Parkland (/)
FUEL CORPORATION

Parkland Fuel Corporation Reports Adjusted EBITDA of $36 Million for the Second Quarter of 2014 and Reconfirms Guidance for 2014

Parkland Continues to Track to Guidance; Retail, Commercial, and Supply Up Year-Over-Year Excluding Suncor Contract

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RED DEER, ALBERTA--(Marketwired - Aug. 7, 2014) - Parkland Fuel Corporation ("Parkland" or the "Corporation") (TSX:PKI), North America's fastest growing distributor and marketer of fuels and lubricants, today announced the financial and operating results for the three and six months ended June 30, 2014. All financial figures are expressed in Canadian dollars.

"Excluding the impact of refiner's margins, every division in Parkland delivered year over year EBITDA growth this quarter. As a result of a solid performance by both Parkland's base business and our new acquisitions, our Adjusted EBITDA and payout ratio continue to track closely to our expected case guidance," said Bob Espey, President and Chief Executive Officer of Parkland. "Given our acquisition pipeline and near-term growth prospects across a number of markets, we are maintaining our 2014 expected case Adjusted EBITDA guidance of $200 million."

2014 Q2 Operational Highlights:

	For the three months ended June 30,			For the six months ended June 30,		
	2014	2013	% Change	**2014**	2013	% Change
(in millions of litres)						
Total fuel volume	**1,922**	1,580	22	**4,195**	2,980	41
Retail fuel volume	**458**	438	5	**875**	838	4

Commercial fuel volume	**319**	312	2	**836**	744	12
(in millions of Canadian dollars)						
Adjusted EBITDA [(1)]	**35.7**	58.1	(39)	**96.9**	119.1	(19)
Net earnings	**6.9**	20.3	(66)	**29.2**	50.9	(43)
Distributable cash flow [(2)]	**22.7**	42.3	(46)	**69.3**	87.5	(21)
Dividend to distributable cash flow payout ratio	**87 %**	43 %		**56 %**	41 %	

[(1)] Please see Adjusted EBITDA in the Non-GAAP Measures section in the MD&A.
[(2)] Please see distributable cash flow reconciliation table and definition in Non-GAAP Measures, both of which can be found in the MD&A.

Grow

- Same store fuel sales increased by 3.1% and merchandise sales increased 9.9% at company retail sites year-to-date;
- Branded retail marketer agreement with Chevron continues to drive volume growth in British Columbia;
- Commercial base business grows 2.5% on sales growth and demand carry over from a cold winter; and
- Base volume (volume prior to acquisitions) decreased by six million litres year-to-date primarily due to a decrease in low margin wholesale fuel sales in certain geographies.

Supply

- SPF Energy Inc. benefits from additional supply from Elbow River Marketing;
- Elbow River Marketing's refined petroleum products team adds $1.7 million in Adjusted EBITDA this quarter;
- Elbow River Marketing increases short-term rail car leases year-over-year to accommodate additional growth; and
- Wholesale and Supply continues to track to annual plan despite loss of refiner's margins.

Operate

- Excluding additional operating costs as a result of short-term rail car leases that were added to Elbow River Marketing to accommodate further growth, operating and direct costs on a cents per litre ("cpl") basis increased 0.06 cpl in Parkland's operations to 3.56 cpl in the second quarter of 2014 compared with 3.50 cpl during the same period in 2013;

- Retail net unit operating costs ("NUOC") improved by 10.1%; and
- Including acquisition costs, MG&A expenses on a cpl basis improved by 0.2 cpl (to 1.5 cpl from 1.7 cpl). Including the addition of SPF Energy Inc., MG&A expenses increased 6% to $28.9 million in the second quarter of 2014, compared with $27.2 million during the same period in 2013.

Correction of Prior Period Error

A comprehensive and disciplined review of fuel tax transactions from 2010 to present has recently been completed by Parkland. This review was required to complete provincial fuel tax reporting. Upon the completion of the fuel tax transactions review, a shortfall of $9.6 million from the reviewed fuel tax transactions receivable to the recorded fuel tax receivable was identified.

As a result of the review conducted on transactions and the high degree of accuracy of the transactions in that period, Parkland has concluded that current controls in place are functioning as intended. Therefore, Parkland has concluded the shortfall from the reviewed fuel tax transactions dates prior to the reporting period and that no further prior period corrections are required to any individual prior year financial statements. This error has been corrected and revised retroactively in the interim consolidated financial statements for the three and six months ended June 30, 2014.

Note 2 in the Notes to the Condensed Interim Consolidated Financial Statements for the three and six months ended June 30, 2014 discusses the correction of the prior period error.

Consolidated Highlights:

CONSOLIDATED HIGHLIGHTS						
	Three months ended June 30,			Six months ended June 30,		
(in millions of Canadian dollars, except volume and per share amounts)	**2014**	2013	% Change	**2014**	2013	% Change
Income Statement Summary:						
Sales and operating revenues	**1,879.2**	1,342.7	40	**3,903.4**	2,555.5	53
Gross profit	**123.3**	128.9	(4)	**288.3**	256.5	12
Operating costs	**60.1**	43.4	(38)	**125.4**	85.9	(46)
Marketing, general and administrative	**28.9**	27.2	(6)	**65.3**	52.1	(25)

Depreciation and amortization expense	**20.4**	14.8	(38)	**38.9**	27.7	(40)
	13.9	43.5	(68)	**58.7**	90.8	(35)
Customer finance income	**(0.9)**	(0.7)	29	**(1.5)**	(1.2)	25
Finance costs	**7.1**	4.7	(51)	**13.0**	10.2	(27)
Foreign exchange (loss) gain	**2.0**	(1.4)	(243)	**(0.9)**	(1.7)	47
Loss on disposal of property, plant and equipment	**-**	0.1	100	**1.2**	0.4	(200)
(Gain) Loss on risk management activities	**(3.4)**	11.3	129	**6.1**	14.0	56
Earnings before income taxes	**8.9**	29.5	(70)	**40.9**	69.1	(41)
Income tax expense	**2.0**	9.2	78	**11.7**	18.2	36
Net earnings	**6.9**	20.3	(66)	**29.2**	50.9	(43)
Net (loss) earnings per share						
- Basic	**0.09**	0.29	(69)	**0.40**	0.73	(45)
- Diluted (1)	**0.09**	0.28	(68)	**0.40**	0.72	(44)
Non-GAAP Financial Measures:						
Adjusted EBITDA (2) (3)	**35.7**	58.1	(39)	**96.9**	119.1	(19)
Distributable cash flow (2)(4)	**22.7**	42.3	(46)	**69.3**	87.5	(21)
Distributable cash flow per share (2)(4)	**0.30**	0.60	(43)	**0.93**	1.25	(26)
Dividends	**19.7**	18.2	8	**38.9**	35.9	8

Dividend to distributable cash flow payout ratio (2)(4)	**87 %**	43 %		**56 %**	41 %	
Key Metrics:						
Fuel volume (millions of litres)	**1,922**	1,580	22	**4,195**	2,980	41
Return on capital employed (ROCE)(2)(5)(8)	**14.3 %**	26.5 %				
Employees	**1,705**	1,313	30			
Fuel Key Metrics - Cents per litre:						
Retail fuels adjusted gross profit (6)	**5.09**	4.73	8	**4.85**	4.63	5
Commercial fuels adjusted gross profit (6)	**9.60**	9.33	3	**10.67**	10.71	-
Operating costs	**3.13**	2.74	(14)	**2.99**	2.88	(4)
Marketing, general and administrative	**1.50**	1.72	13	**1.56**	1.75	11
Depreciation and amortization expense	**1.06**	0.93	(14)	**0.93**	0.93	-
Liquidity and bank ratios:						
Net debt:adjusted EBITDA (2)(7)	**2.27**	1.11				
Senior debt:adjusted EBITDA (2)(7)	**1.58**	0.53				
Interest coverage (2)(7)	**5.22**	9.01				

(1) Diluted earnings (loss) per share can be impacted by an anti-dilutive impact of conversion of the debentures. Quarterly diluted earnings (loss) per share may therefore not accumulate to the same per share value as the year-to-date calculation.

(2) Please refer to the Non-GAAP Measures section in the MD&A for definitions.

[3] Please see Adjusted EBITDA discussion in the MD&A.

[4] Please see Distributable Cash Flow reconciliation table in the MD&A.

[5] Please see ROCE discussion in the MD&A.

[6] Please see Segmented Results discussion in the MD&A.

[7] Please refer to the Non-GAAP Measures section in the MD&A for reconciliations.

[8] Revised

Parkland Penny Plan Scorecard:

Area	Commitment	Analysis	2016 Target	Q2 2014	2013
Grow	Organic growth	**Organic Growth Challenged in Wholesale** 26ML decrease in base wholesale volume and retail dealer network closures.	100 million litres per year	**(6.0)** million litres YTD	**11.2** million litres YTD
	Major acquisitions	**SPF Energy Inc. Delivers Additional Volume** The acquisition SPF Energy Inc. increased volume this quarter and is in line with expectations. The mergers and acquisitions environment remains very active.	6.0 billion litres by 2016	**1.2** billion litres (annual volume)	**2.7** billion litres (annual volume)
Supply	Supply Margin	**Headwinds in Wholesale** The Q2 2014 results did not benefit from refiner's margins and were challenged by headwinds in Wholesale due to the competitive environment.	100% Normalized profit plus 1/3 cent	**On Track**	**On Track**
Operate	Operating costs	**Opex in Base Business Stays Stable** Addition of short-term rail car leases year-over-year to ERM increased Opex on cpl basis. Excluding ERM, Opex stays stable at 3.56 cpl in Q2 2014 compared with 3.50 in Q2 2013 and is down YTD compared with same period in 2013.	2.48 cpl	**3.13** cpl Q2 Including ERM **3.56** cpl Q2 Excluding ERM **2.99** cpl YTD Including ERM	**2.74** cpl Q2 Including ERM **3.50** cpl Q2 Excluding ERM **2.88** cpl YTD Including ERM

	Marketing, General and Administrative expenses ("MG&A")	**MG&A Costs Decrease With Scale**[1] MG&A costs decreased on a per litre basis in Q2 as a result of continued cost discipline.	1.52 cpl	**1.38** cpl Q2 **1.45** cpl YTD	**1.61** cpl Q2 **1.64** cpl YTD
	Total Recordable Injury Frequency ("TRIF")	**TRIF Lower on Year-over-Year basis** Renewed focus in Health, Safety and Environment aims to enhance performance in all areas.	Less than 2.00	**3.25** TTM	**3.95** TTM

[1] excluding acquisition costs

Note: 2016 cost targets will be updated in the event of a significant change to Parkland's business mix.
Abbreviations: CPL = Cents per litre
YTD = Year-to-date
TTM = Trailing twelve months

Distributable Cash Flow and Payout Ratio On Track

Q2 2014 vs. Q2 2013

In the second quarter of 2014, distributable cash flow exceeded dividends by $2.9 million compared with $24.1 million in the second quarter of 2013. The dividend payout ratio for the second quarter of 2014 was 87% compared with 43% in the second quarter of 2013. Distributable cash flow decreased by $19.6 million to $22.7 million in the second quarter of 2014 compared with $42.3 million in the second quarter of 2013. The decrease in distributable cash flow is primarily due to the decrease in Adjusted EBITDA of $22.4 million, $1.6 million increase in interest on long-term debt, $0.6 million increase in acquisition costs, $0.9 million decrease in proceeds on sale of property, plant and equipment and intangibles, partially offset by a $6.1 million decrease in current tax expense and $1.8 million decrease in maintenance capital expenditures. The increase in the dividend payout ratio is also impacted by an increase of 4.5 million common shares outstanding.

YTD 2014 vs. 2013

Distributable cash flow for the six months ended June 30, 2014 exceeded dividends by $30.4 million compared with $51.6 million for the six months ended June 30, 2013. The dividend payout ratio for the six months ended June 30, 2014 was 56% compared with 41% for the six months ended June 30, 2013. Distributable cash flow decreased by $18.1 million to $69.3 million for the six months ended June 30, 2014 compared with $87.5 million in the same period of 2013. The decrease in distributable cash flow is primarily due to the decrease in Adjusted EBITDA of $22.2 million, $0.8 million decrease in proceeds on sale of property, plant and equipment and intangibles, partially offset by a $3.9 million decrease in current tax expense and $2.9 million decrease in maintenance capital expenditures. The increase in the dividend payout ratio is also impacted by an increase of 4.5 million common shares outstanding.

Commercial Team Delivers 2.5% Organic Growth

Volume

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, Parkland Commercial Fuels' volume increased 2.5% to 319 million litres compared with 312 million litres in 2013. The 7 million litre increase represents 2.5% organic volume growth in the base business due to strong sales and demand carry over from an extremely cold winter in the east. SPF Energy Inc. currently only contributes lubricant sales to Commercial Fuel results, which are not included in fuel volume but are included in non-fuel adjusted gross profit.

While fuel volume was up year-over-year, volume growth was partially offset by the following factors:

- A slow start to spring due to the long cold winter which delayed and, in some cases, prevented agricultural sales;
- Warmer temperatures on the west coast compared to the same period in 2013; and
- The discontinuation of a low margin marketer agreement in northern Alberta.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, Parkland Commercial Fuels' volume increased 12.3% to 836 million litres compared with 744 million litres in 2013. The 92 million litre increase year-to-date includes 60 million litres in incremental propane sales from Sparlings Propane in the first quarter, and 4.3% volume growth in the base business.

Adjusted Gross Profit

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, fuel gross profit increased 5.4% to $30.6 million compared with $29.1 million in 2013 due to higher volume and higher margin on a cent per litre (cpl) basis.

Average adjusted fuel gross profit on a cents per litre basis for the second quarter of 2014 was 9.60 cpl, an increase of 2.9% compared with 9.33 cpl in the second quarter of 2013.

Non-fuel gross profit increased 22.5% in the second quarter of 2014 to $18.1 million compared with $14.8 million in the second quarter of 2013 as a result of $1.8 million in additional lubricant profit from SPF Energy Inc. and slightly better Canadian lubricant margin, partially offset by lower lubricant volume in Canada.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, fuel gross profit increased 11.9% to $89.2 million compared with $79.7 million in 2013 due to higher volume and stable margin on a cent per litre (cpl) basis. Sparlings Propane added $8.3 million in fuel adjusted gross profit in the first quarter of 2014.

Average adjusted fuel gross profit on a cent per litre basis for the six months ended June 30, 2014 was 10.67 cpl, a decrease of 0.4% compared with 10.71 cpl during the same period in 2013.

Non-fuel gross profit increased 17.0% for the six months ended June 30, 2014 to $36.2 million compared with $30.9 million in the same period in 2013, as a result of $4.2 million in additional lubricant profit from SPF Energy Inc., better Canadian lubricant margin in 2014 compared with 2013, and higher lubricant volume in Canada.

Operating Costs

Q2 2014 vs. Q2 2013

Parkland Commercial Fuels' operating costs for the second quarter of 2014 increased 9.4% to $33.4 million (10.44 cpl) compared with $30.5 million (9.78 cpl) during the second quarter of 2013 due to an incremental $1.1 million increase from the SPF Energy Inc. acquisition, increased fleet costs related to higher activity during the winter, and an increase in labor costs due to growth in the base business.

YTD 2014 vs. YTD 2013

Parkland Commercial Fuels' operating costs for the six months ended June 30, 2014 increased 14.8% to $74.2 million (8.87 cpl) compared with $64.6 million (8.68 cpl) during the same period in 2013 due to the addition of Sparlings Propane, a $2.6 million increase from SPF Energy Inc., increased fleet costs and an increase in labor costs related to additional project work (e.g. Fracking, long haulage to cover Northern Alberta).

Marketing General and Administrative Expenses

Q2 2014 vs. Q2 2013

Marketing, General and Administrative expenses for the second quarter of 2014 decreased 2.3% to $6.6 million (2.07 cpl) compared with $6.8 million (2.17 cpl) during the same period in 2013 due to cost savings in the base business that drove lower costs on a cpl basis.

YTD 2014 vs. YTD 2013

Marketing, General and Administrative expenses for the six months ended June 30, 2014 decreased 0.5% to $13.2 million (1.58 cpl) compared with $13.3 million (1.79 cpl) during the same period in 2013 due to cost savings in the base business that drove lower costs on a cpl basis, partially offset by addition of the Sparlings Propane to the first quarter results.

Adjusted EBITDA

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, Parkland Commercial Fuels' Adjusted EBITDA increased 30.7% to $9.4 million (2.95 cpl) compared with $7.2 million (2.31 cpl) in 2013.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, Parkland Commercial Fuels' Adjusted EBITDA increased 16.1% to $39.2 million (4.69 cpl) compared with $33.8 million (4.54 cpl) in 2013.

Divisional Outlook

Parkland Commercial Fuels continues to be well positioned to capitalize on new opportunities as they emerge.

For the three months ended June 30, 2014, the Canadian Association of Oilwell Drilling Contractors ("CAODC") reported an average monthly drilling rig count of 198, a 31% increase compared with 151 per month for the same period in 2013.

While rising natural gas prices during the beginning of 2014 appear to be partly responsible for an increase in natural gas drilling activity, mild summer weather, which has reduced natural gas consumption at power plants, and a record pace of inventory gains have pushed natural gas prices back down, which could have a negative impact on drilling activity should prices remain low.

Retail Adjusted EBITDA Grows 14%

Volume

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, Parkland Retail Fuel volume increased 4.5% to 458 million litres compared with 438 million litres in 2013. The 20 million litre increase was the result of the addition of 23.4 million litres from SPF Energy Inc.'s retail operations partially offset by a 3.6 million litre decrease in Canadian volume in Parkland's low margin dealer business.

Company retailer performance continued to be strong in the second quarter, with a 6.4% increase in fuel volume compared to the same period last year.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, Parkland Retail Fuel volume increased 4.4% to 875 million litres compared with 838 million litres in 2013. The 37 million litre increase was the result of the addition of 44.9 million litres from SPF Energy Inc.'s retail operations partially offset by an 8.2 million litre decrease in Canadian volume in Parkland's low margin dealer business.

Adjusted Gross Profit

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, fuel and petroleum product adjusted gross profit increased 12.5% to $23.3 million compared with $20.7 million in 2013 due to the addition of $1.8 million from SPF Energy Inc., and a $0.7 million increase year-over-year from Parkland's Canadian operations due to higher margin on a cent per litre basis.

Average adjusted fuel gross profit on a cpl basis for the second quarter of 2014 was 5.09 cpl, an increase of 7.7% compared with 4.73 cpl during the same period in 2013.

Non-fuel gross profit increased 66.2% in the second quarter to $7.6 million compared with $4.6 million in 2013 due to the addition of $2.8 million from SPF Energy Inc. and a 4.7% increase in non-fuel gross profit year-over-year in the company's Canadian retailer network which was driven by strong convenience store sales, increased volume rebates, and the recent Chevron acquisition in late April which added 12 new retailer sites.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, fuel and petroleum product adjusted gross profit increased 9.3% to $42.4 million compared with $38.8 million in 2013 due to the addition of $3.8 million from SPF Energy Inc., partially offset by a $0.2 million year over year decrease in Canadian gross profit due to competitive pressures in certain geographies.

Average adjusted fuel gross profit on a cpl basis for the six months ended June 30, 2014 was 4.85 cpl, an increase of 4.7% compared with 4.63 cpl during the same period in 2013

Non-fuel gross profit increased 73% to $14.7 million for the six months ended June 30, 2014 compared with $8.5 million in 2013 due to the addition of $5.4 million from SPF Energy Inc. and a 9.9% increase in same store convenience store sales year-over-year in Parkland's Canadian retailer network.

Operating Costs

Q2 2014 vs. Q2 2013

Retail operating costs for the second quarter of 2014 increased 44.5% to $9.8 million (2.13 cpl) compared with $6.8 million (1.54 cpl) during the same period in 2013 due to the addition of $3.1 million from SPF Energy Inc. partially offset by $0.1 million in savings within the base business.

YTD 2014 vs. YTD 2013

Retail operating costs for the six month ended June 30, 2014 increased 45.5% to $18.8 million (2.15 cpl) compared with $12.9 million (1.54 cpl) during the same period in 2013 due to the addition of $6.1 million from SPF Energy Inc. partially offset by $0.2 million in savings within the Canadian business.

Marketing General and Administrative

Q2 2014 vs. Q2 2013

Marketing, General and Administrative expenses for the three months ended June 30, 2014 increased 15.1% to $3.6 million (0.78 cpl) compared with $3.1 million (0.71 cpl) during the same period in 2013 due to the addition of $0.3 million from SPF Energy Inc. and a planned increase in advertising that successfully drove volume growth at company operated sites.

YTD 2014 vs. YTD 2013

Marketing, General and Administrative expenses for the six months ended June 30, 2014 increased 9.9% to $7.2 million (0.82 cpl) compared with $6.5 million (0.78 cpl) during the same period in 2013 primarily due to the addition of $0.7 million from SPF Energy Inc.

Adjusted EBITDA

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, Parkland Retail Fuels' Adjusted EBITDA increased 13.9% to $17.6 million (3.84 cpl) compared with $15.4 million (3.52 cpl) in 2013.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, Parkland Retail Fuels' Adjusted EBITDA increased 11.7% to $31.1 million (3.56 cpl) compared with $27.9 million (3.33 cpl) in 2013.

Divisional Outlook

Retail growth prospects in 2014 remain strong.

The Chevron supply and retail branded distribution agreement which began to stream in the second quarter strengthened Parkland's retail fuel offer in British Columbia. Parkland continues to make progress in signing new dealers in British Columbia under the Chevron banner and expects to sign additional dealers through the balance of 2014. Parkland also continues to sign new Esso dealer sites and deploy Esso retailer sites in British Columbia.

Wholesale and Supply Continues to Track to Annual Plan

Parkland Wholesale, Supply and Distribution is responsible for managing Parkland's fuel supply contracts, purchasing fuel from suppliers, distribution through third party rail and highway carriers as well as serving wholesale and reseller customers.

Volume

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014 Parkland Wholesale, Supply and Distribution fuel volume (factoring out intersegment sales) increased 37.9% or 315 million litres to 1.1 billion litres compared with 831 million litres for the same period in 2013 primarily due to the addition of 267 million litres from SPF Energy Inc., an incremental increase of 83 million litres from the assets acquired from TransMontaigne Marketing Canada Inc. (which was acquired on May 13, 2013), partially offset by a 4.4 million litre decrease year-over-year in Elbow River's volume and a 26 million litre decrease in low-margin wholesale volume.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014 Parkland Wholesale, Supply and Distribution fuel volume (factoring out intersegment sales) increased 77.6% or 1.1 billion litres to 2.5 billion litres compared with 1.4 billion litres for the same period in 2013 primarily due to the addition of 523 million litres from SPF Energy Inc., a year-over-year increase of 330 million litres from Elbow River Marketing, an incremental increase of 263 million litres from the assets acquired from TransMontaigne Marketing Canada Inc. (which was volume acquired on May 13, 2013), and a 19 million litre decrease in low-margin wholesale volume.

Adjusted Gross Profit

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, fuel and petroleum product adjusted gross profit decreased 38.9% to $33.2 million compared with $54.3 million in 2013 due to the end of the Suncor Contract in 2013 partially offset by the acquisition of the assets from TransMontaigne Marketing Canada Inc., SPF Energy Inc. and Elbow River Marketing.

Average adjusted fuel gross profit on a cents per litre basis for the second quarter of 2014 was 2.90 cpl, a decrease of 55.7% compared with 6.53 cpl in the second quarter of 2013 when unusually strong refiner's margins increased the margin on a cpl basis. This was partially offset by acquisitions and through Parkland's improved supply base.

Non-fuel gross profit increased 239% in the second quarter of 2014 to $8.3 million compared with $2.5 million in the second quarter of 2013 as a result of additional non-fuel product gross profit from SPF Energy Inc.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, fuel and petroleum product adjusted gross profit decreased 9.8% to $82.7 million compared with $91.7 million in 2013 due to the end of the Suncor Contract in 2013 partially offset by the acquisition of the assets from TransMontaigne Marketing Canada Inc., SPF Energy Inc. and Elbow River Marketing.

Average adjusted fuel gross profit on a cents per litre basis for the six months ended June 30, 2014 was 3.33 cpl, a decrease of 49.2% compared with 6.56 cpl in the same period of 2013 when unusually strong refiner's margins increased the margin on a cpl basis. This was partially offset in the first quarter of 2014 by strong performance from Elbow River Marketing, the acquisition of SPF Energy, the assets acquired from TransMontaigne Marketing Canada Inc. and the success of Parkland's supply initiatives through the first six months of 2014.

Non-fuel gross profit increased 379.5% in the first six months of 2014 to $15.8 million compared with $3.3 million in the second quarter of 2013 as a result of additional non-fuel product gross profit from SPF Energy Inc.

Operating Costs

Q2 2014 vs. Q2 2013

Operating costs in the second quarter of 2014 increased to $17.1 million (1.50 cpl) compared with $6.5 million (0.78 cpl) during the same period in 2013 due to the addition of Elbow River Marketing and SPF Energy Inc. and the acquisition of the assets from TransMontaigne Marketing Canada Inc.

YTD 2014 vs. YTD 2013

Operating costs for the six months ended June 30, 2014 increased to $32.7 million (1.32 cpl) compared with $8.9 million (0.64 cpl) during the same period in 2013 due to acquisitions.

Marketing General and Administrative Expenses

Q2 2014 vs. Q2 2013

Marketing, General and Administrative expenses for the second quarter of 2014 decreased to $6.3 million (0.55 cpl) compared with $6.8 million (0.82 cpl) during the same period in 2013 due to cost savings.

YTD 2014 vs. YTD 2013

Marketing, General and Administrative expenses for the six months ended June 30, 2014 increased to $20.3 million (0.82 cpl) compared with $11.9 million (0.85 cpl) during the same period in 2013 due to acquisitions.

Adjusted EBITDA

Q2 2014 vs. Q2 2013

For the three months ended June 30, 2014, Parkland Wholesale, Supply and Distribution's EBITDA decreased 58.4% to $18.3 million (1.59 cpl) compared with $43.9 million (5.28 cpl) in 2013. Acquisition related earnings reflected in Wholesale, Supply and Distribution's EBITDA partially offset the elimination of refiner's margins with the end of the contract with Suncor in December 2013.

YTD 2014 vs. YTD 2013

For the six months ended June 30, 2014, Parkland Wholesale, Supply and Distribution's EBITDA decreased 38.3% to $45.8 million (1.84 cpl) compared with $74.2 million (5.30 cpl) in 2013. Acquisition related earnings reflected in Wholesale, Supply and Distribution's EBITDA partially offset the elimination of refiner's margins at the end of 2013.

Divisional Outlook

A number of planned refinery turnarounds are anticipated for 2014 in western Canada. Parkland continues to proactively plan for shortages utilizing the Corporation's diverse supply capability.

To further secure supply in advance of turnarounds and to offset shortages during unplanned outages, Parkland has begun to store additional product in certain supply orbits to ensure security of supply for customers.

Parkland continues to optimize a number of key supply agreements in 2014 that will improve Parkland's supply economics, diversify the supply portfolio, capture arbitrage opportunities and provide further supply security and flexibility for customers. Elbow River Marketing and the supply and distribution team continue to drive for arbitrage opportunities over both the short-term and long-term.

Parkland will continue to manage towards lower accounts receivable, tighter trade terms and the targeting of growth in underserved regions.

Operating Costs Flat on CPL Basis Excluding Elbow River Marketing's Short Term Rail Car Leases

Q2 2014 vs. Q2 2013

Operating and direct costs increased by 38% to $60.1 million (3.1 cpl) for the three months ended June 30, 2014, compared with $43.4 million (2.7 cpl) in the three months ended June 30, 2013, primarily due to the inclusion of $9.0 million from SPF Energy Inc. and Elbow River Marketing with an additional $3.8 million in costs due to the rapid expansion of the business. The increase in operating expense as a cent per litre from 2.7cpl in the second quarter of 2013 to 3.1cpl in the second quarter of 2014 is due primarily to the activity of Elbow River Marketing.

YTD 2014 vs. 2013

Operating and direct costs increased by 46% to $125.4 million (3.0 cpl) for the six months ended June 30, 2014, compared with $85.9 million (2.9 cpl) in the six months ended June 30, 2013, primarily due to the inclusion of $17.7 million from SPF Energy Inc., $4.5 million from Sparlings Propane and Elbow River Marketing with an additional $11.0 million in costs due to increased sales.

Marketing, General and Administrative Costs per Litre Decrease with Increased Scale

Q2 2014 vs. Q2 2013

Marketing, General and Administrative expenses ("MG&A") increased by 6% to $28.9 million (1.5 cpl) in the second quarter of 2014 compared with $27.2 million (1.7 cpl) in the second quarter of 2013. MG&A costs in the second quarter of 2014 increased by $1.7 million primarily due to a full quarter of expenses incurred by SPF Energy Inc. which contributed an additional $1.3 million.

YTD 2014 vs. 2013

Marketing, General and Administrative expenses ("MG&A") increased by 25% to $65.3 million (1.6 cpl) in the second quarter of 2014 compared with $52.1 million (1.7 cpl) in the second quarter of 2013. MG&A costs in the second quarter of 2014 increased by $13.2 million primarily due to $3.3 million of costs incurred by SPF Energy Inc. and Elbow River Marketing which contributed an additional $6.1 million compared with the same period in 2013 due to increased business activity.

Adjusted EBITDA

Q2 2014 vs. Q2 2013

Adjusted EBITDA for the second quarter of 2014 was $35.7 million; a decrease of $22.4 million compared with $58.1 million in the second quarter of 2013 due to the elimination of refiner's margins with the end of the Suncor contract in December, 2013 partially offset by earnings from acquisitions and improvements in the base business.

YTD 2014 vs. 2013

Adjusted EBITDA for the six months ended June 30, 2014 was $96.9 million; a decrease of $22.2 million compared with $119.1 million for the six months ended June 30, 2013 due to the elimination of refiner's margins with the end of the Suncor contract in December, 2013 partially offset by earnings from acquisitions and improvements in the base business.

Net Earnings

Q2 2014 vs. Q2 2013

Parkland's net earnings in the second quarter of 2014 was $6.9 million, a decrease of $13.4 million compared with $20.3 million reported in the second quarter of 2013. The decrease in net earnings in the second quarter of 2014 compared with the prior year was primarily due to a $4.4 million decrease in adjusted gross profit, $16.8 million increase in operating costs and $5.6 million increase in depreciation and amortization partially offset by $7.2 million in lower income tax expense.

YTD 2014 vs. 2013

Parkland's net earnings for the six months ended June 30, 2014 were $29.2 million, a decrease of $21.7 million compared with $50.9 million in the second quarter of 2013. The decrease in net earnings for the six months ended June 30, 2014 compared with the prior year was primarily due to a $39.5 million increase in operating costs, $13.2 million increase in MG&A costs and $11.2 million increase in depreciation and amortization partially offset by $28.7 increase in adjusted gross profit and $6.5 million in lower income tax expense.

MD&A and Financial Statements

Management's Discussion and Analysis, the audited Consolidated Financial Statements, and the Notes to the Consolidated Financial Statements for the three and six months ended June 30, 2013 are available online at www.parkland.ca (http://www.parkland.ca/).

Conference Call Information

Parkland Fuel Corporation will host a webcast and conference call at 4:00 p.m. MT (6:00 p.m. ET) on Thursday, August 7, 2014 to discuss the results for the three and six months ended June 30, 2014.

President and CEO Bob Espey and Senior Vice President and CFO Mike Lambert will discuss Parkland's financial results for the quarter and then take questions from investors and analysts.

Please log into the webcast slide presentation 10 minutes before the start time at:

http://www.gowebcasting.com/5694 (http://www.gowebcasting.com/5694)

To access the conference call by telephone dial toll free 1-800-446-4472. Callers from the Toronto area should use (416) 340-9432. Please connect approximately 10 minutes prior to the beginning of the call.

The webcast will be available for replay two hours after the conference call ends. It will remain available at the link above for one year.

Financial Statements and Management's Discussion and Analysis will also be posted to **www.parkland.ca (http://www.parkland.ca/)** and SEDAR immediately after the results are released by newswire.

SEGMENTED INFORMATION

During the first quarter of 2014, Parkland changed its internal organizational structure. Parkland has changed its segmented information to be in line with its internal reorganization and has amended its prior year segment information to conform to the current year presentation. The segmented information for the third and fourth quarters of 2013 are as follows:

Parkland Fuel Corporation

Segmented disclosure note as at September 30, 2013

	Parkland Retail Fuels	Parkland Commercial Fuels	Parkland Wholesale, Supply and Distribution	Corporate	Consolidated
For the three months ended September 30,	**2013**	**2013**	**2013**	**2013**	**2013**
Fuel and petroleum products volume (millions of litres)	477,447	348,509	936,017	-	1,761,973
Sales and operating revenue - external and intersegmental					
Fuel and petroleum product revenue	461,400	319,438	1,756,202	-	2,537,040
Non-fuel revenue	4,694	65,377	15,435	90	85,596
Total sales and operating revenue - external and intersegmental	466,094	384,815	1,771,637	90	2,622,636
Less: intersegment revenues		(7,798)	(1,105,798)		(1,113,596)
Sales and operating revenue	466,094	377,017	665,839	90	1,509,040
Cost of sales, excluding depreciation					
Fuel and petroleum product cost of sales	437,609	291,776	1,716,202		2,445,587
Non-fuel costs of sales	-	50,334	13,413	(79)	63,668

Total cost of sales, excluding depreciation	437,609	342,110	1,729,615	(79)	2,509,255
Less: intersegment cost of sales		(7,798)	(1,105,798)	621	(1,112,975)
Net cost of sales	437,609	334,312	623,817	542	1,396,280
Adjusted gross profit					
Fuel and petroleum product adjusted gross profit (before risk management)	23,791	27,662	40,000	-	91,453
Realized loss on risk management activities	-	-	(7,075)	-	(7,075)
Realized (loss) gain on foreign exchange	-	-	(302)	20	(282)
Fuel and petroleum product adjusted gross profit	23,791	27,662	32,623	20	84,096
Non-fuel adjusted gross profit	4,694	15,043	2,022	(452)	21,307
Total adjusted gross profit	28,485	42,705	34,645	(432)	105,403
Customer finance income	-	(655)	5	61	(589)
Operating costs	6,715	29,978	8,045	(604)	44,134
Marketing, general and administration	3,128	6,211	6,009	9,569	24,917
Realized gain on risk management activities			(44)		(44)
less: acquisition costs, included in marketing, general and administrative expenses	-	-	-	(768)	(768)
Adjusted EBITDA	18,642	7,171	20,630	(8,690)	37,753
Depreciation and amortization	-	-	-	13,711	13,711
Finance costs	-	-	-	4,790	4,790

Loss on fuel tax receivable	-	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	1,217	1,217
Acquisition costs (1)	-	-	-	768	768
Unrealized gain from the change in fair value of commodities forward contracts and US dollar forward exchange contracts	-	-	-	(9,521)	(9,521)
Unrealized loss on foreign exchange	-	-	-	597	597
Earnings before income taxes					26,191
Additions to property, plant and equipment	2,719	4,523	1,215	1,470	9,927

(1) Acquisition costs include direct and indirect costs related to acquisition targets.

Parkland Fuel Corporation

Segmented disclosure note as at December 31, 2013

	Parkland Retail Fuels	**Parkland Commercial Fuels**	**Parkland Wholesale, Supply and Distribution**	**Corporate**	**Consolidated**
For the three months ended December 31,	**2013**	**2013**	**2013**	**2013**	**2013**
Fuel and petroleum products volume (millions of litres)	432,107	452,120	1,032,681	-	1,916,908
Sales and operating revenue - external and intersegmental					

Fuel and petroleum product revenue	397,975	420,394	1,749,948	-	2,568,317
Non-fuel revenue	4,619	70,917	16,340	73	91,949
Total sales and operating revenue - external and intersegmental	402,594	491,311	1,766,288	73	2,660,266
Less: intersegment revenues	-	(7,816)	(1,053,589)	-	(1,061,405)
Sales and operating revenue	402,594	483,495	712,699	73	1,598,861
Cost of sales, excluding depreciation					
Fuel and petroleum product cost of sales	377,983	374,349	1,688,597	-	2,440,929
Non-fuel costs of sales	-	55,299	13,536	(331)	68,504
Total cost of sales, excluding depreciation	377,983	429,648	1,702,133	(331)	2,509,433
Less: intersegment cost of sales	-	(7,816)	(1,053,589)	113	(1,061,292)
Net cost of sales	377,983	421,832	648,544	(218)	1,448,141
Adjusted gross profit					
Fuel and petroleum product adjusted gross profit (before risk management)	19,992	46,045	61,351	-	127,388
Realized loss on risk management activities	-	-	(9,398)	-	(9,398)
Realized gain (loss) on foreign exchange	-	-	630	(46)	584
Fuel and petroleum product adjusted gross profit	19,992	46,045	52,583	(46)	118,574

Non-fuel adjusted gross profit	4,619	15,618	2,804	291	23,332
Total adjusted gross profit	24,611	61,663	55,387	245	141,906
Customer finance income	(4)	(611)	(54)	(27)	(696)
Operating costs	5,923	35,620	9,042	9,689	60,274
Marketing, general and administration	3,249	5,939	13,386	11,954	34,528
Realized loss on risk management activities	-	-	-	2	2
less: acquisition costs, included in marketing, general and administrative expenses	-	-	-	(2,764)	(2,764)
Adjusted EBITDA	15,443	20,715	33,013	(18,609)	50,562
Depreciation and amortization	-	-	-	14,612	14,612
Finance costs	-	-	-	4,856	4,856
Loss on fuel tax receivable	-	-	-	-	-
Loss on disposal of property, plant and equipment	-	-	-	823	823
Acquisition costs (1)	-	-	-	2,764	2,764
Unrealized gain from the change in fair value of commodities forward contracts and US dollar forward exchange contracts	-	-	-	(648)	(648)
Unrealized loss on foreign exchange				433	433
Earnings before income taxes					27,722

Additions to property, plant and equipment	8,025	10,631	9,055	2,762	30,473

(1) Acquisition costs include direct and indirect costs related to acquisition targets.

Forward Looking Information

Certain information included herein is forward-looking. Forward-looking statements include, without limitation, statements regarding Parkland's future financial position, business and growth strategies, including the manner in which such strategies will be implemented, budgets, projected costs, sources of growth, capital expenditures, financial results, taxes, future acquisitions and the efficiencies to be derived therefrom, effectiveness of internal controls, sources of funding for growth capital expenditures, anticipated dividends and the amount thereof, if any, to be declared by Parkland Fuel Corporation, and plans and objectives of or involving Parkland. Many of these statements can be identified by looking for words such as "believe", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words and include, but are not limited to, statements regarding the accretive effects of acquisitions and the anticipated benefits of acquisitions. Parkland believes the expectations reflected in such forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon. Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties some of which are described in Parkland's annual information form and other continuous disclosure documents. Such forward-looking statements necessarily involve known and unknown risks and uncertainties and other factors, which may cause Parkland's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic, market and business conditions; industry capacity; competitive action by other companies; refining and marketing margins; the ability of suppliers to meet commitments; actions by governmental authorities including increases in taxes; changes in environmental and other regulations; and other factors, many of which are beyond the control of Parkland. Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

About Parkland Fuel Corporation

Parkland Fuel Corporation is North America's fastest growing independent marketer of fuel and petroleum products. We deliver gasoline, diesel, propane, lubricants, heating oil and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. 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.

We are unique in our ability to provide customers with dependable access to fuel and petroleum products, utilizing a portfolio of supply relationships, storage infrastructure and third party rail and highway carriers to rapidly respond to supply disruptions in order to protect our customers' operations.

To sign up for Parkland's investor information services, please go to **http://bit.ly/PKI-Info (http://bit.ly/PKI-Info)** or visit **www.parkland.ca (http://www.parkland.ca/)**.

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