to the same period of 2015.

2016 vs. 2015

The dividend payout ratio increased from 89% to 91% while adjusted dividend payout ratio remained consistent at 71%. Distributable cash flow increased by $10.4 million and adjusted distributable cash flow increased by $14.9 million. The increase in distributable cash flow and adjusted distributable cash flow was primarily attributable to a $38.4 million increase in Adjusted EBITDA, partially offset by an $11.1 million increase in maintenance capital expenditures.

7. LIQUIDITY

Cash flows

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

	Three months ended December 31,			Year ended December 31,		
($ millions)	**2016**	2015	2014	**2016**	2015	2014
Cash generated from operating activities	**25.6**	48.3	59.6	**165.3**	223.4	171.2
Cash used in investing activities	**(63.3)**	(49.9)	(21.1)	**(191.1)**	(377.7)	(149.8)
Net cash generated (used) before financing activities	**(37.7)**	(1.6)	38.5	**(25.8)**	(154.3)	21.4
Cash generated from (used in) financing activities	**46.5**	(6.1)	115.6	**28.8**	(23.7)	168.8
Increase (decrease) in net cash	**8.8**	(7.7)	154.1	**3.0**	(178.0)	190.2
Net foreign exchange difference	**-**	(0.5)	0.5	**0.9**	0.6	0.6
Net cash, beginning of period	**16.8**	29.9	44.5	**21.7**	199.1	8.3
Net cash, end of period	**25.6**	21.7	199.1	**25.6**	21.7	199.1

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.

Q4 2016 vs. Q4 2015

Cash generated from operating activities was $22.7 million lower in the fourth quarter of 2016 compared to the same period in 2015 primarily as a result of $21.4 million lower cash flow generated from the net change in non-cash working capital during the fourth quarter of 2016. Net change in non-cash working capital was a net outflow of $18.4 million during the fourth quarter of 2016 as compared to a net inflow of $3.0 million during the same period in 2015. The net outflow experienced in the fourth quarter of 2016 is mainly attributable to higher propane buying and selling activities in the Supply and Wholesale segment, higher volumes across the overall company, and higher commodity prices, which would generally create a higher working capital requirement.

2016 vs. 2015

Cash generated from operating activities was $58.1 million lower in the year ended December 31, 2016 compared to the same period in 2015, primarily as a result of $74.2 million lower cash inflow generated from the net change in non-cash working capital and $4.5 million higher acquisition, integration and other costs, partially offset by $38.4 million higher Adjusted EBITDA earned during 2016. The lower cash flow generated from the net change in non-cash working capital for 2016 was primarily attributable to an increase in accounts receivable of $81.5 million between 2015 and 2016, as compared to a decrease of $148.6 million between 2014 and 2015. In addition, inventory balances increased by $43.6 million between 2015 and 2016, as compared to a decrease of $28.6 million between 2014 and 2015. These increased working capital requirements were partially offset by $133.9 million increased accounts payable and accrued liabilities. Overall, Parkland saw a higher working capital requirement as at December 31, 2016 as compared to December 31, 2015, which was driven by higher propane activities in the Supply and Wholesale segment, higher volumes across the overall company, and higher commodity prices.

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.

Q4 2016 vs. Q4 2015

During the fourth quarter of 2016, investing activities used $63.3 million of cash as compared to $49.9 million used during the same period of 2015 due to increased capital expenditures and higher acquisition funding requirements. In the fourth quarter of 2016, $32.8 million of cash was used for capital expenditures and $52.9 million was used for the acquisition of businesses, offset by $9.9 million amounts previously prepaid for acquisitions. In contrast, in the fourth quarter of 2015, $30.7 million was used for capital expenditures and $14.1 million was used for the acquisition of businesses.

2016 vs. 2015

During the year of 2016, investing activities used $191.1 million of cash as compared to $377.7 million during the same period of 2015, primarily due to lower acquisition funding requirements offset by increased capital expenditures. In 2016, $94.7 million of cash was used for capital expenditures and $88.9 million of cash was used for the acquisition of multiple businesses. In contrast, during the same period of 2015, $73.0 million of cash was used for capital expenditures and $298.5 million of cash was used for various acquisitions, including $247.5 million for the acquisition of Pioneer Energy.

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.

Q4 2016 vs. Q4 2015

During the three months ended December 31, 2016, Parkland paid a monthly dividend of $0.0945 per share (2015 – $0.0900 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $19.5 million (2015 – $7.1 million). Cash dividends increased due to an increase in shares outstanding, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan, which increases the portion of dividends paid out in cash.

Cash generated from financing activities during the fourth quarter of 2016 was $46.5 million, consisting of $81.4 million of cash generated from proceeds from long-term debt, $19.5 million of cash used in dividends paid to shareholders, and $16.0 million of cash used in long-term debt repayments. In contrast, cash used in financing activities during the fourth quarter of 2015 was $6.1 million, of which $7.1 million was used in dividends paid to shareholders.

2016 vs. 2015

During the year ended December 31, 2016, Parkland paid a monthly dividend ranging from $0.0900 to $0.0945 per share (2015 – $0.0883 to $0.0900 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $63.8 million (2015 – $27.2 million). Cash dividends increased due to an increase in shares outstanding, an increase in dividends paid per share, and the discontinuation of the Premium Dividend™ Plan, which increases the portion of dividends paid out in cash.

Cash generated from financing activities during the year ended December 31, 2016 was $28.8 million, consisting primarily of $144.4 million of cash generated from proceeds from long-term debt, $63.8 million of cash used in dividends paid to shareholders, and $56.4 million of cash used in long-term debt repayments. In contrast, cash used in financing activities during the year ended December 31, 2015 was $23.7 million, consisting primarily of $27.2 million of cash used in dividends paid to shareholders.

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. The following table provides an analysis of contractual maturities for financial liabilities:

December 31, 2016	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Total
Accounts payable and accrued liabilities	**496.1**	**-**	**-**	**-**	**496.1**
Dividends declared and payable	**9.2**	**-**	**-**	**-**	**9.2**
Risk management	**8.4**	**-**	**-**	**-**	**8.4**
Long-term debt[(1)(2)]	**346.5**	**60.0**	**380.1**	**212.8**	**999.4**
Other liabilities	**226.4**	**8.6**	**-**	**-**	**235.0**
Obligations under operating leases	**45.8**	**63.3**	**22.7**	**48.9**	**180.7**
Contractual commitments for property, plant and equipment	**3.5**	**-**	**-**	**-**	**3.5**
	1,135.9	**131.9**	**402.8**	**261.7**	**1,932.3**

(1) Undiscounted principal and interest, including current portion and finance lease obligations.

(2) Amounts under "less than one year" include the 5.75% Senior Notes classified as a current liability. The 5.75% Senior Notes are mandatorily redeemable if certain conditions related to the CST Brands Canada Acquisition are not satisfied before August 22, 2017.

Fuel and petroleum products

Parkland has entered into various purchase agreements that require it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products and payments to the applicable suppliers of a predetermined amount of the commitments.

8. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at December 31, 2016 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 that 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. 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)	**December 31, 2016**	December 31, 2015
Cash and cash equivalents	**25.6**	36.7
Bank indebtedness	**-**	(15.3)
Unused credit facilities	**219.0**	269.7
	244.6	291.1

Credit facility

On June 30, 2016, Parkland amended its revolving extendible credit facility (the "Credit Facility") to extend the maturity to November 30, 2020. The facility is extendible each year for a rolling four-year period at Parkland's option. If no request to extend the Credit Facility is made by Parkland, all amounts outstanding would be repayable on November 30, 2020.

The Credit Facility consists of: i) $320.0 million for the Canadian Syndicated Facility and US$30.0 million for the US Operating Facility less the value of letters of credit issued, and ii) letters of credit to a maximum of Canadian $100.0 million and US$10.0 million. Interest rates are at the banks' Canadian and US prime, banker's acceptance or LIBOR lending rates plus 0.75% to 1.75% per annum, dependent on the facility and Parkland's debt covenant ratios.

The Credit Facility also includes a $200.0 million accordion feature that could potentially increase the total lending capacity to $520.0 million and US$30.0 million. Security on the Credit Facility is the assignment of insurance and a floating charge demand debenture for $900.0 million, creating a first floating charge over all of the undertaking, property and assets of Parkland.

Parkland has $219.0 million of available unused credit facilities as at December 31, 2016 (2015 – $269.7 million).

Senior Unsecured Notes

The following table provides a summary of Parkland's Senior Unsecured Notes ($ millions):

Series[i]	**Private placement date**	**Maturity date**	**Principal amount**
5.50% Senior Notes	May 29, 2014	May 28, 2021	**200.0**
6.00% Senior Notes	November 21, 2014	November 21, 2022	**200.0**
5.75% Senior Notes	September 16, 2016	September 16, 2024	**300.0**
			700.0

[i] Interest is paid semi-annually.

The 5.75% Senior Notes will be used to partially fund the CST Brands Canada Acquisition. The 5.50% Senior Notes and the 6.00% Senior Notes were primarily used to repay existing long-term debt and fund the acquisition of Pioneer Energy in 2015 and other acquisitions throughout 2015 and 2016.

Subscription receipts

On September 7, 2016, Parkland issued 9,430,000 subscription receipts to partially fund the CST Brands Canada Acquisition at a price of $24.50 each for total gross proceeds of $231.0 million. Each subscription receipt entitles the holder to receive one common share and the applicable dividend equivalent amount upon closing of the CST Brands Canada Acquisition (see Note 19 of the Annual Consolidated Financial Statements) and certain release conditions. The subscription receipts automatically terminate and are cancelled if certain conditions relating to the CST Brands Canada Acquisition are not satisfied before August 22, 2017 and thus have been classified as a current liability in other liabilities – current portion. The proceeds of the subscription receipts are being held in escrow. As at December 31, 2016, subscription receipts recorded within other liabilities of $226.4 million comprise gross proceeds of $231.0 million offset by deferred financing costs of $4.6 million. If the release conditions for the escrow are met and the common shares are issued, the liability amount will be reclassified to shareholders' capital, net of any dividend equivalents owing to the holders.

Base shelf prospectus and "At-the-Market" Equity Finance Program

On April 11, 2016, Parkland filed a base shelf prospectus ("Shelf Prospectus") for debentures, notes and other evidence of indebtedness and common shares (collectively, the "Securities") having an aggregate offering amount of up to $500.0 million. The Shelf Prospectus allows for the offering of the Securities from time to time in one or more offerings. Terms of the Securities, including, but not limited to, prices or maturity dates will be determined at the date of issue.

On June 3, 2016, Parkland entered into an equity distribution agreement with Canaccord Genuity Corp. pursuant to which Parkland may, from time to time, sell common shares of Parkland for aggregate gross proceeds of up to $110.0 million. The common shares will be distributed at market prices prevailing at the time of the sale and, as a result, prices may vary between purchasers and during the period of distribution. The volume and timing of sales, if any, will be determined at the sole discretion of Parkland's Board and management. The offering is being made pursuant to a prospectus supplement ("Prospectus Supplement") to the Shelf Prospectus dated June 3, 2016.

As at March 2, 2017, no Securities have been issued under the Shelf Prospectus or the Prospectus Supplement. The Shelf Prospectus expires in May 2018.

Dividend Reinvestment Plan and Premium Dividend™ Plan

Parkland's Dividend Reinvestment Plan is a means to incrementally raise equity capital for growth and other corporate purposes at a low cost. In addition to the option of receiving a monthly cash dividend of $0.0945 per share, the Dividend Reinvestment Plan allows shareholders to repurchase shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan. The Parkland's Premium Dividend™ Plan, which was discontinued effective April 1, 2016, provided eligible shareholders with a 2% cash premium in addition to their regular cash dividend. In 2016, the Dividend Reinvestment Plan and Premium Dividend™ Plan contributed $44.4 million of shareholders' capital, net of costs (2015 – $69.3 million). The number of common shares issued under these plans was 1.9 million shares (2015 – 3.0 million shares).

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 December 31, 2016	2015	Year ended December 31, 2016	2015
Growth Capital Expenditures[1]				
Retail Fuels	**5.1**	9.5	**24.6**	23.7
Commercial Fuels	**7.3**	2.8	**26.8**	5.2
Parkland USA	**0.4**	3.2	**1.8**	5.4
Supply and Wholesale	**1.5**	1.4	**3.8**	4.2
Corporate	**-**	-	**0.4**	0.3
Growth Capital Expenditures[1]	**14.3**	16.9	**57.4**	38.8
Maintenance Capital Expenditures[1]				
Retail Fuels	**9.8**	6.9	**21.0**	12.9
Commercial Fuels	**3.5**	3.6	**10.0**	12.0
Parkland USA	**1.2**	2.3	**5.5**	4.8
Supply and Wholesale	**0.9**	0.4	**3.2**	2.1
Corporate	**3.1**	0.6	**5.6**	2.4
Maintenance Capital Expenditures[1]	**18.5**	13.8	**45.3**	34.2
	32.8	30.7	**102.7**	73.0
Additions to property, plant and equipment	**29.9**	30.7	**95.1**	63.0
Additions to intangible assets	**2.9**	-	**7.6**	10.0
	32.8	30.7	**102.7**	73.0

[1] Non-GAAP financial measure. See Section 12 of the MD&A.

During the three months and year ended December 31, 2016, Parkland's combined growth and maintenance capital expenditures increased by $2.1 million and $29.7 million, respectively, as compared to the same period in 2015. The majority of the increase in capital expenditures is attributable to purchasing fleet and equipment and building premises for new customer contracts in the Commercial Fuels segment, performing station upgrades and rebuilds in the Retail Fuels segment, investing in new site builds within the Retail Fuels segment under the "New-To-Industry" program, and investing in IT and system upgrades within the Corporate, Retail Fuels and Supply and Wholesale segments.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at December 31, 2016 were $3.5 million (2015 – $8.4 million). The commitments primarily related to projects to expand facilities, increase fleet, build new and upgrade existing retail service stations. These commitments will be funded through cash and cash equivalents, cash flow from operations and by the Credit Facility. The amount decreased compared to the prior year due to timing of capital projects.

Parkland believes that the current capital programs, based on the current view of its assets and opportunities and 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 supply of fuel and propane and 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 December 31 2016, 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 December 31, 2016	December 31, 2015
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**	0.28
2. Total Funded Debt to Credit Facility EBITDA ratio	<4.50	2.00 - 3.50	**2.02**	1.94
3. Interest Coverage ratio	>3.00	>3.00	**7.33**	8.16

Refer to Section 12 of the 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. The following sets forth Parkland's most critical accounting estimates in determining the value of items recognized in the Annual Consolidated Financial Statements and most critical judgments in applying accounting policies.

Asset retirement obligations

Asset retirement obligations represent the present value estimates of Parkland's cost to remediate sites. The measurement of the decommissioning liability involves the use of estimates and assumptions including the discount and inflation rate, the expected timing of future expenditures and the amount of future abandonment costs.

Management applies judgment in assessing the existence and extent as well as the expected method of reclamation at the end of each reporting period, In addition, these provisions are based on estimated costs and timing of future decommissioning. Actual costs are uncertain and may vary based on the result of changes to laws and regulation, technology, prices and closure plans.

Contingencies and legal matters

Parkland becomes involved in various litigation matters as a part of our normal course of operation. The determination of other provisions is a complete process that involves judgments about the results of future outcomes, interpretation of law and regulations and requires estimates as to the timing and amount of expected future cash inflows and discount rates. As at December 31, 2016, Parkland believes the result of any settlements related to such ligation or claims would not materially affect the financial position of the company.

Business combinations

Parkland uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. In measuring the fair value of the identifiable assets acquired and liabilities assumed and estimating their useful lives, management applies significant judgment and estimates in regarding cash flow projections, economic risk and weighted cost of capital. The values placed on the acquired assets and liabilities affects the amount of goodwill recorded on an acquisition. If results differ from estimates, Parkland may increase amortization or impairment charges.

Determination of cash-generating units ("CGUs")

A CGU is the lowest grouping of integrated assets that generate identifiable cash inflows that are largely independent of the cash inflows of other assets or groups of assets. The allocation of assets to CGUs requires significant judgment and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations.

Impairment of non-financial assets

Parkland applies judgment in assessing the existence of impairment based on external and internal sources of information.

The recoverable amount of an asset or CGU is based on the higher of its fair value less costs of disposal and its value in use calculations. Cash flows are based on past experience, actual operating results and projected business plans. The key estimates applied in determining the recoverable amount normally include estimated future commodity prices, future operating costs, discount rates, and tax rates. Changes in these estimates and judgments will affect the recoverable amounts of the CGUs and individual assets and resulting impairment charges. There were no impairment charges in 2015 or 2016.

Risk management assets, risk management liabilities and Redemption Options

The fair values of these financial instruments are determined using third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data. Actual values may differ from these estimates.

Income taxes

Parkland evaluates tax positions annually or when circumstances require, which involves judgment and could be subject to differing interpretations of applicable tax legislation. Our tax filings are subject to audit, whose outcome could change the amount of current and deferred tax assets and liabilities. The calculation of deferred income taxes is based on a number of assumptions including estimating the future periods in which temporary differences, tax losses, and other tax credits will reverse.

Future accounting standards

IFRS 15 – Revenue from Contracts with Customers ("IFRS 15")

In May 2014, the IASB issued IFRS 15, which provides a single comprehensive model detailing how and when to recognize revenue. IFRS 15 also contains enhanced disclosure requirements. IFRS 15 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Parkland is assessing the impact of this standard.

IFRS 16 – Leases ("IFRS 16")

In January 2016 the IASB issued IFRS 16, which provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, unless the lease term is 12 months or less or the underlying asset value is low. IFRS 16 is substantially the same to the existing accounting under IAS 17 – Leases with the distinction between operating and finance leases being retained. IFRS 16 is to be applied retrospectively for annual periods beginning on or after January 1, 2019. Parkland is assessing the impact of this standard.

IFRS 9 – Financial Instruments ("IFRS 9")

In January 2014 the IASB issued IFRS 9, which brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 is to be applied retrospectively for annual periods beginning on or after January 1, 2018. Parkland is assessing the impact of this standard.

10. RISK FACTORS

Key business risks

Parkland is committed to a proactive enterprise risk management program intended to enable decision-making through consistent identification of risks inherent to its activities. Parkland's risks and processes to mitigate those risks are assessed by representatives from Parkland's executive team, senior management team and representatives from across the business. Parkland's key risks, in terms of severity of consequence and likelihood, are summarized into groups as follows:

Risk Ranking Matrix		IMPACT					
		Incidental	Minor	Moderate	Major	Extreme	
LIKELIHOOD	Frequent / Almost Certain	III (10)	II	II	I	I	I – Exceeds Parkland's risk threshold and requires immediate action to reduce the risk or discontinue the applicable business operation to avoid the risk.
	Likely	III	III (8)(9)	II	II (2)(3)(4)	I	II – Risks that require oversight by senior management to monitor effectiveness of management systems.
	Possible	IV	III	III	II (1)(5)(6)(7)	II	III – Acceptable risks with strong management systems and contingency plans in effect.
	Unlikely	IV	IV	III	III	II	IV – Acceptable risks that are not expected to escalate in severity.
	Rare	IV	IV	IV	III	III	

(1) Risks relating to the CST Brands Canada Acquisition

CST Brands Canada Acquisition closing

The closing of the CST Brands Canada Acquisition is subject to commercial risks and certain conditions that are outside the control of Parkland, including the completion of the Couche-Tard acquisition of the CST assets (the "Couche-Tard Acquisition"), various third party consents and regulatory approvals (including those required under the Competition Act (Canada)), which may cause the CST Brands Canada Acquisition to not close on the terms negotiated or at all. The closing of the Couche-Tard Acquisition is also subject to various closing conditions, third party consents and regulatory approvals including, but not limited to, certain conditions contained in the merger agreement setting forth the terms and conditions of the Couche-Tard Acquisition (the "Merger Agreement"), the expiration or termination of applicable waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and receipt of the necessary approvals or the expiry of waiting periods under the Competition Act (Canada). CST Brands, Inc. is also entitled to change its recommendation or terminate the Merger Agreement in limited circumstances. The Merger Agreement contains certain termination rights, which, if exercised, may result in the failure of Couche-Tard to complete the Couche-Tard Acquisition. The Merger Agreement may also be terminated by either party if the Couche-Tard Acquisition is not completed by May 22, 2017 or, if all conditions are satisfied as of such date other than with respect to the receipt of the requisite antitrust clearances, August 22, 2017.

The occurrence of any event, change or other circumstances that could give rise to the termination of the Merger Agreement; the inability of the parties to complete the Couche-Tard Acquisition in a timely manner or at all, including due to the failure to receive necessary governmental or regulatory approvals required to complete the transactions contemplated by the Merger Agreement; the outcome of any legal proceedings that may be instituted against the parties following announcement of the Merger Agreement and transactions contemplated therein; and the possibility that the parties to the Merger Agreement may be adversely affected by other economic, business, and/or competitive factors may, among other things, result in the Couche-Tard Acquisition and, accordingly, the CST Brands Canada Acquisition not occurring.

In the event that the CST Brands Canada Acquisition does not close on or before August 22, 2017, Parkland must (i) return the gross proceeds of the Subscription Receipts currently being held in an escrow to the holders of the Subscription Receipts and (ii) cause to be redeemed the 5.75% Senior Notes.

If the CST Brands Canada Acquisition is not completed, Parkland will have incurred significant costs associated therewith, and is likely to have a material adverse effect on Parkland's share price.

Failure to realize the anticipated benefits of the Acquisition
Achieving the benefits of the CST Brands Canada Acquisition includes, but is not limited to, the timely and efficient consolidation of functions, the integration of operations, procedures and personnel and the ability to realize the anticipated growth opportunities, synergies and operating expense reductions. The integration of the assets purchased in the CST Brands Canada Acquisition (the "CST Assets") requires the dedication of substantial management effort, time and resources that may divert management's focus and resources from other strategic opportunities and other operational matters. The integration process may also result in the loss of key employees and the disruption of ongoing business, supplier, and customer relationships. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Brands Canada Acquisition and financial projections related thereto.

Competition Act approval
The CST Acquisition is subject to certain conditions that are outside of the control of Parkland including, without limitation, the receipt of an advance ruling certificate or a "no action letter" from the Commissioner under the Competition Act (the "Competition Act Approval"). As a condition of obtaining the Competition Act Approval, Parkland may be required to agree to dispose of certain of its assets or assets that comprise a portion of the CST Assets or agree to another remedy, which remedies may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Acquisition, financial projections related thereto or the anticipated timing of closing of the CST Acquisition. There can also be no assurance that the Competition Bureau will not seek to challenge the closing of the CST Acquisition under the Competition Act.

Significant acquisition and related costs
Parkland expects to incur a significant amount of costs and expenses associated with the closing of the CST Brands Canada Acquisition and the integration of the CST Assets and operations. The majority of such costs will be non-recurring expenses and will consist of transaction costs related to the closing of the transaction, facilities and systems consolidation and employment-related costs. Additional unanticipated costs may be incurred in connection with the integration of Parkland and the CST Assets.

CST-operated retail site allocation
The exact number and locations of the CST-operated retail sites to be acquired by Parkland pursuant to the CST Brands Canada Acquisition will be determined prior to the closing of the acquisition. Such site allocation is subject to review by the Competition Bureau and, as such, there can be no assurance as to which such sites will be allocated to Parkland or the future financial and operating performance of any such sites when integrated with Parkland's operations.

Potential undisclosed liabilities associated with the acquisition
Although Parkland conducted what it believes to be a prudent and thorough level of legal, financial, tax, environmental and operational due diligence in connection with the CST Brands Canada Acquisition, an unavoidable level of risk remains regarding any unknown or undisclosed liabilities of, or issues concerning, the CST Assets, including issues related to tax, litigation and other matters. The existence of undisclosed liabilities could have a material adverse effect on Parkland's business, financial condition and results of operations.

Financial information relating to the CST Assets

The financial information relating to the CST Assets has been prepared in accordance with US GAAP and, where used by Parkland to provide information relating to Parkland on a combined basis after giving effect to the CST Acquisition, has been converted by Parkland to Canadian dollars at averaged historical exchange rates on a quarterly basis and has not been reconciled to IFRS. In addition, since the exact number and locations of the CST-operated retail sites to be acquired by Parkland is not determinable as of the date hereof, all financial information relating to Parkland that is presented on a combined basis with the CST Assets after giving effect to the CST Acquisition is based on certain estimates, expectations and assumptions made by management in respect of the CST Assets that will be acquired by Parkland, including, without limitation, the number, locations, nature and financial performance thereof, and the financial information relating thereto. No assurance can be given that these, estimates, expectations and assumptions will prove to be correct and there can be no assurance that such information is accurate or that the historical financial information estimated by Parkland in respect of the CST Assets will be accurate or reflects the CST Assets to be acquired pursuant to the CST Acquisition. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Acquisition and financial projections related thereto.

Increased indebtedness

In connection with the CST Brands Canada Acquisition, Parkland anticipates additional borrowing under the new credit facilities. Such borrowings, along with the issuance of the 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 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 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.

Operational risks relating to the acquisition

The risk factors set forth in the Annual Information Form relating to the business and the operations of Parkland apply equally in respect of the CST Brands Canada Acquisition.

(2) Maintenance of physical assets

Parkland maintains a number of storage facilities, tanks, plants and trucks in the normal course of operations that require periodic repairs and maintenance. Hazards can occur when facilities, tanks, plants and trucks become unreliable and develop faults. A heavy capital intensive replacement process affects Parkland's ability to reduce risk quickly. These risks expose Parkland to potential liability for personal injury, loss of life, business interruption, property damage or destruction and pollution and other environmental damages under applicable federal, provincial, territorial, state and municipal safety and environmental laws and regulations. An effective process safety and maintenance program will make these assets more reliable. Environmental and safety regulations also dictate certification and maintenance requirements through federal and provincial bodies. Fewer breakdowns will mean increased safety, compliance, better productivity and efficiency. Maintenance allows these faults to be diagnosed early to manage risks. However, maintenance needs to be correctly planned and carried out to ensure safety and integrity of these assets.

Parkland is continuing to mature its maintenance programs by implementing new process safety initiatives, enhancing preventative maintenance plans, and renewing and reducing fleet to reduce the average age of equipment. Consistent with industry practice, not all hazards are mitigated and unmitigated risks could significantly increase expenses and the occurrence of a significant event that could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

(3) Macroeconomic conditions

Parkland's business is subject to a number of general economic factors, many of which are out of Parkland's control, which may materially and adversely affect Parkland's business, prospects, results of operations, and/or financial condition. These include recessionary economic cycles and downturns in the business cycles of the industries in which our customers conduct business, as well as downturns in the principal regional economies where operations are located. More specifically, Parkland's sales and operating revenue, Adjusted EBITDA and net earnings may be negatively influenced by changes in regional or local economic variables and consumer confidence.

External factors that affect economic variables and consumer confidence over which Parkland exercises no influence include unemployment rates, levels of personal disposable income, and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of Parkland's market areas. Some of Parkland's sites are located in markets that are more severely affected by weak economic conditions.

Retail pricing and margin erosion

Retail pricing for motor fuels is very competitive, with major oil companies and newer entrants such as grocery chains and large retailers active in the marketplace. From time to time, factors such as competitive pricing, seasonal oversupply, and lack of responsiveness of retail pricing to changes in crude oil costs can lead to lower margins in Parkland's business. This is normally limited to seasonal time frames or limited market areas but could occur more extensively.

Market conditions for Commercial Fuels and Parkland USA

Difficult market conditions and continued economic downturn for the Commercial Fuels and Parkland USA divisions may also adversely affect Parkland's major customers and impact organic growth and volume growth. These risks are partially mitigated by Parkland's other sources of revenue, geographic diversification, management pricing strategy and growth initiatives, the wholesale business, which typically would only share in a portion of any market erosion and the size of the Parkland USA division. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

Competition

Parkland competes with the major national and international integrated oil companies, independent marketers, branded and unbranded independent wholesalers, independent retail stations, dealers who purchase fuel from Parkland, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, large and small food retailers and also several non-traditional retailers have entered the retail fuel business in recent years, including major grocery chains, supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and are significant retail competitors. In some of Parkland's markets, competitors have been in existence longer and have greater financial, marketing and other resources than Parkland. Parkland may not be able to compete successfully against current and future competitors, and competitive pressures faced by Parkland could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

(4) Skills shortage

Parkland is affected by an aging workforce and changing labour markets. Skills shortage is increasingly difficult to manage as older, more experienced, individuals that traditionally occupy operational management roles begin to retire. Younger generations will look for compelling careers and cultures that benefit both the organization and employee resulting in the need to learn how to retain future leaders in a flat organization.

Parkland is continuously competing for skilled employees throughout the regions we are based. There is an increased risk and a challenge to attract, hire and retain qualified resources especially for specialized operational roles. Not having the right people with the skills we need to grow or compete can hamper Parkland's future business prospects. These risks are partially mitigated by Parkland's performance management and retention strategies that among other things include succession planning, using recruiters proactively as well as improving employee engagement through surveys and other measures.

(5) Execution of Strategic Plan

Parkland's growth strategy will depend, in part, on acquiring other fuel distributors or complementary businesses which it may be unable to do profitably or at all. The success of this acquisition strategy will depend, in part, on Parkland's ability to:

- identify suitable businesses;
- negotiate the purchase of those businesses (or investment in the businesses) on acceptable terms;
- complete the transactions within the expected time frame;
- fund the transaction;
- obtain necessary regulatory, other approvals or required consents of third parties within the expected time frame;
- improve the results of operations of the businesses that it buys and successfully integrate the operations, financial reporting and personnel of acquired business with Parkland;
- realize its investment and anticipated synergies in the acquired business or strategic investments;
- retain key employees, customers, or suppliers of the acquired business; and
- avoid or overcome any concerns expressed by regulators, including competition law concerns.

Parkland may fail to properly complete any or all of these steps and may also experience other impediments to its strategy. Parkland may not be able to find appropriate acquisition candidates, acquire those candidates, obtain necessary permits, obtain required third-party consents or integrate the acquired businesses effectively or profitably.

Other companies may also be seeking to acquire similar businesses, including companies that may have greater financial resources than Parkland. Increased competition may reduce the number of acquisition targets available and may lead to unfavorable terms as part of any acquisition, including high purchase prices. If acquisition candidates are unavailable or too costly, Parkland may need to change its business strategy as it relates to acquisitions.

Parkland's increased size means that government regulators, such as competition law regulators in Canada, may examine its acquisitions more closely. These regulators may object to certain purchases or place conditions on them that would limit their benefit to Parkland.

If Parkland is unsuccessful in implementing its acquisition strategy for the reasons discussed above or otherwise, its financial condition and results of operations could be materially and adversely affected. Even if Parkland is able to make acquisitions on advantageous terms and is able to integrate them successfully into its operations and organization, some acquisitions may not fulfill Parkland's strategy in a given market due to factors that Parkland cannot control, such as market position or customer base. As a result, potential benefits or synergies associated with any acquisition could be negatively impacted.

(6) IT Systems

At the operational level, Parkland relies on electronic systems for recording of sales and accumulation of financial data and analytical information. A major failure of computer systems would disrupt the flow of information and could cause loss of data records or corruption of data, which could impact the accuracy of financial reporting and management information and Parkland's ability to operate its business. These systems are vulnerable to, among other things, damage and interruption from power loss or natural disasters, computer system and network failures, loss of telecommunications services, physical and electronic loss of data, security breaches and computer viruses, which could result in a loss of sensitive business information, systems interruption or the disruption of Parkland's business operations. This is mitigated by system redundancies, emergency response plans and back-up procedures. However, there can be no certainty that such mitigation efforts will be successful in all circumstances.

Parkland is continuing to enhance and mature business processes and technology to support growth with the following objectives:

- introduce best business practices, consistency and uniformity to its core business operations, controls and accounting processes including for example inventory management; and
- complete the integration of the acquired companies by merging systems where appropriate, implementing and enhancing processes, controls and operations.

(7) Health and safety

Parkland is subject to hazards and risks inherent in its operations and the industries that we service. Such risks include, but are not limited to, equipment failures, vehicle accidents, human error, accidental release of harmful substances, explosions, fires and natural disasters. These risks expose Parkland to potential liability for personal injury, loss of life or debilitating injury, business interruption, property damage or destruction and pollution and other environmental damages under applicable federal, provincial, territorial, state and municipal safety and environmental laws and regulations.

Parkland has a Health, Safety and Environmental ("HSE") management system in place, which establishes safety leadership, employee awareness and training, hazard recognition and various systems processes and tools to mitigate certain of these risks and to be prepared in the event Parkland experiences any such occurrences. Parkland has also obtained insurance in accordance with industry practice in an effort to address and mitigate such risks and also has operational and emergency response procedures, and safety and environmental programs in place to reduce potential loss exposure. Although Parkland has a comprehensive insurance program in effect, there can be no assurance that the potential liabilities will not exceed the applicable coverage limits under its insurance policies. Consistent with industry practice, not all hazards and risks are covered by insurance and no assurance can be given that insurance will be consistently available or will be consistently available on an economically feasible basis. Parkland maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs. Liability for uninsured risks could significantly increase expenses and the occurrence of a significant event for which Parkland is not fully insured could materially and adversely affect Parkland's business, prospects, and results of operations and/or financial condition.

Parkland is committed to ensuring a safe and healthy working environment that protects its employees, customers and the environment. As part of this commitment, Parkland's HSE program includes comprehensive policies and procedures designed to manage and mitigate risks. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees representing all areas of Parkland's business. For example, Parkland launched its "Drive to Zero" program in 2014 with the objective to achieve zero injuries and zero serious incidents. In addition, Parkland is advancing risk, contractor safety and process safety management initiatives to further reduce related risks and advance our maturity in these areas.

(8) Regulatory Risk

Parkland operates in highly regulated jurisdictions in multiple countries. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavorable tax assessments that could adversely affect our business and our operating results. Inability to comply with these laws and regulations can have a material adverse effect on our operating results and financial condition. Further, transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and, if not complied, could have a material effect on the profitability of Parkland.

Parkland has put in place mitigation efforts by hiring qualified personnel who are members of professional and industry associations and experienced in the area of overseeing compliance requirements. Parkland will continue to strengthen in-house expertise through ongoing hiring and training, however, any changes in the laws or regulations that are adverse to us or our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time, which, if adopted, could have a material adverse effect on our operating results and financial condition.

(9) Competition Law Compliance

Parkland is increasingly subject to scrutiny from regulatory bodies as a result of recent high profile acquisitions and its growing size. As Parkland grows and acquires businesses, it becomes more challenging and complex to monitor compliance with the Competition Act. This includes monitoring the dissemination of competitively sensitive information. Furthermore, compliance with the Competition Act may require Parkland to divest certain of Parkland's assets or assets acquired as part of the CST Brands Canada Acquisition, or result in Parkland being subject to other remedies, such as margin controls in certain markets. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Brands Canada Acquisition and financial projections related thereto.

The risk is partially mitigated by Parkland's training and awareness programs, compliance certificates executed by key people and the appointment of a compliance officer to implement policies and procedures. Additionally, Parkland's employees are subject to internal and external ethical standards including Parkland's Competition Compliance Policy – The Rules of Fair Play, and its Code of Conduct. However, unmitigated risks may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Brands Canada Acquisition and financial projections related thereto.

(10) Price and basis risk

Price and basis risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in a financial loss. Parkland enters into derivative contracts (options, swaps or other financial or commodity contracts based on an underlying interest or value) to mitigate price and basis risk volatility as part of its risk management strategy. These financial contracts are subject to financial controls, risk management and monitoring procedures. Parkland does not use derivative contracts for speculative purposes.

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.

Fair value measurement

Parkland's financial assets and liabilities that are measured at fair value through profit or loss are categorized by level according to the significance of the inputs used in making the measurements in a three-level hierarchy. The fair value measurement hierarchy levels are defined as follows:

- Level 1 – Quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices)
- Level 3 – Inputs that are not based on observable market data (unobservable inputs)

The fair values of Parkland's recurring measurements of the commodities swaps and forward contracts, futures contracts, US dollar forward exchange contracts and Redemption Options were determined based on Level 2 inputs. Parkland used the following techniques to value financial instruments categorized in Level 2:

- The fair values of the outstanding NYMEX New York Harbour or WTI to heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which are compared to observable data.

- The fair values of commodities forward contracts, futures contracts and US dollar forward exchange contracts are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes.
- The fair values of the Redemption Options are determined using a valuation model based on inputs from observable market data including independent price publications, third-party pricing services and market exchanges.

For the purpose of fair value disclosures, Parkland has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

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 December 31, 2016			
	Quoted prices in active market (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Redemption Options	**-**	**8.7**	**-**	**8.7**
Risk management assets				
Commodities swaps and forward contracts	**-**	**0.7**	**-**	**0.7**
US dollar forward exchange contracts	**-**	**0.1**	**-**	**0.1**
Total risk management assets	**-**	**0.8**	**-**	**0.8**
Risk management liabilities				
Commodities swaps and forward contracts	**-**	**(7.2)**	**-**	**(7.2)**
Commodities futures contracts	**-**	**(0.5)**	**-**	**(0.5)**
US dollar forward exchange contracts	**-**	**(0.7)**	**-**	**(0.7)**
Total risk management liabilities	**-**	**(8.4)**	**-**	**(8.4)**

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 $8.7 million as at December 31, 2016 (2015 – $9.2 million). The change in fair value of the Redemption Options for the three months and year ended December 31, 2016 was a loss of $14.2 million and $3.6 million, respectively (2015 – loss of $0.4 million and $2.2 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 December 31, 2016 was $0.8 million and $8.4 million, respectively (2015 – $4.8 million and $3.6 million). Loss on risk management activities for the three months and year ended December 31, 2016 was $11.8 million and $17.1 million, respectively (2015 – gain of $3.7 million and loss of $1.6 million). The losses incurred for the three months and year ended December 31, 2016 were primarily driven by LPG sell-side swap positions taken by Parkland in an increased LPG market pricing environment.

Credit risk

Parkland is exposed to credit risk from operating activities and certain financing activities. Parkland's exposure to concentrations of significant credit risk to any individual customer is limited. Credit risk is minimized by Parkland's broad and geographically diverse customer base. In the Retail Fuels segment, credit risk is managed through a daily settlement process. Retail Fuels generally operates at a negative working capital carry. Parkland also manages its exposure to credit risk through a variety of means, including, but not limited to: i) Rigorous credit granting procedures, which includes reviewing of each new customer's credit history before extending credit and imposing short payment terms or security interests where applicable; ii) Ongoing credit evaluations of its customers, which include reviewing financial conditions and credit performance of its customers; iii) Ongoing close monitoring of outstanding amounts; and iv) Usage of standby and commercial letters of credit for certain customers, where applicable. Parkland's allowances for receivables are maintained at levels considered adequate to provide for future credit losses. Our trade accounts receivable and allowance for doubtful accounts balances as at December 31, 2016 are $327.7 million and $4.6 million respectively.

Counterparties for all risk management activities transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

Foreign currency risk

Parkland is exposed to foreign currency risk due to fluctuations in the US dollar to Canadian dollar exchange rate, relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars, and Parkland's net investments in US subsidiaries. Parkland may mitigate foreign currency risk through a variety of means, including entering into US dollar forward exchange contracts or foreign currency options, as appropriate.

Interest rate risk

Parkland is exposed to market risk from changes in the Canadian and US prime interest rates, banker's acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes the interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate, as appropriate.

Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland's process for managing liquidity risk includes ensuring, to the extent possible, that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates.

Parkland is committed to retaining positive credit ratings to support access to capital markets and currently has the following credit ratings:

	Standard and Poor's	**Dominion Bond Rating Service**
Corporate	**BB-**	**BB**
5.50% Senior Notes, due 2021	**BB-**	**BB**
6.00% Senior Notes, due 2022	**BB-**	**BB**
5.75% Senior Notes, due 2024	**BB-**	**BB**

Refer to Sections 7 and 8 of the MD&A for further discussion on Parkland's liquidity and capital resources.

Commodity price risk

Commodity price risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in a financial loss. Parkland enters into derivative instruments to mitigate commodity price risk volatility as part of its risk management strategy. These financial instruments are subject to financial controls, risk management and monitoring procedures. Parkland does not use derivative contracts for speculative purposes.

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.

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 the design and operating effectiveness of Parkland's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2016.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, has limited the scope of its design of Parkland's DC&P and ICFR to exclude controls, policies and procedures of newly acquired non-significant entities, as permitted by NI 52-109 since Parkland acquired these entities during 2016 (not more than 365 days before December 31, 2016). The scope limitation is primarily due to the time required for Parkland's management to assess newly acquired entities' DC&P and ICFR in a manner consistent with Parkland's other operations. Revenue and net loss of the non-significant entities included in the consolidated statements of comprehensive income since the acquisition date were $15.4 and $3.9, respectively.

Based on the evaluation of the design and operating effectiveness of Parkland's DC&P, the CEO and the CFO have concluded that Parkland's DC&P were effective as at December 31, 2016.

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 and operating 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 and operating effectiveness of such controls as at December 31, 2016.

Based on the evaluation of the design and operating effectiveness of Parkland's ICFR, the CEO and the CFO have concluded that Parkland's ICFR were effective as at December 31, 2016.

Changes in internal controls over financial reporting

There have been no changes in Parkland's ICFR during the year ended December 31, 2016 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

Guarantees

As at December 31, 2016, Parkland provided $743.6 million (December 31, 2015 – $758.9 million) of unsecured guarantees to counterparties of commodity and US dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

Letters of credit

As at December 31, 2016, the total outstanding balance for letters of credit was $8.9 million (December 31, 2015 – $14.9 million) with maturity at various dates up to November 30, 2017.

Other

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.

Related party transactions

Parkland has related party transactions in the normal course of operations with members of the Board of Directors and associated entities as well as key management personnel.

Parkland receives legal services at market prices from Bennett Jones LLP in the normal course of business where a partner is a director of Parkland. Expenditures incurred during the year ended December 31, 2016 were $3.3 million (2015 – $4.1 million) and the accounts payable outstanding as at December 31, 2016 was $0.2 million (2015 – $0.2 million).

Parkland sells fuel at market prices to a company in the normal course of business where the owner is a director of Parkland. Sales and operating revenue generated were $8.3 million for the year ended December 31, 2016 (2015 – $4.9 million) and there was no accounts receivable balance outstanding as at December 31, 2016 (2015 – $0.4 million).

Parkland has receivable balances from a vendor of the Pioneer Acquisition and Pioneer Fuels Inc. where the President and CEO is a director of Parkland. The receivable amount outstanding as at December 31, 2016 was $0.4 million (2015 – $5.0 million).

The remuneration of Parkland key management personnel was $11.9 million for the year ended December 31, 2016 (2015 - $9.8 million).

Shares outstanding

As at March 2, 2017, Parkland had approximately 96.5 million shares, 2.9 million share options and 0.9 million restricted share units outstanding. The share options consist of approximately 1.1 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, are considered IFRS measures as they are determined and presented within the Annual Consolidated Financial Statements within segment profit as reported in Note 24 – Segment Information. 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 – Segment Information of the Annual Consolidated Financial Statements for a full reconciliation.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure or 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 is used to determine Parkland's ability to service its debt, 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 December 31, **2016**	2015	Year ended December 31, **2016**	2015
Net earnings	**3.0**	15.6	**47.2**	39.5
Finance costs	**27.2**	9.1	**40.2**	34.9
Loss on disposal of property, plant and equipment	**1.2**	1.1	**1.0**	1.3
Income tax expense	**6.2**	6.2	**19.8**	20.3
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and futures contracts	**5.4**	(3.8)	**8.9**	(1.5)
Unrealized loss (gain) on foreign exchange	**0.1**	0.7	**1.1**	(0.2)
Acquisition, integration and other costs	**14.0**	6.9	**32.4**	27.9
Depreciation and amortization	**20.0**	29.0	**102.9**	92.9
Adjusted EBITDA	**77.1**	64.8	**253.5**	215.1

Adjusted gross profit

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

($ millions)	Three months ended December 31, **2016**	2015	Year ended December 31, **2016**	2015
Sales and operating revenue	**1,740.0**	1,655.8	**6,266.0**	6,299.6
Cost of goods sold	**(1,536.0)**	(1,474.8)	**(5,549.3)**	(5,673.0)
Realized loss on risk management activities	**(6.4)**	(0.1)	**(8.2)**	(3.1)
Realized gain (loss) on foreign exchange	**(0.4)**	1.4	**(0.8)**	4.0
Adjusted gross profit	**197.2**	182.3	**707.7**	627.5
Fuel and petroleum product adjusted gross profit	**160.4**	143.7	**560.8**	493.1
Non-fuel adjusted gross profit	**36.8**	38.6	**146.9**	134.4
Adjusted gross profit	**197.2**	182.3	**707.7**	627.5

Non-GAAP financial measures

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

Credit Facility Earnings before Interest, Taxes, Depreciation and Amortization ("Credit Facility EBITDA")

Credit Facility EBITDA allows management to monitor Parkland's ability to service its debt and to meet its current and future commitments. In connection with the amendment of the debt covenants as defined in the Credit Facility on June 30, 2016, the calculation of Credit Facility EBITDA was amended to include an adjustment for acquisition, integration and other costs as presented below. The following table provides the calculation of the Credit Facility EBITDA:

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

[(1)] Amounts for the trailing twelve months ended December 31, 2016 include pro-forma pre-acquisition estimates as if the acquistions 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.

($ millions)	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Trailing twelve months ended December 31, 2015
	Three months ended				
Adjusted EBITDA	57.1	34.1	59.1	64.8	215.1
Share incentive compensation	2.1	2.4	1.0	7.2	12.7
	59.2	36.5	60.1	72.0	227.8
Acquisition pro-forma adjustment [(1)]					24.0
Acquisition, integration and other costs adjustment[(2)]					(12.0)
Credit Facility EBITDA					239.8

[(1)] Amounts for the trailing twelve months ended December 31, 2015 include Pioneer Energy pro-forma pre-acquisition estimates as if the Pioneer Acquisition had occurred on January 1, 2015, 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 has been amended from $27.9 million to $12.0 million pursuant to the terms of the Credit Facility amended on June 30, 2016. This amount is used for debt covenant calculation purposes only. The amendment of the terms of the Credit Facility has resulted in an increase of Credit Facility EBITDA from $223.9 million as previously reported on the Annual MD&A to $239.8 million.

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

The Senior Funded Debt to Credit Facility EBITDA ratio and the Total Funded Debt to Credit Facility EBITDA ratio allow management to demonstrate compliance with debt covenants as well as provide users with an indication of Parkland's ability to repay its debt. To manage its financing requirements, Parkland may adjust its 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. The following table illustrate how this non-GAAP measure is calculated:

	December 31, 2016	December 31, 2015
Senior Funded Debt:		
Long-term debt – current portion (excluding 5.75% Senior Notes)[(1)]	**1.9**	4.4
Bank indebtedness	**-**	15.3
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	**138.8**	42.1
Letters of credit and surety bonds[(3)]	**8.9**	41.2
Cash and cash equivalents and restricted cash	**(25.6)**	(37.0)
Senior Funded Debt[(1)]	**124.0**	66.0
Senior Unsecured Notes (excluding 5.75% Senior Notes)[(1)]	**399.2**	398.9
Total Funded Debt[(1)]	**523.2**	464.9
Credit Facility EBITDA[(2)]	**258.8**	239.8
Senior Funded Debt to Credit Facility EBITDA Ratio[(2)]	**0.48**	0.28
Total Funded Debt to Credit Facility EBITDA Ratio[(2)]	**2.02**	1.94

[(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)] The December 31, 2015 amounts have been revised from amounts previously reported pursuant to the terms of the Credit Facility amended on June 30, 2016.

[(3)] Calculated pursuant to the terms of the Credit Facility.

Interest Coverage Ratio

The Interest Coverage Ratio provides users with an indication of Parkland's ability to pay interest on the outstanding debt, in addition to demonstrating compliance with debt covenants. This non-GAAP measure is calculated as follows:

For the trailing twelve months ended	**December 31, 2016**	December 31, 2015
Credit Facility EBITDA	**258.8**	239.8
Interest[(1)]	**35.3**	29.4
Interest Coverage Ratio	**7.33**	8.16

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

Net Unit Operating Cost ("NUOC")

NUOC is an industry metric that represents the adjusted fuel gross profit required on a per litre basis for the segment to breakeven on operating costs and management, general and administrative expenses. We use NUOC to measure the performance of the Retail Fuels segment and we believe it provides transparency and predictive value on operating costs and management, general and administrative expenses in relation to fuel sales within each segment. This non-GAAP measure is calculated quarterly and on a trailing-twelve-month basis as follows:

Retail Fuels

($ millions)	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Trailing twelve months ended December 31, 2016
	Three months ended				
Operating costs	**23.0**	**24.5**	**24.5**	**25.1**	**97.1**
Marketing, general and administrative	**6.1**	**6.0**	**5.6**	**6.4**	**24.1**
Less: Non-fuel adjusted gross profit	**(14.0)**	**(13.7)**	**(14.0)**	**(14.5)**	**(56.2)**
	15.1	**16.8**	**16.1**	**17.0**	**65.0**
Fuel and petroleum product volume[1] (millions of litres)	**843.1**	**936.0**	**1,001.8**	**935.9**	**3,716.8**
NUOC	**1.80**	**1.79**	**1.61**	**1.82**	**1.75**

[1] Includes diesel, gasoline and propane volumes.

($ millions)	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Trailing twelve months ended December 31, 2015
	Three months ended				
Operating costs	6.1	8.0	23.8	23.6	61.5
Marketing, general and administrative	3.5	3.4	6.2	6.4	19.5
Less: Non-fuel adjusted gross profit	(4.8)	(5.9)	(12.9)	(12.8)	(36.4)
	4.8	5.5	17.1	17.2	44.6
Fuel and petroleum product volume[1] (millions of litres)	380.4	463.1	996.8	912.0	2,752.3
NUOC	1.26	1.19	1.72	1.89	1.62

[1] Includes diesel, gasoline and propane volumes.

TTM Operating Ratio

TTM operating ratio represents operating costs and management, general and administrative expenses as a percentage of gross profit on a trailing-twelve-month basis. Parkland uses the TTM operating ratio to measure the performance of the segment and believes it provides transparency and predictive value on operating costs and management, general and administrative expenses within the Commercial Fuels and Parkland USA segments. This non-GAAP measure is calculated as follows:

Commercial Fuels

($ millions)	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Trailing twelve months ended December 31, 2016
	Three months ended				
Operating costs	**33.2**	**28.9**	**28.1**	**33.3**	**123.5**
Marketing, general and administrative	**6.3**	**6.4**	**5.9**	**6.3**	**24.9**
	39.5	**35.3**	**34.0**	**39.6**	**148.4**
Adjusted gross profit	**61.6**	**41.5**	**38.3**	**54.9**	**196.3**
TTM operating ratio					**75.6%**

($ millions)	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Trailing twelve months ended December 31, 2015
	Three months ended				
Operating costs	37.8	29.4	28.4	31.9	127.5
Marketing, general and administrative	6.0	5.7	5.8	5.8	23.3
	43.8	35.1	34.2	37.7	150.8
Adjusted gross profit	75.1	43.2	39.8	52.0	210.1
TTM operating ratio					71.8%

Parkland USA

($ millions)	Three months ended March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	Trailing twelve months ended December 31, 2016
Operating costs	**10.7**	**9.9**	**10.2**	**9.7**	**40.5**
Marketing, general and administrative	**2.1**	**1.9**	**1.6**	**2.0**	**7.6**
	12.8	**11.8**	**11.8**	**11.7**	**48.1**
Adjusted gross profit	**16.2**	**15.2**	**16.1**	**15.9**	**63.4**
TTM operating ratio					**75.9%**

($ millions)	Three months ended March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Trailing twelve months ended December 31, 2015
Operating costs	9.5	9.4	9.9	10.8	39.6
Marketing, general and administrative	1.9	1.9	1.7	1.9	7.4
	11.4	11.3	11.6	12.7	47.0
Adjusted gross profit	16.1	16.1	17.9	16.8	66.9
TTM operating ratio					70.3%

Adjusted Marketing, General and Administrative expenses

Parkland believes the presentation of adjusted marketing, general and administrative expenses provides useful information to investors and shareholders as it provides increased transparency and predictive value on Parkland's expenses. Management uses adjusted marketing, general and administrative expenses to set targets and assess expenses of Parkland. Adjusted marketing, general and administrative expenses may also be used to determine Parkland's non-operating core business expenses. Adjusted marketing, general and administrative expenses exclude acquisition, integration and other costs that are considered to be not representative of Parkland's underlying core operating performance. This non-GAAP measure is calculated as follows:

($ millions)	Three months ended December 31, 2016	2015	Year ended December 31, 2016	2015
Marketing, general and administrative	**52.6**	44.7	**178.2**	161.5
Less: Acquisition, integration and other costs	**(14.0)**	(6.9)	**(32.4)**	(27.9)
Adjusted marketing, general and administrative	**38.6**	37.8	**145.8**	133.6
Fuel and petroleum product volume (millions of litres)	**2,783.4**	2,613.9	**10,415.2**	9,613.4
Adjusted marketing, general and administrative (cpl)	**1.39**	1.45	**1.40**	1.39

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

Corporate adjusted marketing, general, and administrative expenses as a percentage of adjusted gross profit are calculated as follows: corporate marketing, general and administrative expenses less acquisition, integration and other costs, divided by Parkland's adjusted gross profit. The metric represents the percentage of corporate expenses in relation to Parkland's adjusted gross profit. Parkland believes this metric provides transparency and predictive value on corporate management, general and administrative expenses in relation to the entire Parkland's adjusted gross profit. This non-GAAP measure is calculated as follows:

Corporate

($ millions)	Three months ended December 31, 2016	2015	Year ended December 31, 2016	2015
Corporate marketing, general and administrative	**23.9**	18.4	**79.3**	71.7
Less: Acquisition, integration and other costs	**(14.0)**	(6.9)	**(32.4)**	(27.9)
Corporate adjusted marketing, general and administrative	**9.9**	11.5	**46.9**	43.8
Parkland's adjusted gross profit	**197.2**	182.3	**707.7**	627.5
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	**5.0%**	6.3%	**6.6%**	7.0%

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 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 presented on the Annual Consolidated Financial Statements. A reconciliation of this measure is presented in Section 8 of the MD&A.

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

Parkland uses distributable cash flow, adjusted distributable cash flow, distributable cash flow per share, adjusted distributable cash flow per share, dividend payout ratio, and adjusted dividend payout ratio as indicators of Parkland's ability to generate cash flows to sustain monthly dividends, including those issued under the dividend reinvestment plan. Refer to Section 6 of the MD&A for a calculation and reconciliation of these measures.

Distributable cash flow is calculated by adjusting cash flow from operating activities to remove the change in other liabilities and net change in non-cash working capital. Maintenance capital expenditures are deducted and proceeds on the sale of property, plant and equipment and intangible assets are added. This calculation adjusts for the impact of the seasonality of Parkland's business by removing non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection or payment of Parkland's revenue and expenses, which can differ significantly from quarter to quarter. Parkland believes that maintenance capital expenditures should be funded by cash flow from operating activities and, therefore, deducted in determining distributable cash flow.

Adjusted distributable cash flow is calculated as distributable cash flow plus acquisition, integration and other costs. The exclusion of acquisition, integration and other costs allows management to monitor distributable cash flows on the core business without the impact of expenditures used in acquisitions, integration and other activities.

Distributable cash flow per share is calculated as distributable cash flow divided by the weighted average number of common shares and adjusted distributable cash flow per share is calculated as adjusted distributable cash flow divided by the weighted average number of common shares.

The dividend payout ratio is calculated as dividends divided by distributable cash flow. The adjusted dividend payout ratio is calculated as dividends divided by adjusted distributable cash flow.

Key Performance Indicators ("KPIs")

In addition to the non-GAAP financial measures previously described, Parkland uses as 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

In 2017, Parkland will be focused on closing and integrating the CST Brands Canada Acquisition and driving synergies to create shareholder value. 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 improve supply costs as part of executing our supply strategy and 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. 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 and 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
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the CST Brands 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 integrate the CST Assets into Parkland's operations;
- commodity prices for gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products;
- financial market conditions, including interest rates and exchange rates;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

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

- general market conditions;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to close certain previously announced transactions on terms satisfactory to Parkland or at all;
- ability to capture value in each step of the value chain;
- ability to realize on the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing and margins;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- the competitive environment of our industry in Canada and the United States;
- environmental impact;
- risk of pending or future litigation;
- interest rate fluctuation; 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.