Three months ended March 31, 2016

Report to Shareholders

Management's Discussion and Analysis Q1 2016

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This Management's Discussion and Analysis ("MD&A") dated May 3, 2016 should be read in conjunction with Parkland Fuel Corporation's ("Parkland", the "Corporation", "we", "our" or "us") March 31, 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 Chartered Professional Accountants of Canada Handbook, 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 Earnings before Interest, Taxes, Depreciation and Amortization" (or "Adjusted EBITDA"), "Gross Profit", "Adjusted Gross Profit", "Adjusted Marketing, General and

Administrative expense", "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.

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

	Three months ended March 31,		
(in millions of Canadian dollars and shares)	**2016**	2015	2014
Sales and operating revenue	**1,318.1**	1,391.6	2,017.4
Adjusted gross profit[(1)]	**172.8**	155.2	160.0
Adjusted EBITDA[(1)]	**59.7**	57.1	61.2
Net earnings	**24.9**	19.8	22.3
Per share – basic	**0.26**	0.24	0.30
Per share – diluted	**0.26**	0.24	0.30
Distributable cash flow[(2)]	**34.8**	36.3	44.6
Per share[(2)(3)]	**0.37**	0.44	0.60
Dividends	**26.7**	23.5	19.2
Per share outstanding	**0.28**	0.28	0.26
Dividend payout ratio[(2)]	**77%**	65%	43%
Adjusted dividend payout ratio[(2)]	**68%**	60%	41%
Total assets	**1,772.0**	1,514.2	1,461.7
Total long-term liabilities	**580.4**	549.9	449.4
Shares outstanding	**94.7**	82.9	73.8
Weighted average number of common shares	**94.3**	82.9	73.6

(1) Non-GAAP financial measure. 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 March 31,		
	2016	2015	2014
Fuel volume (millions of litres)	**2,437**	2,238	2,272
Fuel and petroleum product adjusted gross profit[(1)] (cpl):			
Retail Fuels	**5.16**	4.87	4.34
Commercial Fuels	**13.11**	13.56	11.32
Parkland USA	**3.86**	3.41	3.25
Operating costs (cpl)	**3.24**	2.97	2.87
Adjusted marketing, general and administrative[(1)] (cpl)	**1.42**	1.43	1.50

(1) 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 unveiled its five year strategic plan in the fall of 2015 which consists of the following pillars:

- **Grow organically**
  Parkland drives organic growth by innovatively pursing opportunities to increase gross profit, focusing on delivering a great customer experience and improving 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" product (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.

Q1 2016 Highlights

- Parkland's Adjusted EBITDA grew by 4.5% as compared to the prior year. Adjusted EBITDA was $59.7 million in the first quarter of 2016, compared to $57.1 million in the first quarter of 2015. The growth in Adjusted EBITDA was driven by growth in the Retail Fuels segment following the successful acquisition of Pioneer Energy.
- We achieved a 9% growth in volume, delivering over 2.4 billion litres of fuel and petroleum products in the first quarter of 2016, compared to 2.2 billion litres of fuel and petroleum products in first quarter of 2015. The increase in volume is primarily driven by growth in Parkland's Retail Fuels segment following the successful acquisition of Pioneer Energy and Chevron-branded service stations in British Columbia.
- Sales and operating revenues were $1.3 billion in 2016, compared to $1.4 billion in 2015, despite an increase in volumes, due to the decline of petroleum prices.
- Parkland's net earnings were $24.9 million in the first quarter of 2016, compared to $19.8 million in the first quarter of 2015. The growth in Adjusted EBITDA was substantially offset by higher depreciation and amortization costs and acquisition, integration and other costs as a result of recent acquisition activities.
- On March 8, 2016, Parkland entered into an agreement with Imperial Oil Ltd. to acquire the On the Run/Marché Express convenience store franchise system and related trademarks in Canada, as well as an agreement with Imperial Oil Ltd. to acquire the real estate assets, including the land, buildings and equipment, at 17 Esso-branded retail sites in Saskatchewan and Manitoba (the "Imperial Transaction").

The Imperial Transaction includes the franchise agreements for approximately 80 On the Run/Marché Express convenience stores currently operated by Esso-branded fuel dealers and distributors. The 17 Esso-branded retail sites to be acquired are currently operated by Parkland under long-term operating leases with Imperial Oil Ltd. The transaction is subject to standard closing conditions and is anticipated to close by the end of the third quarter of 2016.

- On March 10, 2016, Parkland announced the acquisition of Propane Nord-Ouest ("PNO") located in Quebec, Canada for consideration of approximately $22.5 million. PNO is a propane marketing business that serves the mining industry and other industrial customers in the Abitibi-Témiscamingue region of Northwestern Quebec. This acquisition, which was completed on April 5, 2016, 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 Elbow River Marketing business for all-season supply of propane as well as fuel and lubricant products.
- On April 13, 2016, Parkland entered into an agreement with Girard Bulk Service Ltd. to acquire their propane business for consideration of approximately $4.8 million. Girard Bulk Service Ltd.'s propane business services commercial and residential customers in Southeastern Saskatchewan. This acquisition is expected to support Parkland's growing Commercial Fuels presence in the region. The acquisition is subject to standard closing conditions and is anticipated to close in May 2016.
- As at March 31, 2016, we supported a network of 1,068 service stations across Canada through our dealer and retailer operated models.
- Effective April 1, 2016, Parkland's annual dividend increased by 5% to $1.134 per share.

Q1 2016 vs. Q1 2015 overall performance

Net earnings

Parkland's net earnings for the first quarter of 2016 were $24.9 million, compared to net earnings of $19.8 million for the first quarter of 2015.

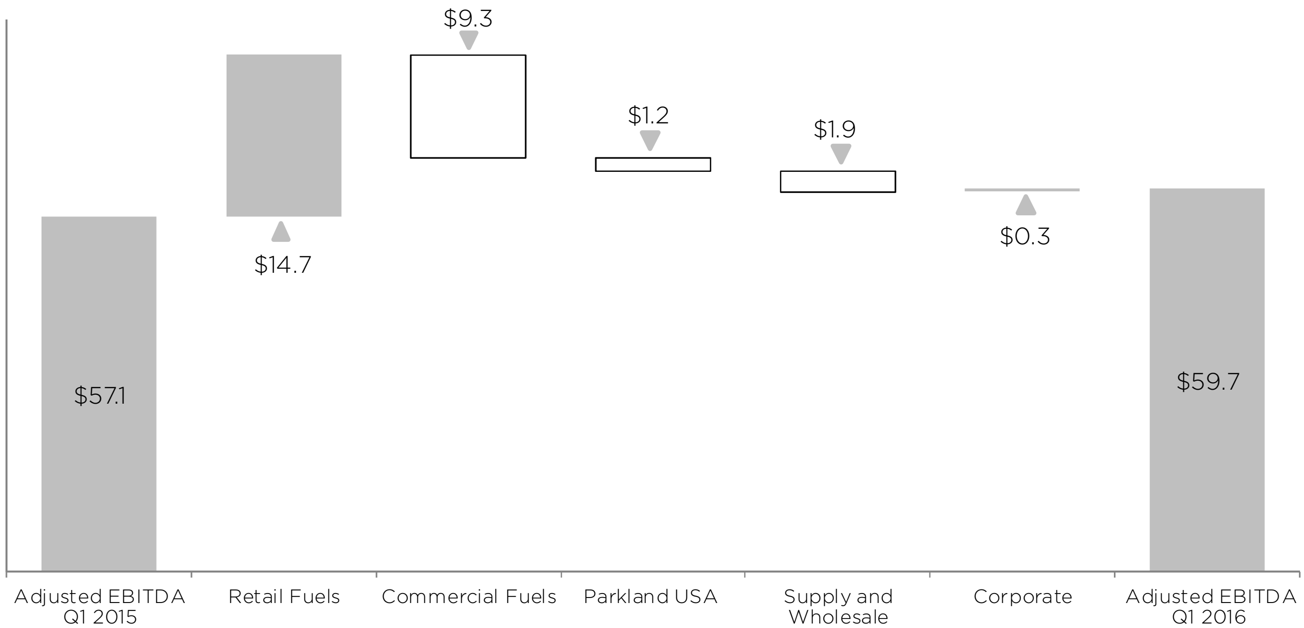
- Finance costs in the first quarter of 2016 decreased to an income of $0.2 million compared to an expense of $6.4 million in the first quarter of 2015. The decrease in finance costs was primarily attributable to a $6.6 million increase on the non-cash gain recognized on the change in fair value of the Redemption Options, due to changing debt market conditions. Furthermore, Parkland did not incur interest and accretion on convertible debentures during the first quarter of 2016. The convertible debentures were settled in the fourth quarter of 2015 and no convertible debentures remained outstanding as at March 31, 2016.
- Income tax expense decreased to $5.4 million in the first quarter of 2016, compared to $7.7 million in the first quarter of 2015. Income tax expense decreased as non-taxable items reduced the effective tax rate, partially offset by $2.8 million in higher earnings before income taxes.
- The loss on risk management activities in the first quarter of 2016 was $0.5 million, compared to a loss of $2.5 million in the same period in 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 first quarter of 2016 was $25.9 million, compared to $19.7 million in the first quarter of 2015. The higher depreciation in 2016 is primarily attributable to increased property, plant and equipment and intangible assets as a result of the acquisition of substantially all of the assets and select liabilities comprising the Pioneer Energy retail gas business domiciled in Ontario, Canada (the "Pioneer Acquisition") and other acquisitions in 2015.
- Adjusted EBITDA in the first quarter of 2016 was $59.7 million, compared to $57.1 million in the first quarter of 2015. The growth in Adjusted EBITDA was primarily attributable to growth in the Retail Fuels segment as a result of the acquisition of Pioneer Energy and Chevron-branded service stations. The growth was partially offset by weaker results in the Commercial Fuels segment, which was primarily driven by reduced economic activity and a warmer winter season.

Adjusted EBITDA

(in 000's of Canadian dollars)	Three months ended March 31, **2016**	2015
Net earnings	**24,870**	19,778
Finance costs	**(189)**	6,397
(Gain) loss on disposal of property, plant and equipment	**(519)**	356
Income tax expense	**5,384**	7,691
Unrealized (gain) loss from the change in fair value commodities swaps and forward contracts, U.S. dollar forward exchange contracts and future contracts	**(739)**	1,020
Unrealized loss (gain) on foreign exchange	**348**	(478)
Acquisition, integration and other costs	**4,626**	2,662
Depreciation and amortization	**25,900**	19,707
Adjusted EBITDA[1]	**59,681**	57,133

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

Adjusted EBITDA growth by segment



Retail Fuels Adjusted EBITDA grew by $14.7 million in the first quarter of 2016 primarily due to increased site counts from the acquisition of Pioneer Energy in June 2015. The growth experienced during the quarter was offset by weaker results in Commercial Fuels, which saw a decline in Adjusted EBITDA of $9.3 million as a result of reduced economic activity in Western Canada and a warmer winter season. This was partially offset by operational improvements using fleet management and other technology solutions. The Parkland USA segment and Supply and Wholesale segment also experienced modest declines quarter-on-quarter from lower economic activity, warmer winter season, and higher market price volatility. However, the Corporate segment, which provides centralized administrative services for Parkland, improved its expenses by $0.3 million.

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 1,068 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 March 8, 2016, Parkland entered into an agreement to acquire the On the Run/Marché Express convenience store franchise system and related marks in Canada, expanding Parkland's brand offerings. This acquisition is anticipated to close by the third quarter of 2016, subject to standard closing conditions.

Business models

Parkland Retail Fuels operates under the following three main models:

- **Company owned, retailer operated ("Company") sites** – These sites are either owned or leased by Parkland and operated and managed on its behalf by independent entrepreneurs (retailers). Parkland owns the fuel inventory and maintains control of the retail selling price at the pumps; the retailer owns the convenience store inventory. Parkland pays the retailer a cpl 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 ("Dealer") sites** – These sites are either 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 ("Dealer Consigned") sites** – These sites are either 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 "cents per litre" commission on the fuel sales.

Site counts by brand and business models

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

	Fas Gas Plus	Race Trac	Esso	Chevron	Pioneer	Other	Total
Company sites	**90**	**2**	**65**	**30**	**121**	**-**	**308**
Dealer and Dealer Consigned sites	**87**	**77**	**519**	**11**	**32**	**34**	**760**
Site count, as at March 31, 2016	**177**	**79**	**584**	**41**	**153**	**34**	**1,068**
Company sites	94	2	64	30	121	1	312
Dealer and Dealer Consigned sites	83	80	522	11	31	36	763
Site count, as at December 31, 2015	177	82	586	41	152	37	1,075
Net change in site count	-	(3)	(2)	-	1	(3)	(7)

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 first quarter of 2016 grew to $28.4 million, as compared to $13.7 million for the first quarter of 2015. The increase in site count from the acquisition of Pioneer Energy in 2015 was the primary driver of the Adjusted EBITDA growth of 107%. Company C-Store same-store sales growth, a key performance operating measure, was 7.5% as a result of ongoing store refresh programs and other improvement initiatives at Pioneer Energy sites since their acquisition.

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015	Change	%
Fuel and petroleum product volume[1] (000's of litres)	**843,139**	380,420	462,719	122%
Sales and operating revenue	**550,489**	270,520	279,969	103%
Fuel and petroleum product adjusted gross profit[2]	**43,543**	18,509	25,034	135%
Non-fuel adjusted gross profit[2]	**13,959**	4,767	9,192	193%
Adjusted gross profit[2]	**57,502**	23,276	34,226	147%
Operating costs	**22,962**	6,090	16,872	277%
Marketing, general and administrative	**6,137**	3,459	2,678	77%
Adjusted EBITDA[2]	**28,427**	13,728	14,699	107%
Key performance indicators (cpl):				
Fuel and petroleum product adjusted gross profit[2]	**5.16**	4.87	0.29	6%
Operating costs	**2.72**	1.60	1.12	70%
Marketing, general and administrative	**0.73**	0.91	(0.18)	(20%)
Net unit operating cost ("NUOC")[2]	**1.80**	1.26	0.54	43%
Adjusted EBITDA[2]	**3.37**	3.61	(0.24)	(7%)
Other key performance indicators:				
Volume same-store sales growth[4][5]	**(3.6%)**	(3.2%)	(0.4%)	
Company C-Store same-store sales growth[4]	**7.5%**	0.8%	6.7%	
Company sites:				
TTM volume (000's of litres)[3]	**1,472,673**	496,539	976,134	197%
TTM weighted average number of active sites[3]	**270**	143	127	89%
TTM average volume per active site (000's of litres)[3]	**5,454**	3,472	1,982	57%
Dealer and Dealer Consigned sites:				
TTM volume (000's of litres)[3]	**1,738,976**	1,222,123	516,853	42%
TTM weighted average number of active sites[3]	**702**	535	167	31%
TTM average volume per active site (000's of litres)[3]	**2,477**	2,284	193	8%

(1) Includes diesel, gasoline and propane volumes.
(2) Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
(3) Amounts presented on a Trailing Twelve Months ("TTM") basis.
(4) Refer to "Key operating performance measures" section of this MD&A for explanation of this performance measure.
(5) Same-store volume excludes propane volumes sold at retail sites.

Q1 2016 vs. Q1 2015

In the first quarter of 2016, fuel volume increased primarily due to the increase in site count from the acquisition of Pioneer Energy, contributing 485 million litres of additional volume. This was partially offset by a 22 million litre decrease of volume 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 first quarter primarily due to the acquisition of Pioneer Energy, adding $333.4 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.

Adjusted gross profit increased in the first quarter of 2016 primarily due to the increase in site count from the acquisition of Pioneer Energy in 2015. Fuel and petroleum product adjusted gross profit consists primarily of gasoline and diesel sales, and non-fuel adjusted gross profit consists primarily of convenience store rents, car wash revenue, sales of select merchandise, and other ancillary sales.

Operating costs are expenses incurred primarily at Company sites. Operating costs include retailer fuel commissions, bonuses and costs associated with owning and maintaining the property, building and equipment, such as rents, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs for the first quarter 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 2% due to new Company sites that were added to the Parkland network during 2015.

Marketing, general and administrative expenses in Retail Fuels are typically fixed in nature and do not vary with volume. Departments included in this category are marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses for the first quarter increased as a result of the acquisition of Pioneer Energy. Excluding the impact of 2015 acquisitions, marketing, general and administrative expenses decreased by approximately 5% due to cost reduction initiatives.

Key performance indicators

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

Operating costs on a cpl basis increased primarily due to the acquisition of Pioneer Energy, creating 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 increased by 1% due to the reduction of volumes in Western Canada exceeding the relative reduction in marketing, general and administrative expenses.

Net unit operating cost ("NUOC") increased primarily due to a higher concentration of Company sites in the network as a result of the acquisition of Pioneer Energy.

Volume same-store sales growth declined primarily due to general softening of volumes primarily in Western Canada, reflective of the slowdown in economic activity.

Company C-Store same-store sales growth increased to 7.5% 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 at Pioneer Energy's Company sites since their acquisition.

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

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 of Canada (the "Competition Tribunal") to settle the litigation (the "Settlement") initiated by the Commissioner. As part of the Settlement, no remedy was required in six of the original 14 contested markets – Chelmsford/Azilda, Gananoque, Port Perry, Allanburg, Aberfoyle and Welland, Ontario. In two of the contested markets, Lundar and Warren, Manitoba, Parkland has agreed that for a six-year period, it will not increase dealer prices relative to rack prices or delivery fees charged to dealers other than in certain circumstances. In five other markets, Bancroft, Hanover, Innisfil and Tillsonburg, Ontario, and Neepawa, Manitoba, Parkland has agreed to divest either a fuel supply agreement with a dealer that it supplies or a corporate site in each market. In each of these markets, Parkland intends to divest or terminate a fuel supply agreement. In Kapuskasing, Ontario, Parkland has agreed to sell a Company gas station. In aggregate, Parkland estimates that the Settlement will result in a reduction of sales volumes of less than 1% of the Pioneer Acquisition volumes.

Prior to the Settlement, the Competition Tribunal had issued an interim order ("Interim Order") whereby one of the requirements was that the Pioneer Energy supply agreements with independent dealers and Pioneer Energy Company 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"). As at March 31, 2016, Parkland does not control the Hold Separate Assets, and therefore the equity interests in the Hold Separate Assets that remain under the Interim Order have been recorded within prepaid expenses and other on the consolidated balance sheets.

Commercial Fuels

Overview

Parkland Commercial Fuels delivers bulk fuel, propane, heating oil, lubricants, agricultural inputs 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 fuel to residential customers. On April 5, 2016, Parkland completed the acquisition of Propane Nord-Ouest, expanding the Commercial Fuels business in Quebec.

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA was $22.3 million in the first quarter of 2016, compared to $31.6 million in the first quarter of 2015. The 30% decrease in first quarter Adjusted EBITDA was primarily driven by a decline in fuel volume as a result of a warmer winter season and reduced economic activity. These were partially offset by improvements in operations such as the implementation of a centralized fleet management program and routing and scheduling optimization tools.

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015	Change	%
Gas and diesel volume (000's of litres)	**304,515**	343,204	(38,689)	(11%)
Propane volume (000's of litres)	**84,749**	113,338	(28,589)	(25%)
Fuel and petroleum product volume[1] (000's of litres)	**389,264**	456,542	(67,278)	(15%)
Sales and operating revenue	**269,430**	381,562	(112,132)	(29%)
Fuel and petroleum product adjusted gross profit[2]	**51,050**	61,901	(10,851)	(18%)
Non-fuel adjusted gross profit[2]	**10,478**	13,187	(2,709)	(21%)
Adjusted gross profit[2]	**61,528**	75,088	(13,560)	(18%)
Operating costs	**33,179**	37,802	(4,623)	(12%)
Marketing, general and administrative	**6,304**	6,020	284	5%
Adjusted EBITDA[2]	**22,283**	31,610	(9,327)	(30%)
Key performance indicators (cpl):				
Fuel and petroleum product adjusted gross profit[2]	**13.11**	13.56	(0.45)	(3%)
Operating costs	**8.52**	8.28	0.24	3%
Marketing, general and administrative	**1.62**	1.32	0.30	23%
Adjusted EBITDA[2]	**5.72**	6.92	(1.20)	(17%)
Other key performance indicators:				
Operating ratio[2]	**64.2%**	58.4%	5.8%	

[1] Includes diesel, gasoline, and propane volumes.
[2] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Q1 2016 vs. Q1 2015

Commercial Fuels' fuel volume decreased primarily due to reduced economic activity in Western Canada contributing to reduced diesel and propane volumes sold to oil and gas industries and a warmer winter season contributing to reduced propane and furnace oil volumes.

Sales and operating revenue decreased primarily due to lower prices resulting from lower crude oil and petroleum product prices, a decline in fuel volumes, and lower cartage revenue.

Similar to the decreases seen in fuel volumes, adjusted gross profit decreased primarily due to lower propane and furnace oil sales driven by a warmer winter season and lower diesel and propane sales driven by lower economic activity in Western Canada.

Operating costs include driver and administrative labour, fleet maintenance and operating costs, third-party delivery expense as well as the costs associated with owning and maintaining land, building and equipment such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs decreased primarily due to decreased fleet, delivery contractor, labour and other overhead costs driven by operating efficiencies and cost reduction initiatives.

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 in the first quarter of 2016 have remained relatively flat compared to the first quarter of 2015.

Key performance indicators

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 3% or 0.45 cpl as compared to the same quarter in 2015. The decrease was mainly due to a weakening diesel margins in Eastern Canada.

Operating costs and marketing, general and administrative expenses on a cpl basis increased due to the fixed nature of some of the costs. Similarly, the operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, increased as the decline in volumes and adjusted gross profit exceeded the cost reduction initiatives that contributed to the decrease in those expenses.

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 including approximately 60 direct customers under the dealer operated model.
  - 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 lubricants to commercial, industrial and wholesale customers through an extensive delivery network.

Parkland USA segment performance highlights

Parkland USA's Adjusted EBITDA was $3.5 million in the first quarter of 2016, compared to $4.7 million in the first quarter of 2015. The decrease of 26% or $1.2 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. This was partially offset by the appreciation of the U.S. dollar against the Canadian dollar and the additional contribution from the acquisition of seven service stations throughout 2015.

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015	Change	%
Retail volume (000's of litres)	**23,735**	20,503	3,232	16%
Wholesale volume (000's of litres)	**194,619**	245,915	(51,296)	(21%)
Fuel and petroleum product volume[1] (000's of litres)	**218,354**	266,418	(48,064)	(18%)
Sales and operating revenue	**119,868**	182,123	(62,255)	(34%)
Fuel and petroleum product adjusted gross profit[2]	**8,420**	9,073	(653)	(7%)
Non-fuel adjusted gross profit[2]	**7,751**	6,977	774	11%
Adjusted gross profit[2]	**16,171**	16,050	121	1%
Operating costs	**10,670**	9,499	1,171	12%
Marketing, general and administrative	**2,083**	1,903	180	9%
Adjusted EBITDA[2]	**3,470**	4,695	(1,225)	(26%)
Key performance indicators (cpl):				
Fuel and petroleum product adjusted gross profit	**3.86**	3.41	0.45	13%
Operating costs	**4.89**	3.57	1.32	37%
Marketing, general and administrative	**0.95**	0.71	0.24	34%
Adjusted EBITDA	**1.59**	1.76	(0.17)	(10%)
Other key performance indicators:				
Operating ratio[2]	**78.9%**	71.0%	7.9%	

(1) Includes diesel, gasoline, and propane volumes.
(2) Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.

Q1 2016 vs. Q1 2015

The decrease in Parkland USA's wholesale fuel volume is attributable to the reduced economic activity in the Bakken oil region and a warmer winter. This was partially offset by increased retail volumes driven by the acquisition of seven service stations in 2015.

Sales and operating revenue decreased primarily due to declines in petroleum prices and lower volumes, partially offset by the appreciation of the U.S. dollar against the Canadian dollar.

Adjusted gross profit increased marginally due to the acquisition of seven service stations in 2015 and the appreciation of the U.S. dollar, offset by 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, building and equipment such as rents, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating costs increased primarily due to the addition of seven service stations in 2015 and the appreciation of the U.S. dollar against the Canadian dollar.

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. On a U.S. dollar basis, marketing, general and administrative expenses decreased due to cost reduction initiatives. However, the appreciation of the U.S. dollar against the Canadian dollar quarter-on-quarter resulted in an increase of marketing, general and administrative expenses after conversion into Canadian dollars.

Key performance indicators

Fuel and petroleum product adjusted gross profit increased on a cpl basis due to the acquisition of seven service stations in 2015 and 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 lower wholesale fuel volumes, the addition of seven service stations in 2015, and the appreciation of the U.S. dollar against the Canadian dollar.

The operating ratio increased quarter-on-quarter due to lower wholesale fuel volumes.

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:

- Wholesale gas and diesel;
- Refined products, which include gas, diesel, gasoline blend stock and drilling fluids;
- Crude, asphalt and fuel oils ("CAF"), which also includes 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, 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 282,000 barrels of storage capacity in Quebec and approximately 782,000 barrels of additional storage capacity throughout North America.

Supply and Wholesale segment performance highlights

Supply and Wholesale Adjusted EBITDA for the first quarter of 2016 was $16.2 million, compared to $18.1 million in the first quarter of 2015. The decrease was primarily due to lower refined product adjusted gross profit. The decrease was partially offset by improved negotiations relating to fuel purchases, strong propane margins and a reduction in operating costs and marketing, general and administrative expenses.

	Three months ended March 31,			
(in 000's of Canadian dollars)	**2016**	**2015**	**Change**	**%**
Fuel and petroleum product volume[1] (000's of litres)	**986,308**	1,134,601	(148,293)	(13%)
Sales and operating revenue	**378,203**	557,327	(179,124)	(32%)
Fuel and petroleum product adjusted gross profit[2]	**34,007**	38,676	(4,669)	(12%)
Non-fuel adjusted gross profit[2]	**3,482**	2,275	1,207	53%
Adjusted gross profit[2]	**37,489**	40,951	(3,462)	(8%)
Operating costs	**12,140**	13,103	(963)	(7%)
Marketing, general and administrative	**9,120**	9,786	(666)	(7%)
Adjusted EBITDA[2]	**16,226**	18,099	(1,873)	(10%)

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

Q1 2016 vs. Q1 2015

Fuel volume decreased due to a 97 million litre decrease in wholesale gas and diesel volume, a 50 million litre decrease in CAF volume, and a 16 million litre decrease in renewable fuels volume. This was partially offset by an 8 million litre increase in refined product volume and a 7 million litre increase in LPG volume, led by propane. The change in product mix is primarily driven by changing geographical arbitrage opportunities. The 97 million litre decrease in wholesale gas and diesel volume is primarily attributable to increased competition in Ontario and Quebec.

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

Adjusted gross profit decreased primarily due to a lower refined product adjusted gross profit from high market price volatility and lower demand. This was partially offset by improved cost of refined fuel due to negotiated price improvements and strong propane margins resulting from a lower cost structure.

Operating costs decreased primarily due to lower leased rail car costs. Marketing, general and administrative expenses decreased due to lower employee variable compensation costs as a result of the lower earnings achieved during the quarter.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations, but which are not specifically allocated to Parkland's operating segments.

Corporate segment performance highlights

(in 000's of Canadian dollars)	Three months ended 2016	2015	Change	%
Marketing, general and administrative expense	**15,503**	13,536	1,967	15%
Less: Acquisition, integration and other costs	**(4,626)**	(2,662)	(1,964)	74%
Corporate adjusted marketing, general and administrative[1]	**10,877**	10,874	3	0%
Adjusted EBITDA[1]	**(10,725)**	(10,999)	274	(2%)
Key performance indicator:				
Corporate adjusted marketing, general and administrative expenses as a % of Parkland's adjusted gross profit[1]	**6.3%**	7.0%	(0.7%)	

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

Q1 2016 vs. Q1 2015

Marketing, general and administrative expenses increased mainly due to an increase in acquisition, integration and other costs. Included in acquisition, integration and other costs were $1.6 million of staff restructuring provisions incurred during the quarter. Acquisition, integration and other costs are highly variable based on Parkland's acquisition integration activities. Excluding the impact of acquisition, integration and other costs, Corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit, which excludes acquisition, integration and other costs, improved from 7.0% to 6.3% due to improved economies of scale.

3. QUARTERLY FINANCIAL DATA

Financial Summary

	2016	2015				2014		
(In 000's of Canadian dollars) For the three months ended,	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Sales and operating revenues	**1,318,107**	1,655,801	1,862,234	1,389,910	1,391,626	1,738,479	1,898,690	1,873,109
Adjusted gross profit[1]	**172,842**	182,340	166,958	123,040	155,165	141,507	117,819	121,442
Adjusted EBITDA[1]	**59,681**	64,854	59,072	34,055	57,133	51,065	35,236	35,692
Net earnings	**24,870**	15,677	14,567	(10,524)	19,778	10,222	10,420	6,924
Per share – basic	**0.26**	0.17	0.16	(0.13)	0.24	0.13	0.14	0.09
Per share – diluted	**0.26**	0.17	0.16	(0.13)	0.24	0.13	0.14	0.09
Distributable cash flow[2]	**34,796**	35,257	29,175	9,077	36,293	23,107	17,035	22,204
Per share[2][3]	**0.37**	0.39	0.32	0.11	0.44	0.29	0.23	0.27
Dividends	**26,721**	25,404	25,423	23,312	23,478	26,948	19,974	19,710
Per share outstanding	**0.28**	0.27	0.28	0.26	0.28	0.33	0.26	0.26
Dividend payout ratio[2]	**77%**	72%	87%	257%	65%	117%	117%	87%
Total assets	**1,772,001**	1,818,662	1,836,944	1,819,555	1,514,174	1,531,791	1,426,792	1,418,130
Total long-term liabilities	**580,377**	591,621	598,372	590,725	549,919	551,065	463,986	451,917
Shares outstanding (000's of shares)	**94,713**	93,856	90,782	89,928	82,913	82,114	76,057	74,765
Weighted average number of common shares (000's of shares)	**94,294**	91,519	90,365	83,884	82,850	78,841	75,457	83,209

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

Operating Summary

	2016	2015				2014		
For the three months ended,	**Mar 31**	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30
Fuel volume (millions of litres)	**2,437**	2,614	2,731	2,031	2,238	2,328	2,333	1,922
Fuel and petroleum product adjusted gross profit[1]								
Retail Fuels (cpl)	**5.16**	5.07	5.63	5.09	4.87	5.37	5.28	4.94
Commercial Fuels (cpl)	**13.11**	11.59	8.89	10.46	13.56	11.63	8.57	9.60
Parkland USA (cpl)	**3.86**	3.44	3.34	3.33	3.41	3.72	3.13	2.78
Operating costs (cpl)	**3.24**	3.07	2.71	2.97	2.97	2.58	2.46	3.13
Adjusted marketing, general and administrative[1] (cpl)	**1.42**	1.45	1.26	1.44	1.43	1.32	1.10	1.38

[1] 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 first quarter of 2016 was generally lower than its comparable period in 2015 due to a decline in crude and petroleum prices.
- Total assets and total funded debt increased significantly starting from the second quarter of 2015 due to the Pioneer Acquisition.
- Fuel volumes in the first quarter of 2016 were higher than the same period in 2015 due to recently completed acquisitions, primarily Pioneer Energy. Parkland acquired eleven Chevron-branded service stations in April 2015, five service stations in North Dakota in April 2015 and Pioneer Energy in June 2015.
- 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 increased over the last eight quarters due to changing customer service and delivery models, which also generate higher adjusted gross profit per litre.

4. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

Distributable Cash Flow

(in 000's of Canadian dollars and shares, except per share amounts)	Three months ended March 31, 2016	2015
Adjusted EBITDA[1]	**59,681**	57,133
Amounts to reconcile Adjusted EBITDA to net earnings[2]	**(34,811)**	(37,355)
Net earnings	**24,870**	19,778
Amounts to reconcile net earnings to cash generated from operating activities[3]	**2,784**	75,054
Cash generated from operating activities	**27,654**	94,832
Reverse: Change in other long-term liabilities[4]	**(349)**	(1,467)
Reverse: Net change in non-cash working capital[4]	**8,817**	(53,126)
	36,122	40,239
Include: Maintenance capital expenditures	**(6,107)**	(4,146)
Include: Proceeds on sale of property, plant and equipment and intangible assets	**4,781**	200
Distributable cash flow[5]	**34,796**	36,293
Reverse: Acquisition, integration and other costs	**4,626**	2,662
Adjusted distributable cash flow[5]	**39,422**	38,955
Weighted average number of common shares	**94,294**	82,850
Distributable cash flow per share[5][6]	**0.37**	0.44
Adjusted distributable cash flow per share[5][6]	**0.42**	0.47
Dividends	**26,721**	23,478
Dividend payout ratio[5]	**77%**	65%
Adjusted dividend payout ratio[5]	**68%**	60%

(1) Non-GAAP financial measure. 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 flow 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 weighted average number of common shares.

Dividends

For the quarter ended March 31, 2016, dividends increased to $26.7 million (March 31, 2015 – $23.5 million). Net of the dividend reinvestment plan, cash dividends paid to shareholders during the three months ended March 31, 2016 were $7.6 million (three months ended March 31, 2015 – $6.0 million). Overall, dividends increased primarily due to the increase in the number of shares outstanding from 82.9 million shares as at March 31, 2015 to 94.7 million shares as at March 31, 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 long-term liabilities and net changes 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.

Q1 2016 vs. Q1 2015

The dividend payout ratio and adjusted dividend payout ratio increased from 65% to 77% and 60% to 68%, respectively, as a result of decreased distributable cash flow and increased dividends. Distributable cash flow decreased by $1.5 million to $34.8 million (three months ended March 31, 2015 – $36.3 million). The decrease in distributable cash flow was primarily attributable to a $2.9 million increase in current income tax expense, a $2.0 million increase in maintenance capital expenditures, partially offset by an increase in proceeds on sale of property, plant, and equipment and intangible assets of $4.6 million. Adjusted distributable cash flow increased by $0.5 million.

5. LIQUIDITY

Cash flows

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

	Three months ended March 31,		
(in 000's of Canadian dollars)	**2016**	2015	2014
Cash generated from (used in) operating activities	**27,654**	94,832	(6,676)
Cash used in investing activities	**(11,516)**	(9,555)	(91,806)
Net cash generated (used) before financing activities	**16,138**	85,277	(98,482)
Cash (used in) generated from financing activities	**(15,513)**	(6,122)	69,553
Increase (decrease) in net cash	**625**	79,155	(28,929)
Net foreign exchange difference	**771**	1,537	(170)
Net cash, beginning of period	**21,706**	199,128	8,280
Net cash, end of period	**23,102**	279,820	(20,819)

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.

Q1 2016 vs. Q1 2015

Cash generated from operating activities was $67.2 million lower in the first quarter of 2016 compared to the same period in 2015 primarily as a result of $61.9 million higher cash flow generated from changes in non-cash working capital during the first quarter of 2015. The higher change in non-cash working capital in the first quarter of 2015 was primarily attributable to a higher reduction in accounts receivable balances between December 31, 2014 and March 31, 2015, which decreased from $442.2 million to $360.4 million. In comparison, between December 31, 2015 to March 31, 2016, accounts receivable balances decreased from $314.3 million to $292.4 million. The decrease in working capital requirements on accounts receivable balances is primarily attributable to decline in global petroleum prices and stronger management of receivables.

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.

Q1 2016 vs. Q1 2015

During the first quarter of 2016, investing activities used $11.5 million of cash as compared to $9.6 million in the same period in 2015. The increase in cash used was primarily attributable to additions to property, plant and equipment and intangible assets of $13.5 million (three months ended March 31, 2015 – $9.6 million). The majority of the increase in additions of property, plant and equipment and intangible assets is attributable to construction and upgrade activities in the Retail Fuels and Parkland USA segments.

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 betterment 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.

Q1 2016 vs. Q1 2015

During the three months ended March 31, 2016, Parkland paid a monthly dividend of $0.0900 per share (three months ended March 31, 2015 – $0.0883 per share). Total cash dividends paid, net of the dividend reinvestment plan during the same period were $7.6 million (three months ended March 31, 2015 – $6.0 million). Cash dividends increased due to an increase in shares outstanding as well as an increase in dividends paid per share.

Cash used in financing activities during the first quarter of 2016 was $15.5 million, of which $7.6 million was used in dividends paid to shareholders and the majority of the remainder used in long-term debt repayments. In contrast, cash used in financing activities during the first quarter of 2015 was $6.1 million, of which $6.0 million was used in dividends paid to shareholders.

Available sources of liquidity

Parkland's sources of liquidity as at March 31, 2016 are cash and cash equivalents and available funds under its revolving credit facility ("Credit Facility"). While it is typical for Parkland's cash flow to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity and management believes that cash flow from operations will be adequate to fund maintenance capital, interest, income taxes and targeted dividends. Growth capital expenditures in the next twelve months will be funded by cash flow from operations, proceeds from the Dividend Reinvestment Plan and by the Credit Facility. Any future acquisitions will be funded by cash from operations 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 unused credit facilities:

(in 000's of Canadian dollars)	**March 31, 2016**	December 31, 2015
Cash and cash equivalents	**23,273**	36,710
Bank indebtedness	**(492)**	(15,325)
Unused credit facilities	**286,328**	269,749
	309,109	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 three months ended March 31, 2016, Parkland's commitments decreased by $69.9 million from $1,185.4 million as at December 31, 2015 to $1,115.5 million as at March 31, 2016. The decreases are primarily attributable to decreases of bank indebtedness, accounts payable and accrued liabilities and obligations under operating leases.

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 the commitments.

6. CAPITAL RESOURCES

Credit facility

A revolving extendible credit facility (the "Credit Facility") agreement was last amended on June 30, 2014 to extend the maturity to June 30, 2018. 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 June 30, 2018, 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

On May 29, 2014 and November 21, 2014, Parkland completed private placements of senior unsecured notes due on May 28, 2021 and November 21, 2022, respectively, each with an aggregate principal amount of $200 million (the "Senior Unsecured Notes"). Refer to Note 10 of the Interim Condensed Consolidated Financial Statements for additional information on the Senior Unsecured Notes.

Base shelf prospectus

On April 11, 2016, Parkland filed a base 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 million. The base 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. As at May 3, 2016, no Securities have been issued under the base shelf prospectus. The base 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:

	Three months ended March 31,	
(in 000's of Canadian dollars)	**2016**	2015
Growth Capital Expenditures		
Retail Fuels	**4,391**	3,011
Commercial Fuels	**1,170**	1,185
Parkland USA	**1,020**	301
Supply and Wholesale	**404**	831
Corporate	**374**	121
Growth Capital Expenditures	**7,359**	5,449
Maintenance Capital Expenditures		
Retail Fuels	**1,322**	1,039
Commercial Fuels	**1,732**	2,342
Parkland USA	**1,579**	485
Supply and Wholesale	**818**	117
Corporate	**656**	163
Maintenance Capital Expenditures	**6,107**	4,146
Additions to property, plant and equipment and intangible assets	**13,466**	9,595

During the three months ended March 31, 2016, Parkland's total growth capital expenditures and maintenance capital expenditures increased by $1.9 million and $2.0 million, respectively, as compared to the same period in 2015. The majority of the increase in capital expenditures is attributable to construction and upgrade activities in the Retail Fuels and Parkland USA segments, as well as investments in technologies to improve efficiencies and reduce costs in the Supply and Wholesale and Corporate segments.

Committed capital expenditures

As at March 31, 2016, Parkland had $5.4 million (December 31, 2015 – $8.4 million) of committed capital expenditures relating to property, plant and equipment. 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, proceeds from the Dividend Reinvestment Plan and by the Credit Facility.

Financial covenants and metrics

As at March 31, 2016, Parkland was in compliance with all debt covenants. Refer to the "Non-GAAP financial measures, reconciliations and advisories" section for the listing and 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.

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 the Corporation'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 Pioneer Acquisition

(1) Operation of Pioneer Commercial Assets

In connection with the Pioneer Acquisition, the Corporation entered into an agreement (the "Commercial Assets Agreement") with the Vendors providing that Parkland will not, directly or indirectly, in any capacity, own, operate, control or otherwise be involved with the commercial assets of Pioneer or the operations thereof in Ontario, New Brunswick, and Nova Scotia (collectively, the "Pioneer Commercial Assets"). The Pioneer Commercial Assets will continue to be owned, operated and controlled solely by the Vendors and their employees until it has been sold to a third party. The Vendors have retained a third party to administer and conduct the sale process involving the Pioneer Commercial Assets and an agreement to sell such assets has been entered into, the closing of which is subject to standard closing conditions and the consent of the Competition Tribunal. Under the Commercial Assets Agreement, Parkland has an indirect economic interest in the Pioneer Commercial Assets and the proceeds of any disposition thereof. As at March 31, 2016, Parkland does not control these assets and therefore the economic interest in the Pioneer Commercial Assets has been recorded within prepaid expenses and other on the consolidated balance sheets. The fuel and petroleum product volume of the Pioneer Commercial Assets are not included in Parkland's volume disclosures.

Although Parkland has an indirect economic interest in the Pioneer Commercial Assets and the proceeds of any disposition thereof, it is dependent on Pioneer or a third-party operator, as applicable, in order to realize any economic benefit from the operation or disposition of the Pioneer Commercial Assets. Further, the closing of a transaction to divest the Pioneer Commercial Assets is subject to standard closing conditions and the consent of the Commissioner, the timing of which is uncertain. Therefore, there can be no guarantee that such disposition will occur on the proposed terms, in a timely manner, or at all.

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 March 31, 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 March 31, 2016.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, has limited the scope of their design of Parkland's DC&P and ICFR to exclude controls, policies and procedures of Pioneer Energy, as permitted by NI 52-109 since Parkland acquired Pioneer Energy on June 25, 2015 (not more than 365 days before March 31, 2016). The scope limitation is primarily due to the time required for Parkland's management to assess Pioneer Energy's DC&P and ICFR in a manner consistent with Parkland's other operations.

The following is a summary of certain financial information related to Pioneer Energy:

(000's of Canadian dollars)	**Three months ended March 31, 2016**
Revenue	**335,047**
Net income	**7,977**

(000's of Canadian dollars)	**As at March 31, 2016**
Current assets	**62,167**
Non-current assets	**489,781**
Current liabilities	**(72,044)**
Non-current liabilities	**(56,095)**

Based on the evaluation of the design effectiveness of Parkland's DC&P and ICFR, the CEO and the CFO have concluded that the Company's DC&P and ICFR were designed effectively as of March 31, 2016. There have been no changes in ICFR that occurred during the period from January 1, 2016 to March 31, 2016 that has materially affected or is reasonably likely to materially affect Parkland's ICFR.

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

Changes in internal controls over financial reporting

During the three months ended March 31, 2016, there was no change in the Company's ICFR that materially affected, or is 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 March 31, 2016			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Redemption Options	-	**17,000**	-	**17,000**
Risk management assets				
Commodities swaps and forward contracts	-	**2,621**	-	**2,621**
Total risk management assets	-	**2,621**	-	**2,621**
Risk management liabilities				
Commodities swaps and forward contracts	-	**(73)**	-	**(73)**
U.S. dollar forward exchange contracts	-	**(572)**	-	**(572)**
Total risk management liabilities	-	**(645)**	-	**(645)**

Impact on the consolidated balance sheets and consolidated statements of income

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 statement of incomes in finance cost. The fair value of the Redemption Options was $17.0 million as at March 31, 2016 (December 31, 2015 – $9.1 million). The change in fair value of the Redemption Options for the three months ended March 31, 2016 was a gain of $7.9 million (three months ended March 31, 2015 – gain of $1.2 million).

The risk management assets and liabilities are fair valued at the end of the reporting period and any change in the fair value is recognized in the consolidated statements of income in loss on risk management activities. The fair value of the risk management assets and liabilities as at March 31, 2016 was $2.6 million and $0.6 million, respectively (December 31, 2015 – $4.8 million and $3.6 million). Loss on risk management activities for the three months ended March 31, 2016 was $0.5 million (three months ended March 31, 2015 – loss of $2.5 million).

Off-balance sheet arrangements

Guarantees

As at March 31, 2016, Parkland provided $724.5 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 March 31, 2016, outstanding balances for letters of credit totalled $14.3 million, which mature at various dates up to January 26, 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

Parkland receives legal services from Bennett Jones LLP where their partner is a director of Parkland. The amounts related to fees expensed for the three months ended March 31, 2016 were $0.8 million (three months ended March 31, 2015 – $0.6 million), and the amounts payable as at March 31, 2016 were less than $0.1 million (December 31, 2015 – $0.2 million).

Director's interests

Parkland has receivable balances from the vendor of the Pioneer Acquisition and Pioneer Fuels Inc. where the President and CEO is a director of Parkland. As at March 31, 2016, outstanding amounts related to a promissory note receivable to fund the operational cash requirements of the Pioneer Commercial Assets were $5 million (December 31, 2015 – $5 million).

Parkland sells fuel at market prices to a company where the owner is a director of Parkland. Sales and operating revenue generated in the normal course of business for the three months ended March 31, 2016 was $1.9 million (three months ended March 31, 2015 – nil), and the accounts receivable balance outstanding as at March 31, 2016 was $0.2 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 May 3, 2016, Parkland had approximately 94.7 million shares, 2.5 million share options and 0.8 million restricted share units outstanding. The share options consist of approximately 0.8 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 and 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 were 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 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 month ended March 31,	
	2016	2015
Lost time injury frequency	**0.35**	0.12

10. NON-GAAP FINANCIAL MEASURES, RECONCILIATIONS AND ADVISORIES

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.

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

Parkland believes the presentation of Adjusted EBITDA provides useful information to investors and shareholders as it provides increased transparency and predictive value. Management 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 added by 1) finance costs, 2) loss (gain) on disposal of property, plant and equipment, 3) income tax expense, 4) unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and futures contracts, 5) unrealized loss (gain) 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 March 31,	
(in 000's of Canadian dollars)	**2016**	2015
Net earnings	**24,870**	19,778
Finance costs	**(189)**	6,397
(Gain) loss on disposal of property, plant and equipment	**(519)**	356
Income tax expense	**5,384**	7,691
Unrealized (gain) loss from the change in fair value of commodities swaps and forward contracts, U.S. dollar forward exchange contracts and future contracts	**(739)**	1,020
Unrealized loss (gain) on foreign exchange	**348**	(478)
Acquisition, integration and other costs[2]	**4,626**	2,662
Depreciation and amortization	**25,900**	19,707
Adjusted EBITDA[1]	**59,681**	57,133

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

[2] Acquisition, integration and other costs for the three months ended March 31, 2016 were comprised of acquisition costs of $2.8 million, integration costs of $0.2 million and other costs of $1.6 million (three months ended March 31, 2015 - acquisition costs of $2.7 million).

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

The Credit Facility agreement defines 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 also 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. Refer to the "Third Amended and Restated Credit Agreement" available on SEDAR at www.sedar.com for a copy of the Credit Facility and the definition of the Credit Facility EBITDA.

The following table provides the calculation of Credit Facility EBITDA for the trailing twelve months:

(in 000's of Canadian dollars)	Three months ended June 30, 2015	September 30, 2015	December 31, 2015	March 31, 2016	Trailing twelve months ended March 31, 2016
Adjusted EBITDA	34,055	59,072	64,854	59,681	**217,662**
Share incentive compensation	2,395	987	7,173	1,145	**11,700**
Acquisition, integration and other cost	(12,956)	(5,473)	(6,848)	(4,626)	**(29,903)**
	23,494	54,586	65,179	56,200	**199,459**
Acquisition pro-forma adjustment [(1)]					**9,000**
Credit Facility EBITDA [(1)]					**208,459**

[(1)] Amounts for the trailing twelve months ended March 31, 2016 include Pioneer Energy pro-forma pre-acquisition estimates as if the Pioneer Acquisition had occurred on April 1, 2015, pursuant to the terms of the Credit Facility and for debt covenant calculation purposes only.

(in 000's of Canadian dollars)	Three months ended March 31, 2015	June 30, 2015	September 30, 2015	December 31, 2015	Trailing twelve 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
Acquisition, integration and other cost	(2,662)	(12,956)	(5,473)	(6,848)	(27,939)
	56,593	23,494	54,586	65,179	199,852
Acquisition pro-forma adjustment [(1)]					24,000
Credit Facility EBITDA [(1)]					223,852

[(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 and for debt covenant calculation purposes only.

Gross profit and adjusted gross profit

Gross profit and adjusted gross profit are non-GAAP measures that we use when analyzing gross profit after considering the effects of realized risk management activities. We use gross profit and adjusted gross profit as performance indicators of the realized gross profit on sale and purchase transactions. It is also one metric that is used to evaluate Parkland's performance between reporting periods. This non-GAAP measure is calculated as follows:

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015
Sales and operating revenue	**1,318,107**	1,391,626
Cost of goods sold	**1,144,118**	1,237,649
Gross profit	**173,989**	153,977
Realized loss on risk management activities	**(1,227)**	(1,505)
Realized gain on foreign exchange	**80**	2,693
Adjusted gross profit[(1)]	**172,842**	155,165
Fuel and petroleum product adjusted gross profit	**137,046**	127,736
Non-fuel adjusted gross profit	**35,796**	27,429
Adjusted gross profit[(1)]	**172,842**	155,165

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

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

Senior Funded Debt is defined in accordance with the terms of the Credit Facility. Senior Funded Debt indicates Parkland's ability to fund its long-term commitments, including growth capital and acquisitions. To manage its financing requirements, Parkland may adjust its capital spending, adjust dividends paid to shareholders, issue new shares or issue new debt.

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. 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:

	March 31, 2016	December 31, 2015
Senior Funded Debt:		
Long-term debt – current portion	**4,122**	4,413
Bank indebtedness	**492**	15,325
Long-term debt – non-current portion (excluding Senior Unsecured Notes)	**32,913**	42,075
Letters of credit and surety bonds	**44,830**	41,193
Cash and cash equivalents and restricted cash	**(23,594)**	(37,031)
Senior Funded Debt	**58,763**	65,975
Senior Unsecured Notes	**399,013**	398,965
Total Funded Debt	**457,776**	464,940
Credit Facility EBITDA	**208,459**	223,852
Senior Funded Debt to Credit Facility EBITDA Ratio	**0.28**	0.29
Total Funded Debt to Credit Facility EBITDA Ratio	**2.20**	2.08

Credit Facility Fixed Charge Coverage Ratio

The Credit Facility defines the Fixed Charge 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	
	March 31, 2016	December 31, 2015
Credit Facility EBITDA	**208,459**	223,852
Less:		
Maintenance capital expenditures [(1)]	**38,391**	38,680
Taxes paid [(1)]	**37,317**	34,312
Adjusted Credit Facility EBITDA	**132,751**	150,860
Fixed Charges		
Interest [(1)]	**25,644**	33,659
Distributions	**28,826**	27,227
Total Fixed Charges	**54,470**	60,886
Credit Facility Fixed Charge Coverage Ratio	**2.44**	2.48

[(1)] Amounts for the trailing twelve months ended March 31, 2016 and December 31, 2015 include Pioneer Energy pro-forma pre-acquisition estimates as if the Pioneer Acquisition had occurred on April 1, 2015 and January 1, 2015, respectively, pursuant to the terms of the Credit Facility and for debt covenant calculation purposes only.

As at March 31, 2016, Parkland was in compliance with all debt covenants. The financial covenants under the Credit Facility are as follows:

1. Ratio of Senior Funded Debt to Credit Facility EBITDA shall not exceed 3.00 to 1.00 during the second and third quarters and shall not exceed 3.50 to 1.00 during the first and fourth quarters of Parkland's fiscal year;
2. Ratio of Total Funded Debt to Credit Facility EBITDA shall not exceed 4.00 to 1.00 during the second and third quarters and shall not exceed 4.50 to 1.00 during the first and fourth quarters of Parkland's fiscal year; and
3. Credit Facility Fixed Charge Coverage Ratio at each quarter shall not be less than 1.15 to 1.00.

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 break-even 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 as follows:

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015
Retail Fuels		
Operating costs	**22,962**	6,090
Marketing, general and administrative	**6,137**	3,459
Less: Non-fuel adjusted gross profit[1]	**(13,959)**	(4,767)
	15,140	4,782
Fuel and petroleum product volume[2] (000's of litres)	**843,139**	380,420
NUOC[1]	**1.80**	1.26

[1] Non-GAAP financial measure. See the "Non-GAAP financial measures, reconciliations and advisories" section of this MD&A.
[2] Includes diesel, gasoline and propane volumes.

Operating Ratio

Operating ratio is a metric that represents expenses as a percentage of gross profit. Operating ratio is calculated as the sum of operating costs and management, general and administrative expenses divided by the adjusted gross profit of the segment. Parkland uses the 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:

(in 000's of Canadian dollars)	Three months ended March 31, 2016	2015
Commercial Fuels		
Operating costs	**33,179**	37,802
Marketing, general and administrative	**6,304**	6,020
	39,483	43,822
Adjusted gross profit[1]	**61,528**	75,088
Operating ratio[1]	**64.2%**	58.4%
Parkland USA		
Operating costs	**10,670**	9,499
Marketing, general and administrative	**2,083**	1,903
	12,753	11,402
Adjusted gross profit[1]	**16,171**	16,050
Operating ratio[1]	**78.9%**	71.0%

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

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 March 31, 2016	2015
Marketing, general and administrative	**39,147**	34,704
Less: Acquisition, integration and other costs	**(4,626)**	(2,662)
Adjusted marketing, general and administrative[1]	**34,521**	32,042

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

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 administration less acquisition, integration and other costs, divided by Parkland's adjusted gross profit. The metric represents the percentage of corporate expenses in relation to the 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:

	Three months ended March 31,	
(in 000's of Canadian dollars)	**2016**	2015
Corporate marketing, general and administrative	**15,503**	13,536
Less: Acquisition, integration and other costs	**(4,626)**	(2,662)
Corporate adjusted marketing, general and administrative(1)	**10,877**	10,874
Parkland's adjusted gross profit(1)	**172,842**	155,165
Corporate marketing, general and administrative expenses as a % of Parkland's adjusted gross profit(1)	**6.29%**	7.01%

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

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. In order to calculate this measure for the three months ended March 31, 2016, pre-acquisition POS sales of the comparable sites acquired from the Pioneer Acquisition were included in the comparable POS sales for the three months ended March 31, 2015.

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, Dealer and Dealer Consigned 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. In order to calculate this measure for the three months ended March 31, 2016, pre-acquisition volume of the comparable sites acquired from the Pioneer Acquisition were included in the comparable volume for the three months ended March 31, 2015.

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 adjusting dividends paid to shareholders;
- indirect economic interest in the Pioneer Commercial Assets;
- expectations regarding the proposed disposition of the Pioneer Commercial Assets;
- expectations regarding the completion of previously announced transactions;
- effects of the Pioneer Acquisition, the acquisition of five service stations in North Dakota, eleven Chevron-branded service stations British Columbia and other individually immaterial businesses complementary to Parkland's existing lines of business;
- effects of the settlement with the Commissioner of Competition in respect of the Pioneer Energy business; 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 which include, 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 the Imperial Transaction;
- the operation of the Pioneer Commercial Assets by Pioneer in accordance with the Commercial Assets Agreement;
- the impact or nature of the Settlement reached with the Commissioner in respect of the Pioneer Energy business;
- failure to achieve the anticipated benefits (including benefits to consumers and marketplace efficiencies) of the Pioneer Acquisition;
- failure to achieve economic benefits from the indirect economic interest in the Pioneer Commercial Assets and their operation and/or disposition;
- actions by governmental authorities, including the Commissioner and the Competition Tribunal and other regulators; and
- other factors, many of which are beyond the control of Parkland.

Any forward-looking statements are made as of the date hereof and Parkland does not undertake any obligation, except as required under applicable law, to publicly update or revise such statements to reflect new information, subsequent or otherwise.

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.