Parkland (/)
FUEL CORPORATION

# Parkland Fuel Corporation Reports Adjusted EBITDA of $35 Million for the Third Quarter of 2014 and Reconfirms Guidance for 2014 and 2015

**Parkland Continues to Track to Guidance Year-to-Date With Most Business Segments Reporting Year-Over-Year EBITDA Growth; Retail Continues to Deliver Superior Performance**



RED DEER, AB--(Marketwired - November 06, 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 nine months ended September 30, 2014. All financial figures are expressed in Canadian dollars.

"On a year-to-date basis Parkland continues to track to our plan with a payout ratio of 70% and Adjusted EBITDA of $132 million running near the $133 million we forecasted for our current operations. Parkland's retail and commercial base business, along with our acquisitions, delivered a solid performance during the third quarter," said Bob Espey, President and Chief Executive Officer of Parkland. "Despite some of the headwinds we are experiencing in the wholesale and trading areas of our business, we are maintaining our 2014 Adjusted EBITDA guidance.

"We expect our pending acquisition of Pioneer Energy to accelerate the completion of the Parkland Penny Plan by a year, allowing us to deliver $250 million in Adjusted EBITDA in 2015. The process of obtaining the consents and approvals to complete the Pioneer transaction is proceeding as expected."

**2014 Q3 Operational Highlights:**

| | For the three months ended September 30, | | | For the nine months ended September 30, | | |
|---|---|---|---|---|---|---|
| | **2014** | 2013 | % Change | **2014** | 2013 | % Change |
| *(in millions of litres)* | | | | | | |
| Total fuel volume | **2,333** | 1,762 | 32 | **6,527** | 4,742 | 38 |
| Retail fuel volume | **502** | 477 | 5 | **1,377** | 1,315 | 5 |

| | | | | | | |
|---|---|---|---|---|---|---|
| Commercial fuel volume | **329** | 349 | (6 ) | **1,165** | 1,093 | 7 |
| *(in millions of Canadian dollars)* | | | | | | |
| Adjusted EBITDA [1] | **35.2** | 37.8 | (7 ) | **132.1** | 156.9 | (16 ) |
| Net earnings | **10.5** | 19.3 | (46 ) | **39.7** | 70.0 | (43 ) |
| Distributable cash flow [2] | **17.0** | 23.2 | (27 ) | **83.9** | 110.4 | (24 ) |
| Dividend to distributable cash flow payout ratio | **117 %** | 79 % | | **70 %** | 49 % | |

(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**

- On September 17, 2014, Parkland entered an agreement to acquire the business of Pioneer Energy domiciled in Ontario, Canada ("Pioneer Energy"). The acquisition is expected to add 2.2 billion litres in fuel sales, $55 million in Adjusted EBITDA, and $0.26 per share in distributable cash flow in 2015. Synergies are expected to add an incremental $10 million in Adjusted EBITDA by 2017;
- With the Pioneer Energy acquisition Parkland expects to achieve Adjusted EBITDA of $250 million in 2015, thereby accomplishing the Parkland Penny Plan, the Corporation's five year growth strategy, a full year earlier than expected; and
- Organic volume growth (volume prior to acquisitions) was 239 million litres year-to-date primarily due to a 285 million litre increase in Elbow River Marketing volume, and a 10 million litre increase in Commercial volume, partially offset by an eight million litre reduction in Retail volume and a 48 million litre decrease in Wholesale volume.

**Supply**

- The acquisition of Pioneer Energy will add scale and diversity to Parkland's central Canadian supply portfolio, which is expected to generate supply synergies;
- SPF Energy Inc. continues to benefit from additional supply from Elbow River Marketing; and
- The addition of SPF Energy Inc. and the benefits from new supply contracts partially offset the reduction in refiner margin earnings related to the end of the Suncor contract in December 2013 and competitive margin compression in certain Canadian wholesale fuel markets during the quarter.

**Operate**

- Retail continues to deliver superior operational performance. Net unit operating costs, also referred to as "pumping costs", decreased 7.4% to 1.13 cents per litre ("cpl") year-to-date, compared with 1.22 cpl year-to-date in 2013. Total average throughput per site year-to-date in both the dealer and retailer operated networks increased 1.4% year-over-year to 1.89

million litres, compared with 1.86 million litres in 2013. Same store fuel sales year-to-date in the Canadian retailer operated gas station network increased by 2.3% year-over-year to 2.78 million litres per site, compared with 2.71 million litres per site in 2013. Same store merchandise sales year-to-date in the Canadian retailer operated gas station network increased by 9.1% year-over-year. Parkland's weighting to the retail business is poised to increase significantly once the Pioneer Energy acquisition is completed;

- Operating costs on a cpl basis for the quarter improved by 2%, or 0.04 cpl, to 2.46 cpl compared with 2.50 cpl during the same period in 2013;
- Marketing, General and Administrative ("MG&A") expenses on a cpl basis for the quarter improved by 12%, or 0.17 cpl, to 1.24 cpl compared with 1.41 cpl during the same period in 2013; and
- Subsequent to the quarter, Parkland's Drive to Zero program, which aims to achieve zero injuries and zero serious incidents, completed enhanced safety leadership training for all senior leaders across the organization.

**Series 1 Convertible Debenture Update**

Parkland's Series 1 Convertible Debentures (the "Debentures", listed as TSX: PKI.DB) will mature on November 30, 2014 (the "Maturity Date").

Each Debenture remains convertible into common shares of Parkland Fuel Corporation (the "Common Shares") at the option of the holder (the "Debt holder") at any time prior to the close of business on the last business day before the Maturity Date at a conversion price of $14.60 per Common Share (the "Conversion Price"), subject to terms of the indenture under which the Debentures were issued. Debt holders converting their Debentures will receive accrued and unpaid interest thereon for the period from the date of the last interest payment thereon to the date of conversion.

Debt holders who own the Debentures through a brokerage and who wish to convert their Debentures to Common Shares of Parkland Fuel Corporation should contact their broker and instruct them to convert their Debentures on or before November 28, 2014. Parkland will pay the outstanding principal and any accrued and unpaid interest thereon in cash for Debentures that are not converted by this date.

**Consolidated Highlights:**

| | Three months ended September 30, | | | Nine months ended September 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 | **1,905.8** | 1,509.0 | 26 | **5,809.3** | 4,064.6 | 43 |
| Gross profit | **117.0** | 112.8 | 4 | **405.3** | 369.3 | 10 |
| Operating costs | **57.3** | 44.1 | (30 ) | **182.7** | 130.0 | (41 ) |

| | | | | | | |
|---|---|---|---|---|---|---|
| Marketing, general and administrative | **29.0** | 24.9 | (16 ) | **94.3** | 77.1 | (22 ) |
| Depreciation and amortization expense | **18.6** | 13.6 | (37 ) | **57.5** | 41.4 | (39 ) |
| | **12.1** | 30.2 | (60 ) | **70.8** | 120.8 | (41 ) |
| | | | | | | |
| Customer finance income | **(0.5 )** | (0.6 ) | 17 | **(2.0 )** | (1.8 ) | 11 |
| Finance costs | **6.3** | 4.8 | (31 ) | **19.3** | 15.0 | (28 ) |
| Foreign exchange (gain) loss | **(1.7 )** | 0.9 | 289 | **(2.6 )** | (0.8 ) | (225 ) |
| (Gain) loss on disposal of property, plant and equipment | **(0.1 )** | 1.2 | 108 | **1.1** | 1.6 | 32 |
| (Gain) loss on risk management activities | **(7.3 )** | (2.5 ) | (192 ) | **(1.2 )** | 11.5 | 111 |
| Earnings before income taxes | **15.4** | 26.4 | (42 ) | **56.2** | 95.3 | (41 ) |
| Income tax expense | **4.9** | 7.1 | 31 | **16.6** | 25.3 | 34 |
| Net earnings | **10.5** | 19.3 | (46 ) | **39.7** | 70.0 | (43 ) |
| | | | | | | |
| Net (loss) earnings per share | | | | | | |
| - Basic | **0.14** | 0.27 | (48 ) | **0.53** | 1.00 | (47 ) |
| - Diluted [1] | **0.14** | 0.27 | (48 ) | **0.53** | 0.99 | (46 ) |
| | | | | | | |
| **Non-GAAP Financial Measures:** | | | | | | |
| Adjusted EBITDA [2][3] | **35.2** | 37.8 | (7 ) | **132.1** | 156.9 | (16 ) |
| Distributable cash flow [2][4] | **17.0** | 23.2 | (27 ) | **83.9** | 110.4 | (24 ) |
| Distributable cash flow per share [2][4] | **0.22** | 0.33 | (33 ) | **1.10** | 1.55 | (29 ) |
| Dividends | **20.0** | 18.4 | 9 | **58.9** | 54.3 | 9 |
| Dividend to distributable cash flow payout ratio [2][4] | **117 %** | 79 % | | **70 %** | 49 % | |
| | | | | | | |
| **Key Metrics:** | | | | | | |

| | | | | | | |
|---|---|---|---|---|---|---|
| Fuel volume (millions of litres) | **2,333** | 1,762 | 32 | **6,527** | 4,742 | 38 |
| Return on capital employed (ROCE)[2][5][8] | **12.8 %** | 21.3 % | | | | |
| Employees | **1,687** | 1,323 | 28 | | | |
| **Fuel Key Metrics - Cents per Litre:** | | | | | | |
| Retail fuel and petroleum product adjusted gross profit [6] | **5.51** | 4.99 | 10 | **5.09** | 4.76 | 7 |
| Commercial fuel and petroluem product adjusted gross profit [6] | **8.57** | 7.94 | 8 | **10.07** | 9.82 | (3 ) |
| Operating costs | **2.46** | 2.50 | 2 | **2.80** | 2.74 | (2 ) |
| Marketing, general and administrative | **1.24** | 1.41 | 12 | **1.45** | 1.63 | 11 |
| Depreciation and amortization expense | **0.80** | 0.78 | (2 ) | **0.88** | 0.87 | (1 ) |
| **Liquidity and bank ratios:** | | | | | | |
| Net debt:adjusted EBITDA [2][7] | **2.11** | 1.51 | | | | |
| Senior debt:adjusted EBITDA [2][7] | **1.44** | 0.86 | | | | |
| Interest coverage [2][7] | **4.59** | 7.34 | | | | |

(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, please see correction of prior period error discussion in the MD&A

**Parkland Penny Plan Scorecard:**

| Area | Commitment | Analysis | 2016 Target | Q3 2014 | 2013 |
|---|---|---|---|---|---|
| Grow | Organic growth | **Elbow River Drives Growth in Third Quarter** YTD gains in Commercial (+10ML) and Elbow River (+285ML) partially offset by decreases in legacy Wholesale (-48ML) and Retail (-8ML). | Add 100 million litres per year | **239** million litres YTD | **11.2** million litres (full year) |
| | Major acquisitions | **Pioneer Expected to Add 2.2 BL on Close** The acquisition of Pioneer Energy is expected to add 2.2 billion litres in annualized volume. SPF Energy Inc. continues to perform in line with expectations. The mergers and acquisitions environment remains very active. | Add 6.0 billion litres by 2016 | **3.4**(2) billion litres in annualized volume | **2.7** billion litres (full year) |
| Supply | Supply margin | **Headwinds in Wholesale** Q3 2014 results were impacted by the loss of refiner's margins and competitive margin compression in wholesale, partially offset by the acquisition of SPF Energy Inc., year-over-year volume growth from Elbow River Marketing and new supply contracts. | 100% Normalized profit plus 1/3 cent | **On Track** | **On Track** |
| | Operating costs | **Opex Costs Down per Litre** Increased costs from SPF Energy Inc. and Elbow River Marketing were offset by increased volume. | 2.48 cpl | **2.46** cpl Q3<br>**2.80** cpl YTD | **2.50** cpl Q3<br>**2.74** cpl YTD |

| | | | | | |
|---|---|---|---|---|---|
| Operate | Marketing, General and Administrative expenses ("MG&A") | **MG&A Costs Decrease with Scale[(1)]** Increased MG&A costs from SPF Energy Inc. were offset by increased volume. | 1.52 cpl | **1.10** cpl Q3<br>**1.32** cpl YTD | **1.37** cpl Q3<br>**1.54** 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 | **2.80**<br>TTM | **3.95**<br>TTM |

(1) excluding acquisition costs.
(2) pending the receipt of all necessary third party consents and regulatory approvals to complete the Pioneer Energy acquisition.

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

**Dividend Payout Ratio on Track**

Q3 2014 vs. Q3 2013

In the third quarter of 2014, the dividend payout ratio was 117%, an increase from 79% in the third quarter of 2013. The dividend payout ratio increased due to a $1.6 million increase in dividends and a $6.1 million decrease in distributable cash flow. The decrease in distributable cash flow was primarily due to the decrease in Adjusted EBITDA of $2.5 million, increase in finance costs of $1.5 million, increase in acquisition costs of $2.5 million, and a $1.5 million decrease in other long term liabilities, partially offset by an increase in unrealized gain (loss) on foreign exchange of $1.7 million.

YTD 2014 vs. 2013

In the nine months ended September 30, 2014, the dividend payout ratio was 70%, an increase from 49% in 2013. The dividend payout ratio increased due to a $4.6 million increase in dividends and a $26.5 million decrease in distributable cash flow. The decrease in distributable cash flow was primarily due to the decrease in Adjusted EBITDA of $24.7 million, increase in finance costs of $4.2 million, increase in acquisition costs of $3.8 million, and a $3.7 million increase in deferred taxes, partially offset by a decrease in income tax expense of $8.7 million.

**Parkland Retail Volume Grows 5.2% with SPF Energy Inc. Acquisition Volume**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014, Parkland Retail Fuels' volume increased 5.2% to 502 million litres compared with 477 million litres in 2013. The 25 million litre increase was due to the addition of 25.1 million litres from SPF Energy Inc.'s retail operations, partially offset by a 0.1 million litre decrease in Canadian volume.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, Parkland Retail Fuels' volume increased 4.7% to 1,377 million litres compared with 1,315 million litres in 2013. The 62 million litre increase was due to the addition of 70.0 million litres from SPF Energy Inc.'s retail operations, partially offset by an 8.3 million litre decrease in Parkland's Canadian dealer business. Although dealer site volume declined, same store fuel sales have increased 2.3% year-to-date in Parkland's Canadian retailer operated sites.

**Adjusted Gross Profit**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014, retail fuel and petroleum product adjusted gross profit increased 16.4% to $27.7 million, compared with $23.8 million in 2013, due to the addition of $2.5 million from SPF Energy Inc., and a $1.4 million increase from Parkland's Canadian operations year-over-year. The increase in the Canadian operations was due to the addition of 12 retailer operated Chevron gas station sites and increased same store sales.

Average adjusted fuel gross profit on a cpl basis was higher year-over-year during the third quarter of 2014 due to an increase in volume from retailer operated sites, a decrease in volume from dealer operated sites, the addition of higher margin company operated sites from SPF Energy Inc., and the decrease in the price of crude during the quarter.

Non-fuel gross profit increased 77.6% in the third quarter to $8.3 million, compared with $4.7 million in 2013, due to the addition of $3.3 million from SPF Energy Inc. and an increase in non-fuel gross profit year-over-year in Parkland's Canadian retailer network.

Non-fuel gross profit in Parkland's Canadian retail operations increased by $1.2 million year-over-year during the third quarter due to strong convenience store sales which drove increased variable rents and volume rebates. Increased motor vehicle traffic and conversion of fuel customers to in-store purchases was driven by the continued development and enhancement of Parkland's c-store offering coupled with strong promotion programs. The recent acquisition of 12 Chevron branded retailer operated sites is also contributing to this increase.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, retail fuel and petroleum product adjusted gross profit increased 12.0% to $70.1 million, compared with $62.6 million in 2013, due to the addition of $6.3 million from SPF Energy Inc. and a $1.2 million increase year-over-year from Parkland's Canadian retail operations.

Average adjusted fuel gross profit on a cpl basis was higher year-over-year due to a shift in mix from dealer operated sites to company and retailer operated sites with the addition of 12 Chevron sites and the acquisition of SPF Energy Inc.'s Superpumper sites.

Non-fuel gross profit increased 74.5% to $23 million for the nine months ended September 30, 2014, compared with $13.2 million in 2013, due to the addition of $8.6 million from SPF Energy Inc. and a 9.1% increase in same store convenience store sales year-to-date in Parkland's Canadian retailer operated network. Same store sales increases were driven by increased motor vehicle traffic and conversion of fuel customers to in-store purchases.

**Operating Costs**

Q3 2014 vs. Q3 2013

Retail operating costs for the third quarter of 2014 increased 47.3% to $9.8 million (1.97 cpl), compared with $6.7 million (1.41 cpl) during the same period in 2013, due to the addition of $3.2 million in costs from SPF Energy Inc., partially offset by $0.1 million in savings within the Canadian retail operations. While operating costs on a cpl basis in the Canadian retail operations are down modestly year-over-year, the addition of SPF Energy Inc.'s company operated Superpumper sites led to higher operating costs on a cpl basis due to overhead related to the company operated business model. However, this increase was offset by a corresponding increase in gross profit from convenience store merchandise and fuel sales.

YTD 2014 vs. YTD 2013
Retail operating costs for the nine months ended September 30, 2014 increased 46.1% to $28.7 million (2.08 cpl), compared with $19.6 million (1.49 cpl) during the same period in 2013, due to the addition of $9.2 million in costs from SPF Energy Inc. partially offset by $0.1 million in savings within the Canadian retail operations. As explained above, the increase on a cpl basis is related to costs associated with the company operated business model at Superpumper sites and is offset by a corresponding increase in gross profit.

**Marketing, General and Administrative Expenses**
Q3 2014 vs. Q3 2013
MG&A expenses for the three months ended September 30, 2014 increased 23.1% to $3.9 million (0.77 cpl), compared with $3.1 million (0.66 cpl) during the same period in 2013, due to the addition of $0.7 million from SPF Energy Inc. and a modest increase in advertising costs in Parkland's Canadian retail operations which drove the year-over-year increase in same store sales described above.

YTD 2014 vs. YTD 2013
MG&A expenses for the nine months ended September 30, 2014 increased 14.2% to $11.0 million (0.80 cpl), compared with $9.7 million (0.73 cpl) during the same period in 2013, primarily due to the addition of $1.4 million from SPF Energy Inc.

**Adjusted EBITDA**
Q3 2014 vs. Q3 2013
For the three months ended September 30, 2014, Parkland Retail Fuels' Adjusted EBITDA increased 19.6% to $22.3 million, compared with $18.6 million in 2013, primarily due to the addition of $1.9 million from SPF Energy Inc. and a $1.8 million increase from Parkland's Canadian retail operations.

YTD 2014 vs. YTD 2013
For the nine months ended September 30, 2014, Parkland Retail Fuels' Adjusted EBITDA increased 14.9% to $53.4 million, compared with $46.5 million in 2013, primarily due to the addition of $4.3 million from SPF Energy Inc. and a $2.6 million increase from Parkland's Canadian retail operations.

**Divisional Outlook**
The retail operations of SPF Energy Inc. continue to deliver on plan and the Chevron integration has gone very well. Further growth opportunities are anticipated for the Chevron brand in the British Columbia market. Parkland expects that it will see continued lift in the retail segment through the strategy of containing operating and administrative costs while driving continued success within Parkland's Canadian network of retailer operated sites.

**Parkland Commercial Adjusted EBITDA Grows 28%**

**Volume**
Q3 2014 vs. Q3 2013
For the three months ended September 30, 2014, Parkland Commercial Fuels' volume decreased 5.7% to 329 million litres compared with 349 million litres in 2013. The 20 million litre decrease reflects a 23 million litre decrease in commercial fuel

volume due to softening economic conditions in certain areas, increased competition, elimination of low-margin and poor credit customers, and cardlock closures in select areas. The decreased fuel volume was partially offset by a 2.7 million litre increase in propane sales year-over-year.

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.

YTD 2014 vs. YTD 2013
For the nine months ended September 30, 2014, Parkland Commercial Fuels' volume increased 6.6% to 1,165 million litres compared with 1,093 million litres in 2013. The 72 million litre year-to-date increase includes 60 million litres of incremental propane sales from Sparlings Propane in the first quarter and 1.2% volume growth in the base business.

**Adjusted Gross Profit**
Q3 2014 vs. Q3 2013
For the three months ended September 30, 2014, commercial fuel and petroleum product adjusted gross profit increased 1.9% to $28.2 million compared with $27.7 million in 2013.

Average adjusted fuel gross profit on a cpl basis for the third quarter of 2014 increased compared with the third quarter of 2013, due to a decrease in low margin designated volume and an increase in propane volume.

Non-fuel gross profit increased 21.1% in the third quarter of 2014 to $18.2 million, compared with $15.0 million in the third quarter of 2013, primarily due to $3.7 million in additional lubricant profit from SPF Energy Inc. which was partially offset by lower lubricant volume and margin in Canada.

YTD 2014 vs. YTD 2013
For the nine months ended September 30, 2014, commercial fuel and petroleum product adjusted gross profit increased 9.3% to $117.4 million, compared with $107.4 million in 2013, due to higher volume and the modest increase in fuel margin outlined above. Sparlings Propane added $8.3 million in fuel adjusted gross profit in the first quarter of 2014.

Average adjusted fuel gross profit on a cpl basis increased 2.5% year-over-year for the nine months ended September 30, 2014 due to a change in volume mix away from low margin designated volume and additional propane volume.

Non-fuel gross profit increased 18.4% for the nine months ended September 30, 2014 to $54.4 million compared with $46.0 million in the same period in 2013, mainly due to $7.9 million in additional lubricant profit from SPF Energy Inc. and better Canadian agriculture and cartage margin in 2014 compared with 2013.

**Operating Costs**
Q3 2014 vs. Q3 2013
Parkland Commercial Fuels' operating costs for the third quarter of 2014 increased 7.1% to $32.1 million (9.77 cpl), compared with $30.0 million (8.60 cpl) during the third quarter of 2013, primarily due to an incremental $2.1 million from the SPF Energy Inc. acquisition and increased labour costs at Sparlings to manage increased volume.

YTD 2014 vs. YTD 2013
Parkland Commercial Fuels' operating costs for the nine months ended September 30, 2014 increased 12.4% to $106.3 million (9.12 cpl), compared with $94.6 million (8.65 cpl) during the same period in 2013, due to the addition of Sparlings Propane, a $4.7 million increase from SPF Energy Inc., increased fleet costs and an increase in labor costs related to additional volume.

**Marketing, General and Administrative Expenses**

Q3 2014 vs. Q3 2013

MG&A expenses for the third quarter of 2014 decreased 8.4% to $5.7 million (1.73 cpl), compared with $6.2 million (1.78 cpl) during the same period in 2013, due to cost savings in the base business.

YTD 2014 vs. YTD 2013

MG&A expenses for the nine months ended September 30, 2014 decreased 3.0% to $18.9 million (1.62 cpl), compared with $19.5 million (1.78 cpl) during the same period in 2013, due to cost savings in the base business that drove lower costs on an absolute and cpl basis, partially offset by addition of Sparlings Propane to the first quarter results.

**Adjusted EBITDA**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014, Parkland Commercial Fuels' Adjusted EBITDA increased 28.1% to $9.2 million compared with $7.2 million in 2013.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, Parkland Commercial Fuels' Adjusted EBITDA increased 18.2% to $48.4 million compared with $40.9 million in 2013.

**Divisional Outlook**

Parkland Commercial Fuels' Canadian operations are tracking slightly above last year's performance as the division continues to see success in growing its propane business. The ability to offer propane to heating oil customers looking for an alternative has been an effective way to retain customers in regions experiencing heating oil attrition.

New facilities in Dawson Creek, BC are expected to increase Parkland's ability to serve the northern regions of British Columbia. Parkland has also embarked on the aggressive adoption of in-truck monitoring, dispatch and tank sensor technologies that is expected to drastically reduce the number of deliveries while maintaining and enhancing service levels.

For the three months ended September 30, 2014, the Canadian Association of Oilwell Drilling Contractors ("CAODC") reported an average monthly drilling rig count of 377, a 12% increase compared with 338 per month for the same period in 2013.

**Parkland Wholesale, Supply and Distribution Volume Grows 60.4%**

**Volume**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014 Parkland Wholesale, Supply and Distribution fuel volume increased 60.4% or 565 million litres to 1,501 million litres, compared with 936 million litres for the same period in 2013, primarily due to the addition of 282 million litres from SPF Energy Inc., a year-over-year increase of 282 million litres from Elbow River Marketing, and a 7.6 million litre increase in wholesale fuel volume. This was partially offset by the end of a supply exchange contract which resulted in a decrease of 6.6 million litres.

SPF Energy Inc. volume, which was 282 million litres in the quarter, is on track to plan and 3% higher than the same period in 2013 (prior to the acquisition). Elbow River Marketing volume increased 282 million litres due to growth in refined petroleum, liquid petroleum gas and other crude products.

The 7.6 million litre year-over-year increase in Parkland's Canadian wholesale fuel marketing business was achieved despite increased competition and supply allocations in Quebec, Ontario, and Western Canada. Increased year-over-year sales are attributed to the growing traction of Parkland's customer value proposition of quality service, competitive pricing and supply security.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, Parkland Wholesale, Supply and Distribution fuel volume increased 70.7% or 1.7 billion litres to 4.0 billion litres, compared with 2.3 billion litres for the same period in 2013, primarily due to the addition of 806 million litres from SPF Energy Inc., a year-over-year increase of 612 million litres from Elbow River Marketing, and a 251 million litre increase from the balance of the Canadian operations (mainly from the assets acquired from TransMontaigne Marketing Canada Inc. on May 13, 2013).

**Adjusted Gross Profit**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014, fuel and petroleum product adjusted gross profit decreased 13.4% to $28.3 million, compared with $32.6 million in 2013, due to the end of the Suncor contract in 2013, partially offset by the acquisition SPF Energy Inc. and a $1.1 million year-over-year increase from Elbow River Marketing.

Average adjusted fuel gross profit on a cpl basis in the third quarter of 2014 was 1.88 cpl, a decrease of 46.1% compared with 3.49 cpl in the third 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.

The competitive margin compression in certain Canadian wholesale fuel markets that started in the second quarter continued in the third quarter due to excess refiner product that was aggressively marketed through domestic wholesale channels.

Non-fuel gross profit increased 261% in the third quarter of 2014 to $7.3 million, compared with $2.0 million in the third quarter of 2013, as a result of the addition of $3.0 million in non-fuel gross profit from SPF Energy Inc. (lubricants, convenience store sales and freight) and a year-over-year increase in freight charges to customers of Elbow River Marketing.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, fuel and petroleum product adjusted gross profit decreased 10.8% to $111.0 million, compared with $124.4 million in 2013, due to the end of the Suncor refiner's margin contract in 2013, partially offset by improved supply costs in other contracts, the acquisition of SPF Energy Inc. and year-over-year growth in Elbow River Marketing.

Average adjusted fuel gross profit on a cpl basis for the nine months ended September 30, 2014 was 2.78 cpl, a decrease of 47.8% compared with 5.33 cpl in the same period of 2013 when unusually strong refiner's margins increased the margin on a cpl basis. This was partially offset by strong performance from Elbow River Marketing, the acquisition of SPF Energy Inc. (acquired January 8, 2014), the assets acquired from TransMontaigne Marketing Canada Inc (acquired May 13, 2013), and the success of Parkland's supply initiatives through the first nine months of 2014.

Non-fuel gross profit increased 334.6% in the first nine months of 2014 to $23.1 million, compared with $5.3 million in the third quarter of 2013, as a result of the addition of $11.3 million in non-fuel gross profit from SPF Energy Inc., a $2.0 million year-over-year increase from Elbow River Marketing, and a $4.5 million year-over-year increase in Parkland's Canadian operations.

**Operating Costs**

Q3 2014 vs. Q3 2013

Operating costs in the third quarter of 2014 increased to $15.4 million (1.03 cpl), compared with $8.0 million (0.86 cpl) during the same period in 2013, due to a $3.5 million increase related to Elbow River Marketing's increased rail activity and the addition of $3.8 million from SPF Energy Inc.

YTD 2014 vs. YTD 2013

Operating costs for the nine months ended September 30, 2014 increased to $48.2 million (1.21 cpl) compared with $17.0 million (0.73 cpl) during the same period in 2013 due to acquisitions. The year-over-year increase on a cpl basis is primarily due to short term rail car leases that were entered into in the second quarter of 2014 to support increased rail activity, and terminal leasing costs related to the assets acquired from TransMontaigne Marketing Canada Inc. on May 13, 2013.

**Marketing, General and Administrative Expenses**

Q3 2014 vs. Q3 2013

MG&A expenses for the third quarter of 2014 decreased to $3.6 million (0.24 cpl), compared with $6.0 million (0.64 cpl) during the same period in 2013 due to a $2.3 million reallocation of costs to the Corporate segment.

YTD 2014 vs. YTD 2013

MG&A expenses for the nine months ended September 30, 2014 increased to $24.0 million (0.60 cpl) compared with $18.0 million (0.77 cpl) during the same period in 2013 due to acquisitions. The decrease in MG&A costs on a cpl basis is the result of operational efficiencies coupled with increased volume.

**Adjusted EBITDA**

Q3 2014 vs. Q3 2013

For the three months ended September 30, 2014, Parkland Wholesale, Supply and Distribution's Adjusted EBITDA decreased 20.8% to $16.3 million (1.09 cpl) compared with $20.6 million (2.20 cpl) in 2013. The decrease is primarily due to the elimination of refiner's margins with the termination of the Suncor contract in December 2013, partially offset by the addition of SPF Energy Inc. and other supply contract earnings.

YTD 2014 vs. YTD 2013

For the nine months ended September 30, 2014, Parkland Wholesale, Supply and Distribution's Adjusted EBITDA decreased 34.5% to $62.1 million (1.56 cpl) compared with $94.8 million (4.06 cpl) in 2013. The decrease is primarily related to the elimination of refiner's margins due to the termination of the Suncor contract in December 2013, partially offset by improved supply contracts, the addition of SPF Energy Inc. and higher Adjusted EBITDA from Elbow River Marketing.

**Divisional Outlook**

Parkland's wholesale fuel strategy continues to be the independent fuel marketer of choice in wholesale markets across the country. Parkland expects that excess refiner product will continue to be aggressively marketed through domestic wholesale channels in the short to medium term.

**Consolidated Results**

**Operating Costs Down on a CPL Basis**

Q3 2014 vs. Q3 2013

Operating costs for the three months ended September 30, 2014 increased $13.2 million or 30% to $57.3 million compared with $44.1 million for the same period in 2013. The increase in operating costs is primarily attributable to the acquisition of SPF Energy Inc., which added $9.2 million in operating costs, as well as a $3.5 million increase in operating expenses at Elbow River Marketing due to the rapid expansion of the business. Operating costs on a cpl basis for the three months ended September 30, 2014 were 2.46 cpl, a decrease of 0.04 cpl compared with 2.50 cpl for the same period in 2013.

YTD 2014 vs. 2013

Operating costs for the nine months ended September 30, 2014 increased $52.7 million or 41% to $182.7 million compared with $130.0 million for the same period in 2013. The increase in operating costs are primarily attributable to the acquisition of SPF Energy Inc., which added $26.8 million in operating costs, and business growth at Elbow River Marketing and Sparlings

Propane, which contributed $14.5 million and $4.8 million of additional operating costs, respectively. Operating costs on a cpl basis for the nine months ended September 30, 2014 were 2.80 cpl, an increase of 0.06 cpl compared with 2.74 cpl for the same period in 2013.

**Marketing, General and Administrative Expenses Improved 12% on a CPL Basis**

Q3 2014 vs. Q3 2013

MG&A expenses for the three months ended September 30, 2014 increased $4.1 million or 16% to $29.0 million compared with $24.9 million for the same period in 2013. The increase in MG&A expenses is primarily attributable to the acquisition of SPF Energy Inc., which added $1.8 million in MG&A expenses. The remainder of the increase is primarily attributable to increased corporate development and acquisition costs driven by the pending acquisition of Pioneer Energy. MG&A expenses on a cpl basis for the three months ended September 30, 2014 was 1.24 cpl, a decrease of 0.17 cpl compared with 1.41 cpl for the same period in 2013.

YTD 2014 vs. 2013

MG&A expenses for the nine months ended September 30, 2014 increased $17.2 million or 22% to $94.3 million compared with $77.1 million for the same period in 2013. The increase in MG&A expenses is primarily attributable to the acquisition of SPF Energy Inc. ($5.1 million in MG&A expenses), expanded activities at Elbow River Marketing ($6.1 million in MG&A expenses), and increased corporate development and acquisition costs driven by the pending acquisition of Pioneer Energy.

**Adjusted EBITDA of $35.2 million**

Q3 2014 vs. Q3 2013

Adjusted EBITDA for the three months ended September 30, 2014 was $35.2 million, a decrease of $2.6 million or 7% compared with $37.8 million for the same period in 2013. The decrease is primarily attributable to the termination of the Suncor contract in December 2013 and subsequent loss of refiner's margins, partially offset by earnings from acquisitions and improvements in the base businesses.

YTD 2014 vs. 2013

Adjusted EBITDA for the nine months ended September 30, 2014 was $132.1 million, a decrease of $24.8 million or 15.8% compared with $156.9 million for the same period in 2013. The decrease is primarily attributable to the termination of the Suncor contract in December 2013 and subsequent loss of refiner's margins, partially offset by earnings from acquisitions and improvements in the base businesses.

**Net Earnings of $10.4 million**

Q3 2014 vs. Q3 2013

Net earnings for the three months ended September 30, 2014 were $10.4 million, a decrease of $8.7 million or 46% compared with $19.1 million for the same period in 2013. The decrease in net earnings was primarily attributable to a decrease of $2.5 million in Adjusted EBITDA, a $4.9 million increase in depreciation and amortization expenses, a $2.5 million increase in acquisition costs, partially offset by a $2.2 million decrease in income tax expense.

YTD 2014 vs. 2013

Net earnings for the nine months ended September 30, 2014 were $39.7 million, a decrease of $30.2 million or 43% compared with $69.9 million for the same period in 2013. The decrease in net earnings was primarily attributable to a $24.8 million decrease in Adjusted EBITDA, a $16.1 million increase in depreciation and amortization expenses, a $4.3 million increase in finance costs, a $3.8 million increase in acquisition costs, partially offset by a $8.7 million decrease in income tax expense, a $7.5 million increase in unrealized gain from the change in fair value of commodities forward contracts and US dollar forward exchange contracts and a $1.8 million increase in unrealized gain of foreign exchange.

**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 nine months ended September 30, 2014, are available online at **www.parkland.ca (http://ctt.marketwire.com/?release=11G025722-001&id=4935721&type=0&url=http%3a%2f%2fwww.parkland.ca)**.

**Conference Call Information**
Parkland Fuel Corporation will host a webcast and conference call at 3:30 p.m. MST (5:30 p.m. EST) on Thursday, November 6, 2014 to discuss the results for the three and nine months ended September 30, 2014.

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

**http://www.gowebcasting.com/6113 (http://ctt.marketwire.com/?release=11G025722-001&id=4935724&type=0&url=http%3a%2f%2fwww.gowebcasting.com%2f6113)**

To access the conference call by telephone dial toll free 1-866-223-7781. Callers from the Toronto area should use (416) 340-2216. 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://ctt.marketwire.com/?release=11G025722-001&id=4935727&type=0&url=http%3a%2f%2fwww.parkland.ca)** and SEDAR immediately after the results are released by newswire.

**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, households 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.

To sign up for Parkland new alerts please go to **http://bit.ly/PKI-Alert (http://ctt.marketwire.com/?release=11G025722-001&id=4935730&type=0&url=http%3a%2f%2fbit.ly%2fPKI-Alert)** or visit **www.parkland.ca (http://ctt.marketwire.com/?release=11G025722-001&id=4935733&type=0&url=http%3a%2f%2fwww.parkland.ca)**.

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