Parkland
FUEL CORPORATION

Nine months ended September 30, 2016

Report to Shareholders

Management's Discussion and Analysis Q3 2016

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This Management's Discussion and Analysis ("MD&A") dated November 3, 2016 should be read in conjunction with Parkland Fuel Corporation's ("Parkland", "we", "our" or "us") September 30, 2016 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), Parkland's audited consolidated financial statements for the year ended December 31, 2015 (the "Annual Consolidated Financial Statements") and the 2015 annual MD&A (the "Annual MD&A"). Information contained within the Annual MD&A is not discussed if it remains substantially unchanged. Additional information about Parkland filed with Canadian securities regulatory authorities, 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 our website, www.parkland.ca. Information contained in or otherwise accessible through our website does not form a part of this MD&A, and is not incorporated into this MD&A by reference.

Basis of presentation

Unless otherwise noted, all financial information has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") as contained within Part I of the CPA Canada Handbook – Accounting, specifically International Accounting Standard ("IAS") 34 – Interim Financial Reporting as issued by the International Accounting Standards Board ("IASB"), which is within the framework of International Financial Reporting Standards ("IFRS"). All financial information is reported in Canadian dollars.

Non-GAAP financial measures

This MD&A contains references to certain financial measures, including some that do not have any standardized meaning prescribed by IFRS or GAAP, and may not be comparable to similar measures presented by other entities. These measures provide additional information that management believes is meaningful regarding Parkland's operating performance, liquidity and capacity to fund dividends, capital expenditures and other investing activities. These financial measures include "Adjusted Marketing, General and Administrative Expenses", "Credit Facility EBITDA", "Distributable Cash Flow", "Adjusted Distributable Cash Flow", "Dividend Payout Ratio", "Adjusted Dividend Payout Ratio", "Distributable Cash Flow Per Share", "Adjusted Distributable Cash Flow Per

Share", "Senior Funded Debt", "Total Funded Debt", "Senior Funded Debt to Credit Facility EBITDA Ratio", "Total Funded Debt to Credit Facility EBITDA Ratio", "Credit Facility Fixed Charge Coverage Ratio", "Maintenance Capital Expenditures", "Growth Capital Expenditures", "Retail Fuels Net Unit Operating Cost", "Operating Ratio", "Corporate Adjusted Marketing, General and Administrative as a Percentage of Adjusted Gross Profit", and information disclosed on a cents per litre ("cpl") basis. Management uses certain of these and other non-GAAP financial measures to exclude the impact of certain expenses and income that must be recognized under GAAP when analyzing consolidated and segment underlying operating performance, as the excluded items are not necessarily reflective of Parkland's underlying operating performance and make comparisons between periods difficult. From time to time, Parkland may exclude additional items if it believes doing so would result in a more effective analysis of underlying operating performance. The exclusion of certain items does not imply that they are non-recurring. See "Non-GAAP financial measures, reconciliations and advisories", "Capital resources" and "Dividends, distributable cash flow and dividend payout ratio" sections of this MD&A on Parkland's non-GAAP financial measures. Adjusted EBITDA and Adjusted Gross Profit, including Fuel and Petroleum Product Adjusted Gross Profit, are measures of segment profit as reported in Note 17 – Segment Information of the Interim Condensed Consolidated Financial Statements.

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 the Annual MD&A and the Annual Information Form available at www.sedar.com. Parkland reports on its risk factors annually. In addition, on a quarterly basis, management reviews the risk factors; as at the date of this MD&A, there have been no material changes except as described in the "Risk factors" section of this MD&A.

This MD&A contains forward-looking information based on Parkland's current expectations, estimates, projections and assumptions. This information is subject to a number of risks and uncertainties, including those discussed in this MD&A and Parkland's other disclosure documents, many of which are beyond Parkland's control. Users of this information are cautioned that actual results may differ materially from those anticipated in such forward-looking statements. Such statements reflect 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, changes in tax legislation, general economic conditions and other factors set out in Parkland's public disclosure documents.

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.

Refer to the "Non-GAAP financial measures, reconciliations and advisories – forward-looking information" section of this MD&A for information on the material risk factors and assumptions underlying Parkland's forward-looking information.

1. FINANCIAL AND OPERATING SUMMARY

Financial Summary

(in millions of Canadian dollars and shares, except per share amounts)	**Three months ended September 30,**			**Nine months ended September 30,**		
	2016	2015	2014	**2016**	2015	2014
Sales and operating revenue	**1,638.1**	1,862.2	1,898.7	**4,526.0**	4,643.8	5,789.2
Adjusted gross profit[(1)]	**171.1**	167.0	117.8	**510.5**	445.2	399.3
Adjusted EBITDA[(1)]	**60.4**	59.1	35.2	**176.4**	150.3	132.1
Net earnings	**14.8**	14.6	10.4	**44.2**	23.8	39.7
Per share – basic	**0.15**	0.16	0.14	**0.47**	0.28	0.53
Per share – diluted	**0.15**	0.16	0.14	**0.46**	0.28	0.53
Distributable cash flow[(2)]	**27.9**	29.2	17.0	**91.0**	74.5	83.9
Per share[(2)(3)]	**0.29**	0.32	0.23	**0.96**	0.87	1.13
Adjusted distributable cash flow[(2)]	**33.3**	34.6	20.3	**109.4**	95.6	91.8
Per share[(2)(3)]	**0.35**	0.38	0.27	**1.15**	1.12	1.23
Dividends	**27.7**	25.4	20.0	**81.6**	72.2	58.9
Per share outstanding	**0.29**	0.28	0.26	**0.85**	0.80	0.77
Dividend payout ratio[(2)]	**99%**	87%	117%	**90%**	97%	70%
Adjusted dividend payout ratio[(2)]	**83%**	73%	98%	**75%**	76%	64%
Total assets	**2,424.0**	1,836.9	1,426.8	**2,424.0**	1,836.9	1,426.8
Shares outstanding	**95.9**	90.8	76.1	**95.9**	90.8	76.1
Weighted average number of common shares	**95.6**	90.4	75.5	**95.0**	85.6	74.4

(1) Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

(2) Non-GAAP financial measure. See the "Dividends, distributable cash flow and dividend payout ratio" section of this MD&A for reconciliation and calculation.

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

Operating Summary

	Three months ended September 30,			**Nine months ended September 30,**		
	2016	2015	2014	**2016**	2015	2014
Fuel and petroleum product volume (millions of litres)	**2,659**	2,731	2,333	**7,632**	7,000	6,527
Fuel and petroleum product adjusted gross profit[(1)] (cpl):						
Retail Fuels	**5.69**	5.63	5.28	**5.51**	5.34	4.89
Commercial Fuels	**8.64**	8.89	8.57	**10.94**	11.33	10.07
Parkland USA	**3.26**	3.34	3.13	**3.41**	3.36	3.05
Operating costs (cpl)	**2.80**	2.71	2.46	**2.99**	2.87	2.80
Adjusted marketing, general and administrative[(2)] (cpl)	**1.38**	1.26	1.10	**1.40**	1.37	1.32

(1) Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

(2) Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Who we are

Parkland is one of North America's fastest growing distributors and marketers of fuels and lubricants. We deliver refined fuels and other high quality petroleum products to motorists, businesses, consumers and wholesale customers in Canada and the United States. 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. For a description of Parkland's business segments, refer to the "Segment results" section of this MD&A.

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 "balanced barrel" products (the full range of products manufactured from a barrel of crude) in the geographic markets in which we operate. Given our purchase of the full range of refined products from suppliers, we have a variety of "owned" marketing channels through which we sell these products including: retail gas stations; commercial diesel card-locks and commercial fuel, propane and lubricant delivery branches. We also use our wholesale activities to optimize the value of the other excess "balanced barrel" 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.

Q3 2016 Highlights

- On August 22, 2016, we announced the 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 approximately $965 million (the "CST Brands Canada Acquisition"). Concurrently, Couche-Tard has announced a definitive merger agreement with CST under which Couche-Tard will acquire CST, which is subject to customary conditions, including approval by CST shareholders and receipt of regulatory approvals (the "Couche-Tard CST Transaction"). The Canadian business and assets that Parkland will acquire as part of the CST Brands Canada Acquisition will consist of: (i) CST's dealer and commissioned agents retail business, (ii) CST's commercial cardlock business, (iii) CST's commercial and home heat businesses, (iv) a number of CST's company-operated stores to be determined following the Competition Bureau of Canada's review of the Couche-Tard CST Transaction, and (v) corporate presence in Montréal (collectively, the "CST Assets"). The CST Brands Canada Acquisition is conditional upon closing of the Couche-Tard CST Transaction, among other conditions. The preliminary purchase price is subject to change and will be finalized upon completion of customary post-closing activities. The CST Brands Canada Acquisition is expected to extend Parkland's network coverage in Quebec and Atlantic Canada and enhance Parkland's presence in Ontario.
- Parkland's Adjusted EBITDA grew by 2% as compared to the prior year. Adjusted EBITDA was $60.4 million in the third quarter of 2016, compared to $59.1 million in the third quarter of 2015. The growth in Adjusted EBITDA was driven by growth in the Supply and Wholesale segment as a result of significant progress in improving our supply economics as part of our supply advantage strategy, and

growth in the Retail Fuels segment as a result of higher fuel and non-fuel margins and successful cost control initiatives. The growth was partially offset by weaker results in Commercial Fuels and Parkland USA, which continue to see softened demand in the market as a result of reduced economic activity in Western Canada and North Dakota, USA.

- Sales and operating revenue declined from $1.9 billion in the third quarter of 2015 to $1.6 billion in the third quarter of 2016. The decrease in revenue was caused by the decline in fuel volumes and global petroleum prices.
- Parkland's net earnings were $14.8 million in the third quarter of 2016, as compared to net earnings of $14.6 million in the third quarter of 2015. Although we experienced growth in Adjusted Gross Profit and Adjusted EBITDA, net earnings declined primarily due to higher depreciation and amortization costs as a result of recent acquisitions and a foreign exchange loss in the third quarter of 2016 as compared to a gain in the same period of the previous year.
- As at September 30, 2016, we supported a network of 1,065 service stations across Canada through our dealer and retailer operated models.

Q3 2016 vs. Q3 2015 overall performance

Net earnings

Parkland’s net earnings for the third quarter of 2016 were $14.8 million, compared to net earnings of $14.6 million for the third quarter of 2015, mainly due to the following:

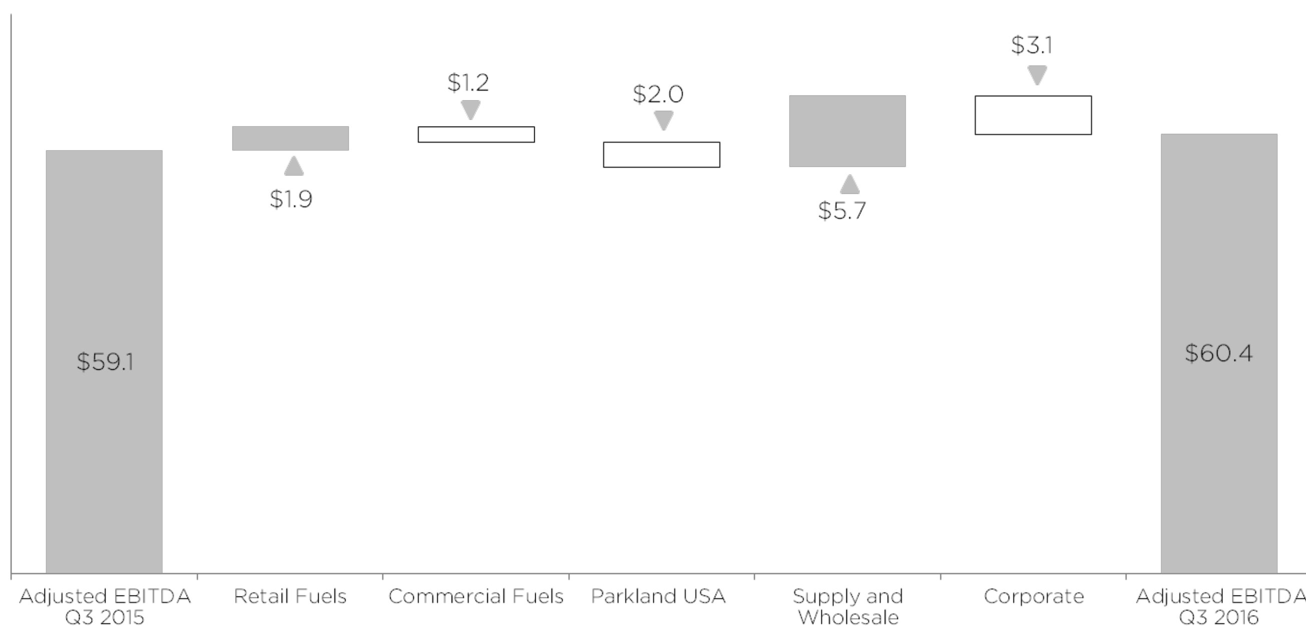
- Adjusted EBITDA in the third quarter of 2016 was $60.4 million, compared to $59.1 million in the third quarter of 2015. The growth in Adjusted EBITDA was driven by growth in the Supply and Wholesale segment as a result of significant progress in improving our supply economics as part of our supply advantage strategy, and growth in the Retail Fuels segment as a result of higher fuel and non-fuel margins and successful cost control initiatives. This growth was partially offset by weaker results in Commercial Fuels and Parkland USA, which continue to see softened demand in the market as a result of reduced economic activity in Western Canada and North Dakota, USA. Additionally, the Corporate segment saw increased expenses primarily due to increased costs to support Parkland's growth-related activities and increased expenses for Parkland Director deferred share units ("DSUs") to reflect the increased share price of Parkland during the third quarter of 2016.
- Income tax expense decreased to $3.4 million in the third quarter of 2016, compared to $5.1 million in the third quarter of 2015. Income tax expense decreased due to lower earnings before income taxes and the recognition of current tax recovery on deductible losses. Current tax expense increased, offset by a decrease in deferred tax expense, due to the recognition of $6.8 million representing taxable amounts Parkland is expected to recover in the next two years.
- The unrealized loss on foreign exchange in the third quarter of 2016 was $0.4 million, compared to an unrealized gain on foreign exchange of $1.2 million in the same period of 2015. The unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts (included within loss on risk management activities) in the third quarter of 2016 was $0.9 million, compared to an unrealized loss of $0.1 million in the same period of 2015. The loss or gain on these financial contracts is calculated by comparison to their market valuation at the end of each reporting period. 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.
- Depreciation and amortization expense in the third quarter of 2016 was $27.4 million, compared to $26.6 million in the third quarter of 2015. The higher depreciation and amortization in 2016 are primarily attributable to increased property, plant and equipment as a result of other acquisitions in 2015 and 2016.

Adjusted EBITDA

(in 000's of Canadian dollars)	Three months ended September 30, **2016**	2015
Net earnings	**14,757**	14,567
Finance costs	**7,831**	8,361
Loss on disposal of property, plant and equipment	**209**	57
Income tax expense	**3,428**	5,088
Unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts	**942**	57
Unrealized loss (gain) on foreign exchange	**384**	(1,161)
Acquisition, integration and other costs	**5,380**	5,473
Depreciation and amortization	**27,424**	26,630
Adjusted EBITDA[(1)]	**60,355**	59,072

[(1)] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Adjusted EBITDA growth by segment
(in millions of Canadian dollars)



Supply and Wholesale Adjusted EBITDA grew by $5.7 million in the third quarter of 2016 primarily due to significant progress in improving our supply economics as part of our supply advantage strategy. Retail Fuels saw a strong quarter as a result of higher fuel and non-fuel margins and successful cost control initiatives. The growth experienced during the quarter 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. The Corporate segment saw increased expenses of $3.1 million primarily due to increased costs to support Parkland's growth-related activities and a $1.7 million non-cash revaluation expense on outstanding Parkland Director DSUs to reflect the increased share price of Parkland during the third quarter of 2016.

Q3 2016 YTD vs. Q3 2015 YTD overall performance

Net earnings

Parkland's net earnings for the first nine months of 2016 were $44.2 million, compared to net earnings of $23.8 million for the first nine months of 2015.

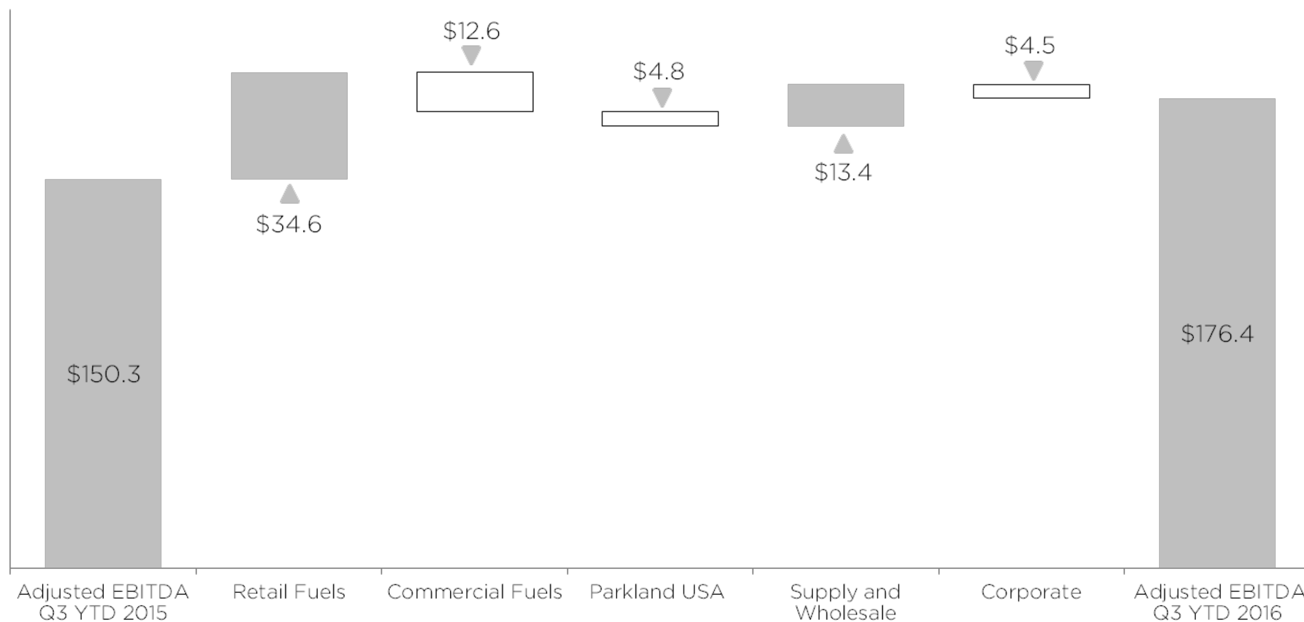
- Adjusted EBITDA in the first nine months of 2016 was $176.4 million, compared to $150.3 million in the same period of 2015. The growth in Adjusted EBITDA was attributable to growth in the Retail Fuels segment as a result of the acquisition of Pioneer Energy and strong performance in the Supply and Wholesale segment. The growth was partially offset by weaker results in the Commercial Fuels and Parkland USA segments, which were driven by reduced economic activity and declines in volume as a result of a warmer winter season in the first quarter of 2016.
- Finance costs in the first nine months of 2016 decreased to $13.0 million, compared to $25.8 million in the first nine months of 2015. The decrease in finance costs was primarily attributable to a $10.6 million non-cash gain recognized on the change in fair value of the senior unsecured notes Redemption Options, as compared to a $1.8 million loss during the same period of 2015, due to changing debt market conditions. Parkland expensed $2.1 million in interest and accretion on convertible debentures during the first nine months of 2015 and nil in 2016 as the convertible debentures were settled in the fourth quarter of 2015.
- Income tax expense decreased to $13.6 million in the first nine months of 2016, compared to $14.1 million in the first nine months of 2015. Income tax expense decreased due to non-taxable items and the recognition of current tax recovery on deductible losses that reduced the effective tax rate. This was partially offset by higher earnings before income taxes and the recognition of deferred tax expense on the gain on the change in fair value of the senior unsecured notes Redemption Options.
- The unrealized loss on foreign exchange in the first nine months of 2016 was $1.0 million, compared to an unrealized gain of $0.9 million in the same period of 2015. The unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts (included within loss on risk management activities) in 2016 was $3.4 million, compared to an unrealized loss of $2.2 million in the same period of 2015.
- Depreciation and amortization expense in the first nine months of 2016 was $82.9 million, compared to $63.9 million in the first nine months of 2015 primarily attributable to the acquisition of Pioneer Energy in June 2015 and other acquisitions in 2015 and 2016.

Adjusted EBITDA

	Nine months ended September 30,	
(in 000's of Canadian dollars)	**2016**	2015
Net earnings	**44,215**	23,821
Finance costs	**12,992**	25,832
Loss (gain) on disposal of property, plant and equipment	**(217)**	188
Income tax expense	**13,636**	14,096
Unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts	**3,441**	2,242
Unrealized loss (gain) on foreign exchange	**1,009**	(937)
Acquisition, integration and other costs	**18,408**	21,091
Depreciation and amortization	**82,947**	63,927
Adjusted EBITDA[1]	**176,431**	150,260

[1] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Adjusted EBITDA growth by segment
(in millions of Canadian dollars)



Retail Fuels Adjusted EBITDA grew by $34.6 million in the first nine months of 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 $13.4 million as a result of significant progress in improving our supply economics as part of our supply advantage strategy. The growth experienced during the first nine months 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 $4.5 million primarily due to increased costs to support Parkland's growth-related activities and a $1.7 million non-cash revaluation charge on outstanding Parkland Director DSUs to reflect the increased share price of Parkland during the third quarter of 2016.

2. SEGMENT RESULTS

Refer to Note 17 of the Interim Condensed Consolidated Financial Statements for segment information.

Retail Fuels

Overview

Parkland Retail Fuels supplies and supports a network of 1,065 retail gas stations in Canada. Parkland owns three proprietary brands, Fas Gas Plus, Race Trac and Pioneer, 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 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** – The Pioneer brand is best known for value and as a competitively priced leader in the Ontario marketplace. With a customer centric focus, Pioneer delivers a quality fuel offering, strong loyalty program, tobacco and convenience products.
- **Chevron** – The Chevron-branded wholesaler agreement provides Parkland with the opportunity to offer Chevron's premium brand to Parkland's network.
- **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.
- **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 Oil Ltd.

On August 22, 2016, Parkland announced that it has entered into an agreement with Couche-Tard to acquire the majority of the Canadian business and assets of CST, which include, among other businesses and assets, 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. 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 enhance Parkland's presence in Ontario.

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 the Parkland 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 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 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 owned or leased by a 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 daily. 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 a 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.

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	**89**	**2**	**69**	**30**	**121**	**-**	**311**
Dealer sites	**87**	**75**	**514**	**12**	**35**	**31**	**754**
Site count, as at September 30, 2016	**176**	**77**	**583**	**42**	**156**	**31**	**1,065**
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	(1)	(5)	(3)	1	4	(6)	(10)

The change in site counts during the quarter 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 third quarter of 2016 grew to $40.9 million, as compared to $39.0 million for the third quarter of 2015. The primary driver of the increase was stronger fuel margins, higher non-fuel revenue from ongoing store refreshes and successful cost control initiatives that lowered marketing, general and administrative expenses. On a year-to-date basis, Retail Fuels Adjusted EBITDA for the first nine months of 2016 grew to $105.4 million, as compared to $70.8 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 growth.

The Retail Fuels segment also had continued success in Company C-Store same-store sales growth as a result of ongoing store refresh programs and other improvement initiatives at Pioneer Energy sites that have increased same-store sales since their acquisition. Company C-Store same-store sales growth was 3.0% and 4.5% for the three and nine months ended September 30, 2016.

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Change	%	Nine months ended September 30, 2016	2015	Change	%
Fuel and petroleum product volume[1] (000's of litres)	**1,001,827**	996,746	5,081	1%	**2,780,896**	1,840,260	940,636	51%
Sales and operating revenue	**754,236**	833,682	(79,446)	(10%)	**2,025,913**	1,478,619	547,294	37%
Fuel and petroleum product adjusted gross profit[2]	**56,985**	56,109	876	2%	**153,335**	98,207	55,128	56%
Non-fuel adjusted gross profit[2]	**14,044**	12,908	1,136	9%	**41,692**	23,569	18,123	77%
Adjusted gross profit[2]	**71,029**	69,017	2,012	3%	**195,027**	121,776	73,251	60%
Operating costs	**24,538**	23,820	718	3%	**71,971**	37,893	34,078	90%
Marketing, general and administrative	**5,603**	6,236	(633)	(10%)	**17,680**	13,102	4,578	35%
Adjusted EBITDA[2]	**40,915**	39,018	1,897	5%	**105,448**	70,837	34,611	49%
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit[2]	**5.69**	5.63	0.06	1%	**5.51**	5.34	0.17	3%
Operating costs	**2.45**	2.39	0.06	3%	**2.59**	2.06	0.53	26%
Marketing, general and administrative	**0.56**	0.63	(0.07)	(11%)	**0.64**	0.71	(0.07)	(10%)
Adjusted EBITDA[2]	**4.08**	3.91	0.17	4%	**3.79**	3.85	(0.06)	(2%)
Other key performance indicators:								
Volume same-store sales growth[5][6]	**0.7%**	(4.0%)	4.7 p.p.		**(0.5%)**	(3.2%)	2.7 p.p.	
Company C-Store same-store sales growth[5]	**3.0%**	(2.9%)	5.9 p.p.		**4.5%**	(3.1%)	7.6 p.p.	
TTM net unit operating cost ("NUOC")(cpl)[3]	**1.76**	1.40	0.36	26%				
Company sites:								
TTM volume (000's of litres)[4][7]	**1,782,839**	843,052	939,787	111%				
TTM weighted average number of active sites[4]	**307**	188	119	63%				
TTM average volume per active site (000's of litres)[4][7]	**5,807**	4,484	1,323	30%				
Dealer sites:								
TTM volume (000's of litres)[4][7]	**1,905,891**	1,422,497	483,394	34%				
TTM weighted average number of active sites[4]	**750**	609	141	23%				
TTM average volume per active site (000's of litres)[4][7]	**2,541**	2,336	205	9%				

[1] Includes diesel, gasoline and propane volumes.
[2] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[3] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.
[5] Refer to "Key operating performance measures" section of this MD&A for explanation of this performance measure.
[6] Same-store volume excludes propane volumes sold at retail sites.
[7] Includes diesel and gasoline volumes, but excludes propane volumes.

Q3 2016 vs. Q3 2015

In the third quarter of 2016, fuel volume increased primarily due to strong same store volume growth in Eastern Canada, contributing 20 million litres of additional volume. This was partially offset by a 15 million litre softening of volume in Western Canada, reflective of the slowdown in economic activity.

Sales and operating revenue decreased in the third quarter primarily due to lower fuel and petroleum product revenue driven by lower pump prices. The decrease in fuel and petroleum product revenue was offset by a 10% increase in non-fuel revenue.

Adjusted gross profit increased in the third quarter of 2016 primarily due to stronger non-fuel adjusted gross profit, which consists primarily of convenience store rents, car wash revenue, sales of select merchandise, and other ancillary sales. Fuel and petroleum product adjusted gross profit, which consists primarily of gasoline and diesel sales, also saw growth during the quarter.

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 third quarter increased primarily due to new Company sites that were added to the Parkland network during the latter part of 2015 and through 2016.

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 third quarter decreased due to lower labour costs and contracted services from successful cost control initiatives.

Key performance indicators

Fuel and petroleum adjusted gross profit on a cpl basis increased mainly due to strong dealer fuel margins during the quarter.

Operating costs on a cpl basis increased primarily due to new Company sites that were added to the Parkland network during the latter part of 2015 and through 2016.

Marketing, general and administrative expenses on a cpl basis decreased primarily due to lower labour costs and contracted services as a result of successful cost control initiatives.

Volume same-store sales growth improved to 0.7% in the third quarter of 2016 due to the strength in the Eastern Canada market.

Company C-Store same-store sales growth improved to 3.0% 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. This was partially offset by reduced growth in the west due to the slowdown in economic activity.

Net unit operating costs ("NUOC") was higher in the trailing twelve months ended September 30, 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, which has a higher concentration of Company sites. However, NUOC has seen an improvement in the last twelve months post acquisition of Pioneer Energy as a result of successful cost control initiatives. NUOC was 1.88, 1.80, 1.79 and 1.61 in the fourth quarter of 2015, the first quarter of 2016, the second quarter of 2016 and the third quarter of 2016, respectively.

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 has greater site volumes than the sites of the pre-existing business.

Q3 2016 YTD vs. Q3 2015 YTD

In the first nine months of 2016, fuel volumes increased primarily due to the increased number of retail sites from the acquisition of Pioneer Energy, contributing 991 million litres of additional volume. This was partially offset by a 50 million litre decrease of volumes in Parkland's existing business, due to general softening of volumes in Western Canada, reflective of the slowdown in economic activity.

Sales and operating revenue increased in the nine-month period of 2016 primarily due to the acquisition of Pioneer Energy, adding $700.1 million, partially offset by a decrease in sales and operating revenue of the existing business as a result of lower pump prices driven by reduced petroleum prices and lower volumes in Western Canada.

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

Operating costs for the first nine months of 2016 increased primarily due to the additional Company sites acquired as the result of the acquisition of Pioneer Energy. Excluding the impact of 2015 acquisitions, operating costs increased by approximately 4% due to new Company sites that were added to the Parkland network during the latter part of 2015 and through 2016.

Marketing, general and administrative expenses for the first nine months of 2016 increased as a result of the acquisition of Pioneer Energy. Excluding the impact of 2015 acquisitions, marketing, general and administrative expenses decreased by approximately 3% due to successful cost control initiatives.

Key performance indicators

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 remained consistent despite lower marketing, general and administrative expenses compared to prior year. This is due to the reduction of volumes in Western Canada offsetting the reduction in marketing, general and administrative expenses.

Company C-Store same-store sales growth increased to 4.5% 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. This was partially offset by reduced growth in the west due to the slowdown in economic activity.

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 one of the requirements was that 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 satisfied all but one of its obligations pursuant to the Settlement, and acquired control of the Hold Separate Assets, which it did not divest as part of such process. In one of the contested markets – Lundar, Manitoba – Parkland has agreed that it will not increase dealer prices relative to rack prices or delivery fees charged to dealers other than in certain circumstances for a six-year period.

Commercial Fuels

Overview

Parkland Commercial Fuels delivers diesel, gasoline, propane, lubricants and other related products and services to commercial, industrial and residential customers in Canada through an extensive delivery network. The family of brands in this segment includes Bluewave Energy, Columbia Fuels, Sparlings Propane and Island Petroleum. 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 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 that it has entered into an agreement with Couche-Tard to acquire the majority of the Canadian business and assets of CST, 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.

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA was $4.7 million in the third quarter of 2016, compared to $5.9 million in the third quarter of 2015. The 21% decrease in third quarter Adjusted EBITDA was primarily driven by a decline in diesel volumes as a result of reduced economic activity in Western Canada, partially offset by growth in propane.

Commercial Fuels Adjusted EBITDA was $33.5 million in the first nine months of 2016, compared to $46.0 million in the first nine months of 2015. The 27% decrease in 2016 was primarily driven by a decline in diesel volumes as a result of reduced economic activity in Western Canada and declines in volume as a result of a warmer winter season in the first quarter of 2016.

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Change	%	Nine months ended September 30, 2016	2015	Change	%
Gas and diesel volume (000's of litres)	**256,484**	273,759	(17,275)	(6%)	**804,896**	867,157	(62,261)	(7%)
Propane volume (000's of litres)	**52,017**	38,417	13,600	35%	**189,818**	196,061	(6,243)	(3%)
Fuel and petroleum product volume[1] (000's of litres)	**308,501**	312,176	(3,675)	(1%)	**994,714**	1,063,218	(68,504)	(6%)
Sales and operating revenue	**247,191**	268,523	(21,332)	(8%)	**760,781**	929,501	(168,720)	(18%)
Fuel and petroleum product adjusted gross profit[2]	**26,664**	27,765	(1,101)	(4%)	**108,809**	120,465	(11,656)	(10%)
Non-fuel adjusted gross profit[2]	**11,733**	11,949	(216)	(2%)	**32,627**	37,566	(4,939)	(13%)
Adjusted gross profit[2]	**38,397**	39,714	(1,317)	(3%)	**141,436**	158,031	(16,595)	(11%)
Operating costs	**28,148**	28,401	(253)	(1%)	**90,259**	95,590	(5,331)	(6%)
Marketing, general and administrative	**5,900**	5,742	158	3%	**18,576**	17,454	1,122	6%
Adjusted EBITDA[2]	**4,681**	5,912	(1,231)	(21%)	**33,453**	46,003	(12,550)	(27%)
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit[2]	**8.64**	8.89	(0.25)	(3%)	**10.94**	11.33	(0.39)	(3%)
Operating costs	**9.12**	9.10	0.02	0%	**9.07**	8.99	0.08	1%
Marketing, general and administrative	**1.91**	1.84	0.07	4%	**1.87**	1.64	0.23	14%
Adjusted EBITDA[2]	**1.52**	1.89	(0.37)	(20%)	**3.36**	4.33	(0.97)	(22%)
Other key performance indicator:								
TTM operating ratio[3][4]	**75.7%**	70.2%	5.5 p.p.					

[1] Includes diesel, gasoline, and propane volumes.
[2] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[3] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

Q3 2016 vs. Q3 2015

Fuel volume decreased primarily due to reduced diesel volume sold to the oil and gas sector in Western Canada. This was partially offset by growth in Parkland's propane business and the contribution of an additional 2.0 million litres of propane volume from the acquisition of PNO.

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

Adjusted gross profit decreased primarily due to lower diesel sales driven by lower economic activity in Western Canada, and lower cartage and lubricant revenue.

Operating costs include driver and administrative labour, fleet maintenance and operating costs, third-party delivery expenses as well as the 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 decreased primarily due to decreased labour, delivery contractor and other overhead costs driven by operating efficiencies and cost reduction initiatives. Operating costs in the third quarter of 2016 include $0.7 million of start-up expenses for a new customer that we anticipate will be recovered through future sales and operating revenue.

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

Key performance indicators

Fuel and petroleum product adjusted gross profit on a cpl basis decreased in the third quarter of 2016 as compared to the same quarter in 2015. The decrease was mainly due to increased competitive pricing pressures in all major industry sectors directly correlated to a surplus of diesel in Western Canada. Lower commercial propane margins have also contributed to the decrease from the prior year.

There was no significant change in operating costs on a cpl basis. Marketing, general and administrative expenses on a cpl basis increased due to the increase in professional services costs.

The 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 decreased 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.

Q3 2016 YTD vs. Q3 2015 YTD

Fuel volume decreased due to lower diesel volumes sold as a result of the weaker economic activity in Western Canada and lower propane and furnace oil volumes as a result of the warmer winter season experienced in the first quarter of 2016.

Sales and operating revenue decreased due to lower crude oil and petroleum product prices and a decline in fuel volumes.

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

Operating costs decreased primarily due to lower volume and cost reduction initiatives. Operating costs in 2016 include $1.0 million of start-up expenses for a new customer that we anticipate will be recovered through future sales and operating revenue.

Marketing, general and administrative expenses increased due to an increase in professional fees and business optimization labour costs.

Key performance indicators

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 3% or 0.39 cpl as compared to 2015 primarily due to lower commercial propane margins.

There was no significant change in operating costs on a cpl basis. Marketing, general and administrative expenses on a cpl basis increased due to lower volumes and an increase in professional fees and fleet productivity improvement projects.

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 has an expandable platform for growth in the Northwest United States and provides Parkland with export opportunities of excess refined product in Western Canada by leveraging Parkland's rail assets. 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 terminal storage capacity in Minot, North Dakota and supplies fuel to retailers, small resellers and commercial operators. Farstad Oil owns 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. These relationships are normally long-term wholesale agreements with relatively stable margins. This division supplies a number of multi-site dealer chains with both branded and unbranded relationships.
    - Company owned, company operated: Parkland USA owns 23 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.

Parkland USA segment performance highlights

Parkland USA's Adjusted EBITDA was $4.3 million in the third quarter of 2016, compared to $6.3 million in the third quarter of 2015. The decrease of 32% or $2.0 million was primarily due to lower wholesale gas and diesel volumes and margins due to lower economic activity in the Bakken oil region, partially offset by the acquisition of two service stations in late 2015.

Parkland USA's Adjusted EBITDA was $11.2 million in the first nine months of 2016, compared to $16.0 million in the first nine months of 2015. The decrease of 30% or $4.8 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.

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Change	%	Nine months ended September 30, 2016	2015	Change	%
Retail volume (000's of litres)	**28,134**	27,184	950	3%	**79,250**	73,201	6,049	8%
Wholesale volume (000's of litres)	**213,709**	261,798	(48,089)	(18%)	**614,790**	746,486	(131,696)	(18%)
Fuel and petroleum product volume[1] (000's of litres)	**241,843**	288,982	(47,139)	(16%)	**694,040**	819,687	(125,647)	(15%)
Sales and operating revenue	**163,851**	210,226	(46,375)	(22%)	**433,842**	584,956	(151,114)	(26%)
Fuel and petroleum product adjusted gross profit[2]	**7,876**	9,640	(1,764)	(18%)	**23,699**	27,521	(3,822)	(14%)
Non-fuel adjusted gross profit[2]	**8,257**	8,269	(12)	(0%)	**23,812**	22,615	1,197	5%
Adjusted gross profit[2]	**16,133**	17,909	(1,776)	(10%)	**47,511**	50,136	(2,625)	(5%)
Operating costs	**10,173**	9,933	240	2%	**30,767**	28,835	1,932	7%
Marketing, general and administrative	**1,682**	1,710	(28)	(2%)	**5,678**	5,500	178	3%
Adjusted EBITDA[2]	**4,310**	6,318	(2,008)	(32%)	**11,186**	15,951	(4,765)	(30%)
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit	**3.26**	3.34	(0.08)	(2%)	**3.41**	3.36	0.05	1%
Operating costs	**4.21**	3.44	0.77	22%	**4.43**	3.52	0.91	26%
Marketing, general and administrative	**0.70**	0.59	0.11	19%	**0.82**	0.67	0.15	22%
Adjusted EBITDA	**1.78**	2.19	(0.41)	(19%)	**1.61**	1.95	(0.34)	(17%)
Other key performance indicator:								
TTM operating ratio[3][4]	**76.4%**	65.7%	10.7 p.p.					

[1] Includes diesel, gasoline, and propane volumes.
[2] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[3] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

Q3 2016 vs. Q3 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 due to the acquisition of two service stations in late 2015.

Sales and operating revenue decreased primarily due to a decline in volume and decreased 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 are incurred at company-owned wholesale or lubricant branches and the 23 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 increased primarily due to the addition of two service stations in late 2015.

Marketing, general and administrative expenses are typically fixed in nature and do not vary with volume. Departments included in this category are marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses decreased due to cost reduction initiatives.

Key performance indicators

Fuel and petroleum product adjusted gross profit decreased on a cpl basis due to competitive pressure faced during the quarter.

Operating costs and marketing, general and administrative expenses increased on a cpl basis due to the effect of lower wholesale fuel volumes.

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

Q3 2016 YTD vs. Q3 2015 YTD

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 due to the acquisition of two service stations in late 2015.

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 the appreciation of the U.S. dollar against the Canadian dollar.

Key performance indicators

Fuel and petroleum product adjusted gross profit on a cpl basis increased marginally due to the appreciation of the U.S. dollar against the Canadian dollar.

Operating costs and marketing, general and administrative expenses increased on a cpl basis due to the effect of substantially lower wholesale fuel volumes and the appreciation of the U.S. dollar against the Canadian dollar.

Supply and Wholesale

Parkland's Supply and Wholesale segment optimizes 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. Major sales categories are:

- Refined products, which include wholesale gas, diesel and gasoline blend stock;
- Crude, asphalt and fuel oils ("CAF"), which also include gas oils;
- Liquid petroleum gas ("LPG"), which includes 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 suppliers. This diversity of supply, combined with strategic storage, allows us to obtain fuel at competitive prices and enhances fuel supply security for Parkland owned sites and for all Parkland customers.

Purchases – Parkland Supply sources fuel from third-party suppliers and sells to Parkland's selling segments, Retail Fuels, Commercial Fuels, Supply and Wholesale and Parkland USA, at an arm's length transfer price. Distribution provides transportation services to the Retail Fuels and Commercial Fuels divisions 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 its strategy of geographic arbitrage.

Storage – Parkland has approximately 227,000 barrels of storage capacity at its Bowden, Alberta terminal. Parkland also has approximately 66,000 barrels of storage capacity in Montréal, Quebec and approximately 1,092,000 barrels of additional storage capacity throughout North America.

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA for the third quarter of 2016 was $23.5 million, compared to $17.8 million in the third quarter of 2015. Supply and Wholesale Adjusted EBITDA for the first nine months of 2016 was $62.8 million, compared to $49.4 million in the first nine months of 2015. We made significant progress in improving our supply economics and reduced operating costs. The increase was partially offset by lower wholesale gas and diesel margins and an increase in marketing, general and administrative expenses.

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Change	%	Nine months ended September 30, 2016	2015	Change	%
Fuel and petroleum product volume[1] (000's of litres)	**1,106,486**	1,132,663	(26,177)	(2%)	**3,162,183**	3,276,335	(114,152)	(3%)
Sales and operating revenue	**472,669**	549,663	(76,994)	(14%)	**1,305,099**	1,650,346	(345,247)	(21%)
Fuel and petroleum product adjusted gross profit[2]	**40,844**	35,167	5,677	16%	**114,503**	103,624	10,879	10%
Non-fuel adjusted gross profit[2]	**4,495**	5,126	(631)	(12%)	**11,543**	11,601	(58)	(0%)
Adjusted gross profit[2]	**45,339**	40,293	5,046	13%	**126,046**	115,225	10,821	9%
Operating costs	**11,666**	11,817	(151)	(1%)	**34,991**	38,524	(3,533)	(9%)
Marketing, general and administrative	**10,152**	10,718	(566)	(5%)	**28,250**	27,384	866	3%
Adjusted EBITDA[2]	**23,533**	17,791	5,742	32%	**62,825**	49,435	13,390	27%

[1] Includes diesel, gasoline, propane, natural gas, natural gas mix, crude oil, asphalt, and other volumes.
[2] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Q3 2016 vs. Q3 2015

Fuel volume decreased primarily due to lower gas and diesel sales in Ontario and Quebec driven by increased competition. This decline was partially offset by an 18 million litre increase in LPG volumes attributable to new transloading relationships and growth in propane and a 12 million litre increase in CAF volumes attributable to strong sales.

Sales and operating revenue decreased primarily due to lower commodity prices and decreased fuel and petroleum volume.

Adjusted gross profit increased primarily due to higher supply margin as a result of meaningful improvements made in our supply agreements.

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

Q3 2016 YTD vs. Q3 2015 YTD

Fuel volume decreased due to lower gas and diesel sales in Ontario and Quebec driven by increased competition and 43 million litre decrease in renewable fuels volume, primarily ethanol. These decreases were partially offset by a 60 million litre increase in LPG volume driven by propane.

Sales and operating revenue decreased primarily due to lower commodity prices and decreased fuel and petroleum volumes.

Adjusted gross profit increased due to significant improvements in our fuel supply agreements. 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 business growth related costs.

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.

Corporate segment performance highlights

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Change	%	Nine months ended September 30, 2016	2015	Change	%
Marketing, general and administrative	**18,675**	15,466	3,209	21%	**55,372**	53,366	2,006	4%
Less: Acquisition, integration and other costs	**(5,380)**	(5,473)	93	(2%)	**(18,408)**	(21,091)	2,683	(13%)
Corporate adjusted marketing, general and administrative[1]	**13,295**	9,993	3,302	33%	**36,964**	32,275	4,689	15%
Adjusted EBITDA[2]	**(13,084)**	(9,967)	(3,117)	31%	**(36,481)**	(31,966)	(4,515)	14%
Key performance indicator:								
Corporate adjusted marketing, general and administrative expenses as a % of Parkland's adjusted gross profit[1]	**7.8%**	6.0%	1.8 p.p.		**7.2%**	7.3%	(0.1 p.p.)	

[1] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

[2] Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Q3 2016 vs. Q3 2015

Marketing, general and administrative expenses increased by $3.2 million, primarily due to a $1.7 million non-cash revaluation expense taken on outstanding Parkland Director DSUs during the third quarter of 2016 to reflect the increased share price of Parkland. The remainder of the increase in expenses is to support Parkland's growth-related activities. Acquisition, integration and other costs are highly variable based on Parkland's acquisition and integration activities. With the DSU revaluation expense and increased costs from growth activities incurred during the quarter, corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit increased from 6.0% to 7.8%.

Q3 2016 YTD vs. Q3 2015 YTD

Marketing, general and administrative expenses increased by $2.0 million, primarily due to a $1.7 million non-cash DSU revaluation expense on outstanding DSUs incurred during the third quarter of 2016 to reflect the increased share price of Parkland. The remainder of the increase in expenses is to support Parkland's growth-related activities. Acquisition, integration and other costs are highly variable based on Parkland's acquisition and integration activities. Corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit improved from 7.3% to 7.2% due to improved economies of scale.

3. QUARTERLY FINANCIAL DATA

Financial Summary

(in 000's of Canadian dollars, unless otherwise noted)	2016			2015				2014
For the three months ended	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Sales and operating revenue	**1,638,097**	1,569,812	1,318,107	1,655,801	1,862,234	1,389,910	1,391,626	1,738,479
Adjusted gross profit[1]	**171,108**	166,551	172,842	182,340	166,958	123,040	155,165	141,507
Adjusted EBITDA[1]	**60,355**	56,395	59,681	64,854	59,072	34,055	57,133	51,065
Net earnings	**14,757**	4,588	24,870	15,677	14,567	(10,524)	19,778	10,222
Per share – basic	**0.15**	0.05	0.26	0.17	0.16	(0.13)	0.24	0.13
Per share – diluted	**0.15**	0.05	0.26	0.17	0.16	(0.13)	0.24	0.13
Distributable cash flow[3]	**27,889**	28,328	34,796	35,257	29,175	9,077	36,293	23,107
Per share[3][4]	**0.29**	0.30	0.37	0.39	0.32	0.11	0.44	0.29
Adjusted distributable cash flow[3]	**33,269**	37,838	36,909	42,105	34,648	22,033	38,955	30,909
Per share[3][4]	**0.35**	0.40	0.39	0.46	0.38	0.26	0.47	0.39
Dividends	**27,666**	27,212	26,721	25,404	25,423	23,312	23,478	26,948
Per share outstanding	**0.29**	0.29	0.28	0.27	0.28	0.26	0.28	0.33
Dividend payout ratio[2]	**99%**	96%	77%	72%	87%	257%	65%	117%
Total assets	**2,424,021**	1,834,129	1,772,001	1,818,662	1,836,944	1,819,555	1,514,174	1,531,791
Shares outstanding (000's of shares)	**95,850**	95,423	94,713	93,856	90,782	89,928	82,913	82,114
Weighted average number of common shares (000's of shares)	**95,638**	95,127	94,294	91,519	90,365	83,884	82,850	78,841

(1) Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
(2) Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
(3) Non-GAAP financial measure. See the "Distributable cash flow" section of this MD&A.
(4) Calculated by using the weighted average number of common shares.

Operating Summary

	2016			2015				2014
For the three months ended	**Sep 30**	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Fuel and petroleum product volume (millions of litres)	**2,659**	2,536	2,437	2,614	2,731	2,031	2,238	2,328
Fuel and petroleum product adjusted gross profit[1]								
Retail Fuels (cpl)	**5.69**	5.64	5.16	5.07	5.63	5.09	4.87	5.37
Commercial Fuels (cpl)	**8.64**	10.47	13.11	11.59	8.89	10.46	13.56	11.63
Parkland USA (cpl)	**3.26**	3.17	3.86	3.44	3.34	3.33	3.41	3.72
Operating costs (cpl)	**2.80**	2.94	3.24	3.07	2.71	2.97	2.97	2.58
Adjusted marketing, general and administrative[2] (cpl)	**1.38**	1.42	1.42	1.45	1.26	1.44	1.43	1.32

(1) Measure of segment profit. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
(2) Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

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 third quarter of 2016 was generally lower than its comparable period in 2015 due to the decline in fuel volumes and petroleum prices.
- 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.
- Without the effect of acquisitions, Commercial Fuels generally experiences higher volumes 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 third quarter of 2016 compared to previous quarters due to seasonal changes in operating segment activity levels, operating efficiencies and cost reduction initiatives.

4. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(in 000's of Canadian dollars and shares, except per share amounts)	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	**2016**	2015
Adjusted EBITDA[1]	**60,355**	59,072	**176,431**	150,260
Amounts to reconcile Adjusted EBITDA to net earnings [2]	**(45,598)**	(44,505)	**(132,216)**	(126,439)
Net earnings	**14,757**	14,567	**44,215**	23,821
Amounts to reconcile net earnings to cash generated from operating activities[3]	**(3,024)**	21,255	**95,497**	151,119
Cash generated from operating activities	**11,733**	35,822	**139,712**	174,940
Reverse: Change in other liabilities[4]	**227**	342	**(809)**	(1,564)
Reverse: Net change in non-cash working capital[4]	**26,362**	3,747	**(27,168)**	(79,989)
	38,322	39,911	**111,735**	93,387
Include: Maintenance capital expenditures	**(11,429)**	(11,024)	**(26,797)**	(20,410)
Include: Proceeds on sale of property, plant and equipment and intangible assets	**996**	288	**6,075**	1,568
Distributable cash flow[5]	**27,889**	29,175	**91,013**	74,545
Reverse: Acquisition, integration and other costs	**5,380**	5,473	**18,408**	21,091
Adjusted distributable cash flow[5]	**33,269**	34,648	**109,421**	95,636
Weighted average number of common shares	**95,638**	90,365	**95,022**	85,621
Distributable cash flow per share[5][6]	**0.29**	0.32	**0.96**	0.87
Adjusted distributable cash flow per share[5][6]	**0.35**	0.38	**1.15**	1.12
Dividends	**27,666**	25,423	**81,599**	72,213
Dividend payout ratio[5]	**99%**	87%	**90%**	97%
Adjusted dividend payout ratio[5]	**83%**	73%	**75%**	76%

[1] Measure of segment profit. See "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A for reconciliation.
[2] Refer to "Non-GAAP financial measures, reconciliations and advisories" for a detailed reconciliation from Adjusted EBITDA to net earnings.
[3] Refer to the consolidated statements of cash flows on the Interim Condensed Consolidated Financial Statements for a detailed reconciliation from net earnings to cash generated from operating activities.
[4] Included in cash generated from operating activities and excluded from distributable cash flow.
[5] Non-GAAP financial measure. See description of this non-GAAP measure below.
[6] Calculated by using the weighted average number of common shares.

Dividends

For the quarter ended September 30, 2016, dividends increased to $27.7 million (September 30, 2015 – $25.4 million). Net of the dividend reinvestment plan, cash dividends paid to shareholders during the three months ended September 30, 2016 were $20.3 million (three months ended September 30, 2015 – $7.6 million). For the nine months ended September 30, 2016, dividends increased to $81.6 million (nine months ended September 30, 2015 – $72.2 million). Net of the dividend reinvestment plan, cash dividends paid to shareholders during the nine months ended September 30, 2016 were $44.3 million (nine months ended September 30, 2015 – $20.1 million). Overall, dividends increased primarily due to the increase in the number of shares outstanding from 90.8 million shares as at September 30, 2015 to 95.9 million shares as at September 30, 2016. Cash dividends increased primarily due to the discontinuation of the Premium Dividend™ Plan on April 1, 2016. Effective April 1, 2016, the annual dividend was increased by 5% to $1.134 per share.

Distributable cash flow, adjusted distributable cash flow, 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. These non-GAAP measures are provided to assist management and investors in determining the amount of cash available to be distributed to shareholders as dividends.

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. Other issuers may calculate these non-GAAP measures differently. The calculation and reconciliation of these non-GAAP measures are presented above.

Q3 2016 vs. Q3 2015

The dividend payout ratio and adjusted dividend payout ratio increased from 87% to 99% and 73% to 83%, respectively, as a result of lower cash flow available for distribution in proportion to dividends declared. Distributable cash flow decreased by $1.3 million and adjusted distributable cash flow decreased by $1.4 million. The decrease in distributable cash flow and adjusted distributable cash flow was primarily attributable to the increase in current income tax expense. Current tax expense increased, offset by a decrease in deferred tax expense, due to the recognition of $6.8 million representing taxable amounts Parkland is expected to recover in the next two years. Dividends increased by $2.2 million due to an increase in shares outstanding as well as an increase in dividends paid per share.

Q3 2016 YTD vs. Q3 2015 YTD

The dividend payout ratio and adjusted dividend payout ratio improved from 97% to 90% and 76% to 75%, respectively, as a result of higher cash flow available for distribution in proportion to dividends declared. Distributable cash flow increased by $16.5 million and adjusted distributable cash flow increased by $13.8 million. The increase in distributable cash flow and adjusted distributable cash flow was primarily attributable to a $26.2 million increase in Adjusted EBITDA, partially offset by a $6.4 million increase in maintenance capital expenditures. Dividends increased by $9.4 million due to an increase in shares outstanding as well as an increase in dividends paid per share.

5. LIQUIDITY

Cash flows

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

	Three months ended September 30,			Nine months ended September 30,		
(in 000's of Canadian dollars)	**2016**	2015	2014	**2016**	2015	2014
Cash generated from operating activities	**11,733**	35,822	52,131	**139,712**	174,940	111,565
Cash used in investing activities	**(57,977)**	(17,982)	(13,218)	**(127,802)**	(327,763)	(128,675)
Net cash generated (used) before financing activities	**(46,244)**	17,840	38,913	**11,910**	(152,823)	(17,110)
Cash generated from (used in) financing activities	**25,406**	(5,658)	(3,542)	**(17,752)**	(17,530)	53,177
Increase (decrease) in net cash	**(20,838)**	12,182	35,371	**(5,842)**	(170,353)	36,067
Net foreign exchange difference	**(1)**	251	427	**937**	1,137	127
Net cash, beginning of period	**37,640**	17,479	8,676	**21,706**	199,128	8,280
Net cash, end of period	**16,801**	29,912	44,474	**16,801**	29,912	44,474

Operating activities

Cash flow from operations is used to fund maintenance capital, interest, income taxes and dividends. Parkland anticipates meeting payment obligations as they come due.

Q3 2016 vs. Q3 2015

Cash generated from operating activities was $24.1 million lower in the third quarter of 2016 compared to the same period in 2015 primarily as a result of $22.6 million lower cash flow generated from the net change in non-cash working capital during the third quarter of 2016. The lower cash flow generated from changes in non-cash working capital in the third quarter of 2016 was primarily attributable to increases in accounts receivable balances, which increased by $23.2 million between June 30, 2016 and September 30, 2016. In comparison, from June 30, 2015 to September 30, 2015, accounts receivable balances increased by $7.3 million. In addition, inventory balances increased by $19.9 million between June 30, 2016 and September 30, 2016. In comparison, from June 30, 2015 to September 30, 2015, inventory balances decreased by $2.0 million. The working capital requirements of accounts receivable and inventory were impacted by higher propane balances in the Supply and Wholesale segment. This was partially offset by $19.6 million increased accounts payable and accrued liabilities primarily due to increased fuel supply related purchases outstanding as at September 30, 2016.

Q3 2016 YTD vs. Q3 2015 YTD

Cash generated from operating activities was $35.2 million lower in the nine months ended September 30, 2016 compared to the same period in 2015 primarily as a result of $52.8 million lower cash flow generated from the net change in non-cash working capital, partially offset by $26.2 million higher Adjusted EBITDA earned during the nine months ended September 30, 2016. The higher Adjusted EBITDA earned in the nine months ended September 30, 2016 was primarily attributable to growth through acquisitions and a strong performance in the Supply and Wholesale segment. The lower cash flow generated from the net change in non-cash working capital for the nine months ended September 30, 2016 was primarily attributable to an increase in accounts receivable of $13.2 million between December 31, 2015 and September 30, 2016. In comparison, accounts receivable balances decreased by $105.4 million between December 31, 2014 and September 30, 2015. The working capital requirements of accounts receivable were impacted by rising commodity prices and higher business activity levels, as represented in the accounts receivable balances outstanding as at September 30, 2016 compared to December 31, 2015 versus the comparative period in 2015. The lower net change in non-cash working capital was partially offset by $64.1 million increased accounts payable and accrued liabilities balances due to increased fuel supply related purchases outstanding as at September 30, 2016.

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.

Q3 2016 vs. Q3 2015

During the third quarter of 2016, investing activities used $58.0 million of cash as compared to $18.0 million used during the same period of 2015 due to increased capital expenditures and higher acquisition funding requirements. In the third quarter of 2016, $33.5 million of cash was used for growth and maintenance capital expenditures, $8.6 million was used to increase cash held in escrow for future interest payments on the 5.75% Senior Notes, and $7.2 million was used for the acquisition of other businesses. In 2015, $21.1 million was used for growth and maintenance capital expenditures and $1.0 million was used for the acquisition of other businesses.

Q3 2016 YTD vs. Q3 2015 YTD

During the first nine months of 2016, investing activities used $127.8 million of cash as compared to $327.8 million during the same period of 2015, primarily due to lower acquisition funding requirements offset by increased capital expenditures. In 2016, $69.9 million of cash was used for growth and maintenance capital expenditures, $8.6 million was used to increase cash held in escrow for future interest payments on the 5.75% Senior Notes, and $36.0 million of cash was used for the acquisition of other businesses. In contrast, during the same period of 2015, $284.4 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 a meaningful dividend 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. See "Dividend Reinvestment Plan and Premium Dividend™ Plan" section of this MD&A.

Q3 2016 vs. Q3 2015

During the three months ended September 30, 2016, Parkland paid a monthly dividend of $0.0945 per share (three months ended September 30, 2015 – $0.0900 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $20.3 million (three months ended September 30, 2015 – $7.6 million). Cash dividends increased due to the discontinuation of the Premium Dividend™ Plan, an increase in shares outstanding and an increase in dividends paid per share.

Cash generated from financing activities during the third quarter of 2016 was $25.4 million, of which $46.5 million cash was generated from proceeds from long-term debt, $20.3 million used in dividends paid to shareholders and $3.4 million was used in long-term debt repayments. In contrast, cash used in financing activities during the third quarter of 2015 was $5.7 million, of which $7.6 million was used in dividends paid to shareholders.

Q3 2016 YTD vs. Q3 2015 YTD

During the nine months ended September 30, 2016, Parkland paid a monthly dividend ranging from $0.0900 to $0.0945 per share (nine months ended September 30, 2015 – $0.0880 to $0.0900 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period, were $44.3 million (nine months ended September 30, 2015 – $20.1 million). Cash dividends increased due to the discontinuation of the Premium Dividend™ Plan, an increase in shares outstanding and an increase in dividends paid per share.

Cash used in financing activities during the nine months ended September 30, 2016 was $17.8 million, of which $40.4 million was used in long-term debt repayments, $44.3 million used in dividends paid to shareholders and $63.0 million was cash generated from proceeds from long-term debt. In contrast, cash used in financing activities during the nine months ended September 30, 2015 was $17.5 million, of which $20.1 million was used in cash dividends paid to shareholders.

Available sources of liquidity

Parkland's sources of liquidity as at September 30, 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:

(in 000's of Canadian dollars)	**September 30, 2016**	December 31, 2015
Cash and cash equivalents	**16,801**	36,710
Bank indebtedness	**-**	(15,325)
Unused credit facilities	**279,523**	269,749
	296,324	291,134

Parkland has contracted obligations under various debt agreements, operating leases, capital leases, capital expenditures and other contractual commitments exceeding a five-year period. Parkland has included these items in the "Liquidity" section of its Annual MD&A. During the nine months ended September 30, 2016, Parkland's commitments increased by $608.7 million from $1,185.4 million as at December 31, 2015 to $1,794.1 million as at September 30, 2016. The increase is primarily attributable to an increase in long-term debt arising from the placement of the 5.75% Senior Notes and an increase in other long-term liabilities arising from the issuance of subscription receipts to partially fund the CST Brands Canada Acquisition.

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 contracts, change in pricing of products and payments to the applicable suppliers of a predetermined amount of commitments.

6. CAPITAL RESOURCES

Credit facility

A revolving extendible credit facility (the "Credit Facility") agreement was last amended on June 30, 2016 to extend the maturity to November 30, 2020. The facility is extendible each year for a rolling four-year period at the option of Parkland. If the Credit Facility is not extended past the maturity date of November 30, 2020, all amounts outstanding are repayable on the maturity date.

The Credit Facility is for a maximum amount of $320 million under the Canadian Syndicated Facility and US$30 million under the U.S. Operating Facility with interest payable at the banks' Canadian and U.S. prime lending rates plus 0.50% to 2.75% per annum, dependent on the facility and Parkland's debt covenant ratios. The Credit Facility includes the value of letters of credit issued to a maximum facility of $100 million and US$10 million. The Credit Facility also includes a $200 million accordion feature that could potentially increase the total lending capacity to $520 million and US$30 million. The Credit Facility is secured by the assignment of insurance and a floating charge demand debenture for $900 million, thus creating a first floating charge over all of the undertaking, property and assets of Parkland.

Senior Unsecured Notes

The following table provides a summary of Parkland's Senior Unsecured Notes:

	Private placement date	Due date	Principal balance outstanding as at September 30, 2016
Senior Unsecured Notes			
5.50% Notes	May 29, 2014	May 28, 2021	**200,000**
6.00% Notes	November 21, 2014	November 21, 2022	**200,000**
5.75% Notes	September 16, 2016	September 16, 2024	**300,000**
			700,000

The 5.75% Senior Notes were placed on September 16, 2016 and will be used to partially fund the CST Brands Canada Acquisition. The proceeds of the 5.75% Senior Notes are being held in escrow and have been recorded as cash held in escrow. The 5.75% Senior Notes are mandatorily redeemable if certain conditions relating to the CST Brands Canada Acquisition are not satisfied before August 22, 2017. As such, the 5.75% Senior Notes have been classified as a current liability in long-term debt – current portion. See Note 10 of the Interim Condensed Consolidated Financial Statements for additional information on the Senior Unsecured Notes.

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 and certain release conditions, without payment of additional consideration or further action on part of the holder. The subscription receipts would be automatically terminated and cancelled if certain conditions relating to the CST Brands Canada Acquisition are not satisfied before August 22, 2017. As such, the subscription receipts have been classified as a current liability in other liabilities – current portion. The proceeds of the subscription receipts are being held in escrow and have been recorded as cash held in escrow. As at September 30, 2016, subscription receipts recorded within other liabilities comprise gross proceeds of $231.0 million offset by deferred financing costs of $4.6 million.

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 November 3, 2016, no Securities have been issued under the Shelf Prospectus or 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.

Parkland's Premium Dividend™ Plan provided eligible shareholders with a 2% cash premium in addition to their regular cash dividend. The Premium Dividend™ Plan was discontinued effective April 1, 2016 when the annual dividend was increased by 5% to $1.134 per share.

The declaration of dividends is at the sole discretion of the Board of Directors and the amount of dividends declared by Parkland and the frequency of payment thereof, if any, may vary from time to time as a consequence of a number of factors including, without limitation, retail pricing and margins, availability and pricing of petroleum product supply, volatility of crude oil prices, capital expenditure requirements, operating costs and compliance with any restrictions on the declaration and payment of dividends contained in any agreement to which Parkland is a party from time to time (including, without limitation, the Credit Facility) and the satisfaction of the liquidity and solvency tests imposed by the Business Corporations Act (Alberta) for the declaration and payment of dividends.

Maintenance capital expenditures and growth capital expenditures

Maintenance capital expenditure is a non-GAAP measure that Parkland uses to calculate the investment needed to sustain the current level of economic activity and to maintain its future cash flow 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. Growth capital expenditure is a non-GAAP measure that Parkland uses to calculate the investment needed to increase the current level of economic activity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. There is no directly comparable IFRS measure for maintenance capital expenditures or growth capital expenditures. Other issuers may calculate these non-GAAP measures differently.

Examples of capital expenditures classified as 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.
- Upgrade or replacement of trucking fleets.

Examples of capital expenditures classified as growth capital expenditures include:

- Construction of a new building on an existing site.
- Addition of new trucks and trailers to increase the size of the fleet.

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.

The following table provides a summary of maintenance capital expenditures and growth capital expenditures:

(in 000's of Canadian dollars)	**Three months ended September 30, 2016**	2015	**Nine months ended September 30, 2016**	2015
Growth Capital Expenditures				
Retail Fuels	**11,183**	6,744	**19,493**	14,215
Commercial Fuels	**9,534**	1,233	**19,535**	2,371
Parkland USA	**44**	1,098	**1,392**	2,200
Supply and Wholesale	**1,272**	866	**2,326**	2,814
Corporate	**-**	182	**383**	295
Growth Capital Expenditures	**22,033**	10,123	**43,129**	21,895
Maintenance Capital Expenditures				
Retail Fuels	**5,752**	3,500	**11,181**	5,955
Commercial Fuels	**2,479**	4,101	**6,458**	8,380
Parkland USA	**1,494**	1,566	**4,327**	2,420
Supply and Wholesale	**708**	789	**2,323**	1,681
Corporate	**996**	1,068	**2,508**	1,974
Maintenance Capital Expenditures	**11,429**	11,024	**26,797**	20,410
Additions to property, plant and equipment and intangible assets	**33,462**	21,147	**69,926**	42,305

During the three and nine months ended September 30, 2016, Parkland's combined growth and maintenance capital expenditures increased by $12.3 million and $27.6 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 and performing station upgrades and rebuilds in the Retail Fuels segment.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at September 30, 2016 were $8.5 million (December 31, 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.

Financial covenants and metrics

As at September 30, 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:

	Debt covenant ratios as at September 30, 2016	December 31, 2015
1. Senior Funded Debt to Credit Facility EBITDA Ratio shall not exceed 3.50 to 1.00 as at the first and fourth quarter ends and for the first two full quarters following a completion of a material acquisition, and 3.00 to 1.00 as at the second and third quarter ends.	**0.29**	0.28
2. Total Funded Debt to Credit Facility EBITDA Ratio shall not exceed 4.50 to 1.00 at any quarter end.	**1.93**	1.94
3. Interest Coverage Ratio at each quarter shall not be less than 3.00 to 1.00 at any quarter end.	**8.08**	8.16

Refer to the "Non-GAAP financial measures, reconciliations and advisories" section for the calculation of Parkland's debt covenants.

7. 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 3 of the Annual Consolidated Financial Statements for the description of policies or references to notes where such policies are contained.

The accounting policies adopted in the preparation of the Interim Condensed Consolidated Financial Statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except for (i) the adoption of new standards and interpretations effective as of January 1, 2016, (ii) for the purposes of calculating income taxes during the interim periods, where Parkland utilizes estimated annualized income tax rates, and (iii) the accounting of subscription receipts, which is a new financial instrument issued on September 7, 2016.

Subscription receipts

Parkland accounts for subscription receipts as a financial liability in other liabilities, including when there may be a requirement for Parkland to deliver cash or another financial asset in the event of the occurrence or non-occurrence of uncertain future events that are beyond the control of both Parkland and the holder of the subscription receipt. Transaction costs are recorded as a deferred financing cost reducing the financial liability. Subscription receipts are accounted for as an equity instrument only when both conditions (a) and (b) below are met:

(a) The subscription receipt does not include a contractual obligation to deliver cash or another financial asset to another entity, or does not include a contractual obligation to exchange financial assets or liabilities with another entity under conditions that are potentially unfavourable to Parkland; and

(b) The subscription receipt does not include a contractual obligation for Parkland to deliver a variable number of its own equity instruments, or is a derivative that will be settled only by Parkland exchanging a fixed amount of cash or another financial asset for a fixed number of Parkland's own equity instruments.

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 and liabilities, the accompanying disclosures and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates, emergence of new information or changed circumstances may result in changes to actual results or changes to estimated amounts that differ materially from current estimates. Refer to "Significant accounting estimates, assumptions and judgments" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgments. Since the date of our Annual MD&A, there have been no material changes to the significant accounting estimates, assumptions and judgments.

Changes in accounting policies

IAS 1 – Presentation of Financial Statements

On December 18, 2014, the IASB issued amendments to IAS 1 – Presentation of Financial Statements as part of its major initiative to improve presentation and disclosure in financial reports, and these amendments will be effective for annual periods beginning on or after January 1, 2016. This standard does not apply to the structure and content of condensed interim financial statements prepared in accordance with IAS 34 – Interim Financial Reporting. The amendments are not expected to have a significant impact on the consolidated financial statements for the year ending December 31, 2016.

Annual Improvements 2012-2014 Cycle

These improvements were applicable for annual periods beginning on or after January 1, 2016 and Parkland adopted these amendments in the Interim Condensed Consolidated Financial Statements. They include improvements to IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations, IFRS 7 – Financial Instruments: Disclosures, and IAS 34 – Interim Financial Reporting. The adoption of these amendments did not have a significant impact on Parkland's consolidated financial statements.

8. RISK FACTORS

The information presented in the "Risk factors" section on the Annual MD&A and Annual Information Form has not changed materially since their date of publication, except as set forth below.

Risks relating to the CST Brands Canada Acquisition

CST Brands Canada Acquisition closing

The CST Brands Canada Acquisition is subject to certain conditions that may be outside the control of Parkland, including the completion by Couche-Tard of the Couche-Tard CST Transaction, which is subject to customary conditions, including, but not limited to, stockholder approval, various third-party consents and regulatory approvals, and bears all risks inherent in such a transaction, and obtaining various third-party consents and regulatory approvals, including those required under the Competition Act (Canada). The CST Brands Canada Acquisition is subject to other commercial risks that it may not close on the terms negotiated or at all.

Significant acquisition and related costs

Parkland expects to incur a number of costs associated with completing the CST Brands Canada Acquisition and integrating the operations of Parkland and the CST Assets. The substantial majority of such costs will be non-recurring expenses and will consist of transaction costs related to the CST Brands Canada Acquisition, facilities and systems consolidation costs and employment-related costs. Additional unanticipated costs may be incurred in 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 determination to be based upon a review of the transaction by the Commissioner of Competition under the Competition Act (Canada). 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.

Failure to realize the anticipated benefits of the acquisition

Achieving the benefits of the CST Brands Canada Acquisition depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, including the operating expense reductions. The integration of the CST Assets requires the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the CST Brands Canada Acquisition and financial projections related thereto.

Potential undisclosed liabilities associated with the acquisition

Although Parkland conducted what it believed to be a prudent and thorough level of investigation 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 in respect of 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.

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 2015 Annual Information Form relating to the business and the operations of Parkland apply equally in respect of the CST Assets.

9. OTHER

Controls environment

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 of Parkland's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at September 30, 2016. 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 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 effectiveness of such controls as at September 30, 2016.

Based on the evaluation of the design effectiveness of Parkland's DC&P, the CEO and the CFO have concluded that Parkland's DC&P were designed effectively as of September 30, 2016 to provide reasonable assurance that material information relating to Parkland is made known to them by others, particularly during the period in which the interim filings are being prepared and information required to be disclosed by Parkland in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation. They have further concluded that ICFR were designed or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

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.

Changes in internal controls over financial reporting

There have been no changes in Parkland's ICFR during the nine months ended September 30, 2016 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR.

Financial instruments

Information on Parkland's financial instruments can be found in Note 11 of the Interim Condensed Consolidated Financial Statements and Note 16 of the Annual Consolidated Financial Statements. The techniques used to value

financial instruments and the nature and extent of Parkland's usage of financial instruments have not changed materially since December 31, 2015.

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:

	Fair value as at September 30, 2016			
(in 000's of Canadian dollars)	**Quoted prices in active markets (Level 1)**	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
Redemption Options	**-**	**22,810**	**-**	**22,810**
Risk management assets				
Commodities swaps and forward contracts	**-**	**244**	**-**	**244**
Commodities futures contracts	**-**	**190**	**-**	**190**
Total risk management assets	**-**	**434**	**-**	**434**
Risk management liabilities				
Commodities swaps and forward contracts	**-**	**(1,929)**	**-**	**(1,929)**
U.S. dollar forward exchange contracts	**-**	**(709)**	**-**	**(709)**
Total risk management liabilities	**-**	**(2,638)**	**-**	**(2,638)**

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 the 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 was $22.8 million as at September 30, 2016 (December 31, 2015 – $9.1 million). The change in fair value of the Redemption Options for the three and nine months ended September 30, 2016 was a gain of $0.5 million and $10.6 million, respectively (three and nine months ended September 30, 2015 – gain of $0.3 million and loss of $1.8 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 September 30, 2016 was $0.4 million and $2.6 million, respectively (December 31, 2015 – $4.8 million and $3.6 million). Loss on risk management activities for the three and nine months ended September 30, 2016 was $0.2 million and $5.3 million, respectively (three and nine months ended September 30, 2015 – loss of $0.3 million and $5.3 million).

Off-balance sheet arrangements

Guarantees

As at September 30, 2016, Parkland provided $722.2 million of unsecured guarantees to counterparties of commodity and U.S. dollar forward exchange contracts used in natural gas liquids and crude oil purchases and supply agreements.

Letters of credit

As at September 30, 2016, outstanding balances for letters of credit totalled $13.9 million, which mature at various dates up to August 23, 2017.

Other

Parkland does not have any relationships or arrangements with entities that are not consolidated into its financial statements that are reasonably likely to materially affect 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

Legal services

A director of Parkland is also a partner of Bennett Jones LLP, a firm that provides legal services to Parkland. The amounts related to fees expensed for the nine months ended September 30, 2016 were $2.8 million (nine months ended September 30, 2015 – $3.4 million), and there were no amounts payable as at September 30, 2016 (December 31, 2015 – $0.2 million).

Director's interests

Parkland has receivable balances of $2.1 million from the vendor of the Pioneer Acquisition and Pioneer Fuels Inc., where the President and CEO is also a director of Parkland (December 31, 2015 – $5.0 million).

Parkland sells fuel at market prices to a company where the owner is also a director of Parkland. Sales and operating revenue generated in the normal course of business for the nine months ended September 30, 2016 was $6.1 million, and the accounts receivable balance outstanding as at September 30, 2016 was $0.3 million (December 31, 2015 – $0.4 million).

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Shares outstanding

As at November 3, 2016, Parkland had approximately 95.9 million shares, 3.1 million share options and 0.9 million restricted share units outstanding. The share options consist of approximately 1.2 million share options that are currently exercisable into shares.

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:

	Trailing twelve months ended	
	2016	2015
Lost time injury frequency	**0.11**	0.24

10. NON-GAAP FINANCIAL MEASURES, RECONCILIATIONS AND ADVISORIES

Measures of segment profit

Adjusted Earnings before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") and Adjusted Gross Profit, including Fuel and Petroleum Product Adjusted Gross Profit, are IFRS measures of segment profit as reported in Note 17 – Segment Information of the Interim Condensed Consolidated Financial Statements and Note 27 – Segment Information of the Annual Consolidated Financial Statements. 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 17 – Segment Information of the Interim Condensed Consolidated Financial Statements for a full reconciliation and further information.

Adjusted EBITDA

As the key measure of segment profit, Parkland views Adjusted EBITDA as the 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, and is one metric that can be used to determine Parkland's ability to service its debt, finance capital expenditures and provide for the payment of dividends to shareholders. Adjusted EBITDA excludes costs that are considered to be not representative of Parkland's underlying core operating performance, including direct and indirect costs related to potential and completed acquisitions and business integrations. Commencing in the second quarter of 2015, Parkland incurred integration and other costs that do not represent the core business performance of Parkland. Therefore, "Acquisition costs" was renamed to "Acquisition, integration and other costs". Adjusted EBITDA is calculated as net earnings (loss) added by 1) finance costs, 2) loss (gain) on disposal of property, plant and equipment, 3) income tax expense, 4) unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts, 5) unrealized loss on foreign exchange, 6) acquisition, integration and other costs, and 7) depreciation and amortization. Other issuers may calculate Adjusted EBITDA differently.

The following table reconciles net earnings to Adjusted EBITDA for the period:

	Three months ended September 30,		Nine months ended September 30,	
(in 000's of Canadian dollars)	**2016**	2015	**2016**	2015
Net earnings	**14,757**	14,567	**44,215**	23,821
Finance costs	**7,831**	8,361	**12,992**	25,832
Loss (gain) on disposal of property, plant and equipment	**209**	57	**(217)**	188
Income tax expense	**3,428**	5,088	**13,636**	14,096
Unrealized loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts	**942**	57	**3,441**	2,242
Unrealized loss (gain) on foreign exchange	**384**	(1,161)	**1,009**	(937)
Acquisition, integration and other costs[1]	**5,380**	5,473	**18,408**	21,091
Depreciation and amortization	**27,424**	26,630	**82,947**	63,927
Adjusted EBITDA	**60,355**	59,072	**176,431**	150,260

[1] Acquisition, integration and other costs for the three months ended September 30, 2016 comprise acquisition costs of $3.5 million and integration costs of $1.8 million (three months ended September 30, 2015 – acquisition costs of $4.4 million and integration costs of $1.1 million). Acquisition, integration and other costs for the nine months ended September 30, 2016 comprise acquisition costs of $13.3 million, integration costs of $3.5 million and other costs of $1.6 million (nine months ended September 30, 2015 – acquisition costs of $12.0 million, a refinery billing adjustment of $3.2 million, integration costs of $4.2 million and other costs of $1.7 million).

Adjusted gross profit

Adjusted gross profit is a measure of segment profit and loss that Parkland uses to analyze performance of sale and purchase transactions and performance between reporting periods. Adjusted gross profit is calculated as follows:

	Three months ended September 30,		Nine months ended September 30,	
(in 000's of Canadian dollars)	**2016**	2015	**2016**	2015
Sales and operating revenue	**1,638,097**	1,862,234	**4,526,016**	4,643,770
Cost of goods sold	**(1,467,773)**	(1,694,734)	**(4,013,260)**	(4,198,150)
Realized gain (loss) on risk management activities	**739**	(283)	**(1,824)**	(3,028)
Realized gain (loss) on foreign exchange	**45**	(259)	**(431)**	2,571
Adjusted gross profit	**171,108**	166,958	**510,501**	445,163
Fuel and petroleum product adjusted gross profit	**132,390**	128,563	**400,363**	349,337
Non-fuel adjusted gross profit	**38,718**	38,395	**110,138**	95,826
Adjusted gross profit	**171,108**	166,958	**510,501**	445,163

Non-GAAP financial measures

Certain financial measures in this MD&A and discussed below are not prescribed by GAAP and as such they are unlikely to be comparable to similar measures presented by other issuers. These non-GAAP financial measures are included because management uses the information to analyze operating performance, leverage and liquidity. Other issuers may calculate these non-GAAP measures differently.

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

The Credit Facility agreement defines the Credit Facility EBITDA, which is used in the calculation of debt covenants, as discussed in the "Capital Resources – Financial Covenants and Metrics" section of this MD&A. Credit Facility EBITDA allows management to monitor Parkland's ability to service its debt and to meet its current and future commitments. Additional cash requirements can be met through the adjustment of capital spending, adjustment of dividends paid to shareholders, issuance of new debt or issuance of new shares. 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 for the trailing twelve months:

	Three months ended				Trailing twelve
(in 000's of Canadian dollars)	**December 31, 2015**	**March 31, 2016**	**June 30, 2016**	**September 30, 2016**	**months ended September 30, 2016**
Adjusted EBITDA	**64,854**	**59,681**	**56,395**	**60,355**	**241,285**
Share incentive compensation	**7,173**	**1,145**	**2,366**	**3,276**	**13,960**
	72,027	**60,826**	**58,761**	**63,631**	**255,245**
Acquisition, integration and other costs adjustment[(1)]					**(12,000)**
Credit Facility EBITDA					**243,245**

[(1)] The adjustment for acquisition, integration and other costs was calculated to be $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.

	Three months ended				Trailing twelve
(in 000's of Canadian dollars)	March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	months ended December 31, 2015
Adjusted EBITDA	57,133	34,055	59,072	64,854	215,114
Share incentive compensation	2,122	2,395	987	7,173	12,677
	59,255	36,450	60,059	72,027	227,791
Acquisition pro-forma adjustment [(1)]					24,000
Acquisition, integration and other costs adjustment[(2)]					(12,000)
Credit Facility EBITDA					239,791

[(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

Senior Funded Debt and Total Funded Debt are defined in accordance with the terms of the Credit Facility. Debt covenant ratios are tested on the trailing-twelve-month Credit Facility EBITDA. Parkland believes that in addition to demonstrating compliance with debt covenants, the Senior Funded Debt to Credit Facility EBITDA ratio and the Total Funded Debt to Credit Facility EBITDA ratio provide users with an indication of Parkland's ability to repay its debt. To manage its financing requirements, Parkland may adjust its capital spending, adjust dividends paid to shareholders, issue new shares or issue new debt. These metrics are also used to monitor and guide Parkland's overall financial strength and flexibility of its capital structure. This non-GAAP measure is calculated as follows:

(in 000's of Canadian dollars, unless otherwise noted)	**September 30, 2016**	December 31, 2015
Senior Funded Debt:		
Long-term debt – current portion (excluding 5.75% Senior Notes)[1]	**2,895**	4,413
Bank indebtedness	**-**	15,325
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	**71,585**	42,075
Letters of credit and surety bonds[3]	**13,857**	41,193
Cash and cash equivalents and restricted cash	**(16,801)**	(37,031)
Senior Funded Debt[1]	**71,536**	65,975
Senior Unsecured Notes (excluding 5.75% Senior Notes)[1]	**399,112**	398,965
Total Funded Debt[1]	**470,648**	464,940
Credit Facility EBITDA[2]	**243,245**	239,791
Senior Funded Debt to Credit Facility EBITDA Ratio[2]	**0.29**	0.28
Total Funded Debt to Credit Facility EBITDA Ratio[2]	**1.93**	1.94

[1] As at September 30, 2016, 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 on the Annual MD&A 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 Credit Facility defines the Interest Coverage Ratio, which is used in the calculation of debt covenants. Parkland believes that in addition to demonstrating compliance with debt covenants, this ratio provides users with an indication of Parkland's ability to pay interest on the outstanding debt. This non-GAAP measure is calculated as follows:

	Trailing twelve months ended	
(in 000's of Canadian dollars, unless otherwise noted)	**September 30, 2016**	December 31, 2015
Credit Facility EBITDA	**243,245**	239,791
Interest[1]	**30,122**	29,374
Interest Coverage Ratio	**8.08**	8.16

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

Net Unit Operating Cost ("NUOC")

NUOC is calculated as the sum of operating costs and management, general and administrative expenses less non-fuel adjusted gross profit divided by the fuel and petroleum product volume within the Retail Fuels segment. This industry metric 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

(in 000's of Canadian dollars)	Three months ended December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	Trailing twelve months ended September 30, 2016
Operating costs	**23,594**	**22,962**	**24,471**	**24,538**	**95,565**
Marketing, general and administrative	**6,373**	**6,137**	**5,940**	**5,603**	**24,053**
Less: Non-fuel adjusted gross profit	**(12,847)**	**(13,959)**	**(13,689)**	**(14,044)**	**(54,539)**
	17,120	**15,140**	**16,722**	**16,097**	**65,079**
Fuel and petroleum product volume[1] (000's of litres)	**912,002**	**843,139**	**935,930**	**1,001,827**	**3,692,898**
NUOC	**1.88**	**1.80**	**1.79**	**1.61**	**1.76**

[1] Includes diesel, gasoline and propane volumes.

(in 000's of Canadian dollars)	Three months ended December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	Trailing twelve months ended September 30, 2015
Operating costs	6,470	6,090	7,983	23,820	44,363
Marketing, general and administrative	2,941	3,459	3,407	6,236	16,043
Less: Non-fuel adjusted gross profit	(5,152)	(4,767)	(5,894)	(12,908)	(28,721)
	4,259	4,782	5,496	17,148	31,685
Fuel and petroleum product volume[1] (000's of litres)	426,957	380,420	463,094	996,746	2,267,217
NUOC	1.00	1.26	1.19	1.72	1.40

[1] Includes diesel, gasoline and propane volumes.

Operating Ratio

Operating ratio is a metric that represents expenses as a percentage of gross profit. TTM operating ratio is calculated as the sum of the trailing-twelve-month ("TTM") operating costs and management, general and administrative expenses divided by the trailing-twelve-month adjusted gross profit of the segment. 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 segment. This non-GAAP measure is calculated as follows:

Commercial Fuels

(in 000's of Canadian dollars)	Three months ended December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	Trailing twelve months ended September 30, 2016
Operating costs	**31,870**	**33,179**	**28,932**	**28,148**	**122,129**
Marketing, general and administrative	**5,834**	**6,304**	**6,372**	**5,900**	**24,410**
	37,704	**39,483**	**35,304**	**34,048**	**146,539**
Adjusted gross profit	**52,097**	**61,528**	**41,511**	**38,397**	**193,533**
TTM operating ratio					**75.7%**

(in 000's of Canadian dollars)	Three months ended December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	Trailing twelve months ended September 30, 2015
Operating costs	35,073	37,802	29,387	28,401	130,663
Marketing, general and administrative	6,100	6,020	5,692	5,742	23,554
	41,173	43,822	35,079	34,143	154,217
Adjusted gross profit	61,507	75,088	43,229	39,714	219,538
TTM operating ratio					70.2%

Parkland USA

(in 000's of Canadian dollars)	December 31, 2015	March 31, 2016	June 30, 2016	September 30, 2016	Trailing twelve months ended September 30, 2016
	Three months ended				
Operating costs	**10,738**	**10,670**	**9,924**	**10,173**	**41,505**
Marketing, general and administrative	**1,897**	**2,083**	**1,913**	**1,682**	**7,575**
	12,635	**12,753**	**11,837**	**11,855**	**49,080**
Adjusted gross profit	**16,754**	**16,171**	**15,207**	**16,133**	**64,265**
TTM operating ratio					**76.4%**

(in 000's of Canadian dollars)	December 31, 2014	March 31, 2015	June 30, 2015	September 30, 2015	Trailing twelve months ended September 30, 2015
	Three months ended				
Operating costs	9,315	9,499	9,403	9,933	38,150
Marketing, general and administrative	1,879	1,903	1,887	1,710	7,379
	11,194	11,402	11,290	11,643	45,529
Adjusted gross profit	19,185	16,050	16,177	17,909	69,321
TTM operating ratio					65.7%

Adjusted Marketing, General and Administrative expenses

Adjusted marketing, general and administrative expenses are calculated by reducing marketing, general and administrative expenses by acquisition, integration and other costs. 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 is one metric that can 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:

(in 000's of Canadian dollars)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Marketing, general and administrative	**42,012**	39,872	**125,556**	116,806
Less: Acquisition, integration and other costs	**(5,380)**	(5,473)	**(18,408)**	(21,091)
Adjusted marketing, general and administrative	**36,632**	34,399	**107,148**	95,715

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:

(in 000's of Canadian dollars, unless otherwise noted)	Three months ended September 30, 2016	2015	Nine months ended September 30, 2016	2015
Corporate marketing, general and administrative	**18,675**	15,466	**55,372**	53,366
Less: Acquisition, integration and other costs	**(5,380)**	(5,473)	**(18,408)**	(21,091)
Corporate adjusted marketing, general and administrative	**13,295**	9,993	**36,964**	32,275
Parkland's adjusted gross profit	**171,108**	166,958	**510,501**	445,163
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit	**7.8%**	6.0%	**7.2%**	7.3%

Key operating performance measures

Company C-Store same-store sales growth

Company C-Store same-store sales growth is a key operating performance measure used by management to identify 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 as well as temporary closures, expansions or renovations of stores. 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. 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. Other issuers may calculate this metric differently. There is no directly comparable IFRS measure for Company C-Store same-store sales growth.

Volume same-store sales growth

Volume same-store sales growth is a key operating performance measure used by management to identify 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. Other issuers may calculate this metric differently.

Forward-looking Information

Certain information included herein is forward-looking. Many of these statements can be identified by words such as "believes", "expects", "expected", "will", "intends", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, forward-looking statements included in this document include, without limitation, 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 "balanced barrel" products 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 Northwest United States and Western 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; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Pioneer Acquisition.

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. 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 integrate the business of Pioneer Energy's retail gas business into its 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 our Annual Information Form.

Forward-looking statements are not guarantees of future performance and involve a number of risks and uncertainties, some of which are described in the 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, risks associated with:

- the integration of businesses into Parkland's operations;
- retail pricing and margin erosion;
- volatility in crude oil prices and in wholesale petroleum pricing and supply;
- competitive action by other companies;
- actions by governmental authorities including increases in taxes and changes in environmental and other regulations;
- information technology management;
- the ability of suppliers to meet commitments;
- safety and environmental incidents;
- failure to meet financial, operational and strategic objectives and plans;
- general economic, market and business conditions;
- industry capacity;
- failure to achieve the anticipated benefits (including benefits to consumers and marketplace efficiencies) of previously announced acquisitions and acquisitions announced herein (including but not limited to the CST Brands Canada Acquisition);
- the integration of businesses, including those of the CST Assets, into Parkland's operations;
- the operation of Parkland's assets, including the CST Assets, following completion of the CST Brands Canada Acquisition;
- the inability of Couche-Tard to complete the Couche-Tard CST Transaction;
- the 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;
- actions by governmental authorities, including the Commissioner and the Competition Tribunal and other regulators in respect of the CST Brands Canada Acquisition or otherwise;
- potential undisclosed liabilities (including environmental) associated with the CST Brands Canada Acquisition;
- increased indebtedness associated with the completion of the CST Brands Canada Acquisition; 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 laws, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

Parkland wishes to caution readers not to place undue reliance on any forward-looking statements, which speak only as of the date made. Readers should also refer to the "Risk factors" section included above and in the Annual Information Form for additional information on risk factors and other events that are not within Parkland's control. Parkland's future financial and operating results may fluctuate as a result of these and other risk factors.