Parkland FUEL CORPORATION

Year ended December 31, 2015

Report to Shareholders

Management's Discussion and Analysis **Q4 2015**

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This Management's Discussion and Analysis ("MD&A") dated March 2, 2016 should be read in conjunction with Parkland Fuel Corporation's ("Parkland", the "Corporation", "we", "our" or "us") audited consolidated financial statements for the year ended December 31, 2015 (the "Annual Consolidated Financial Statements") and the accompanying notes. 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, 2014 dated March 24, 2015 ("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 International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and Canadian generally accepted accounting principles ("GAAP") as contained within Part I of the Chartered Professional Accountants of Canada Handbook. The MD&A is presented in Canadian dollars and all values are rounded to the nearest thousands, except when otherwise indicated.

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 corporations or 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 "EBITDA", "Adjusted EBITDA", "Gross Profit", "Adjusted Gross Profit", "Adjusted Marketing, General and Administrative", "Credit Facility EBITDA", "Distributable Cash Flow", "Adjusted Distributable Cash Flow", "Dividend Payout Ratio", "Adjusted Dividend Payout Ratio", "Distributable Cash Flow Per Share Outstanding", "Adjusted Distributable Cash Flow Per Share Outstanding", "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", "Commercial Fuels Operating Ratio", "Corporate Adjusted Marketing, General, and Administration 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", "Maintenance capital expenditures and growth capital expenditures" and "Dividends, distributable cash flow and dividend payout ratio" sections of this MD&A on Parkland's non-GAAP financial measures.

Pioneer Energy

Parkland successfully completed the acquisition of substantially all the assets and select liabilities comprising the Pioneer Energy business ("Pioneer Energy"), domiciled in Ontario, Canada (the "Pioneer Acquisition") on June 25, 2015. Certain of the assets acquired by Parkland pursuant to the Pioneer Acquisition remain subject to the Interim Order (as defined herein) and certain economic interests of Parkland are subject to the Commercial Assets Agreement (as defined herein). The Hold Separate Assets (as defined herein), including the results of operations thereof, are included in the annual consolidated financial statements. Further, as Parkland does not control the Pioneer Commercial Assets (as defined herein), only Parkland's indirect economic interest in such assets is reflected in the annual consolidated financial statements. The fuel and petroleum product volume of the Pioneer Commercial Assets are not included in Parkland's volume disclosures. See "Risk Factors - Risks relating to the Pioneer Acquisition" section of this MD&A.

Risks and forward looking information

Parkland's financial and operational performance is potentially affected by a number of factors, including, but not limited to, the factors described in the "Risk Factors" section of this MD&A.

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 "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 December 31,			**Year ended December 31,**		
(in millions of Canadian dollars and shares)	**2015**	2014	2013	**2015**	2014	2013
Sales and operating revenues	**1,655.8**	1,738.5	1,598.9	**6,299.6**	7,527.6	5,663.4
Adjusted gross profit[(1)]	**182.3**	141.5	141.9	**627.5**	540.8	500.0
Net earnings	**15.7**	10.2	22.0	**39.5**	49.9	92.0
Per share - basic	**0.17**	0.13	0.31	**0.45**	0.66	1.31
Per share - diluted	**0.17**	0.13	0.30	**0.45**	0.66	1.26
Adjusted EBITDA[(1)]	**64.9**	51.1	50.6	**215.1**	183.2	207.4
Dividends	**25.4**	26.9	18.6	**97.6**	85.9	72.9
Per share outstanding	**0.27**	0.33	0.26	**1.04**	1.05	1.02
Distributable cash flow[(2)]	**35.3**	23.1	26.1	**109.8**	107.0	136.5
Per share outstanding[(2)]	**0.38**	0.28	0.36	**1.17**	1.30	1.90
Dividend payout ratio[(2)]	**72%**	117%	71%	**89%**	80%	53%
Adjusted dividend payout ratio[(2)]	**60%**	87%	64%	**71%**	70%	51%
Total assets	**1,818.7**	1,531.8	1,255.2	**1,818.7**	1,531.8	1,255.2
Total long-term liabilities	**591.6**	551.1	339.0	**591.6**	551.1	339.0
Total funded debt[(1)]	**464.9**	245.5	259.8	**464.9**	245.5	259.8
Shares outstanding	**93.9**	82.1	71.8	**93.9**	82.1	71.8

(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.

Operating Summary

	Three months ended December 31,			**Year ended December 31,**		
	2015	2014	2013	**2015**	2014	2013
Fuel volume (millions of litres)	**2,614**	2,328	1,917	**9,613**	8,855	6,659
Fuel and petroleum product adjusted gross profit[(1)] (cpl):						
Retail Fuels	**5.07**	5.37	4.63	**5.25**	5.00	4.73
Commercial Fuels	**11.59**	11.63	10.18	**11.39**	10.47	9.93
Parkland USA (formerly SPF Energy)	**3.44**	3.72	-	**3.38**	3.22	-
Operating costs (cpl)	**3.07**	2.58	3.15	**2.92**	2.74	2.86
Adjusted marketing, general and administrative[(1)] (cpl)	**1.45**	1.32	1.66	**1.39**	1.32	1.57

(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. 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. To be the partner of choice to our customers, we focus on operating safely and delivering a differentiated service experience.

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; commercial fuel and lubricant delivery branches and propane delivery branches. We also use our wholesale and trading activities to optimize the value of the other excess "balanced barrel" products that are not sold through our "owned" marketing channels.

As the fuel distribution market remains significantly fragmented in North America, we believe 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. Further, we believe our focus on safety and customer service enables us to grow organically in 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.

2015 Highlights

- Parkland delivered a remarkable 17% growth in Adjusted EBITDA as compared to the prior year. Adjusted EBITDA was a record $215.1 million in 2015, compared to $183.2 million in 2014. The growth in Adjusted EBITDA was driven by growth in the Retail Fuels segment following the successful acquisition of Pioneer Energy and 11 Chevron-branded service stations in British Columbia. Parkland is also benefitting from its diversified structure across different business lines, customers and geographies. Supply and Wholesale (formerly known as Wholesale, Supply and Distribution) achieved outstanding results as a result of increased scale, improved supply pricing through contract negotiations and lower third party trucking costs. Within Supply and Wholesale, Elbow River continued to demonstrate opportunistic agility amongst the product groups of liquid petroleum gas ("LPGs", which includes propane, butane and condensate), renewable fuels, and refined products servicing the internal and external customers of Parkland.
- We achieved a 9% growth in volume, delivering over 9.6 billion litres of fuel and petroleum products in 2015, compared to 8.9 billion litres of fuel and petroleum products in 2014. 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 $6.3 billion in 2015, compared to $7.5 billion in 2014, despite an increase in volumes. The increased volumes were primarily offset by the decline of petroleum prices.

- Parkland's net earnings were $39.5 million in 2015, compared to $49.9 million in 2014. 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.
- As at December 31, 2015, we supported a network of 1,075 service stations across Canada through our dealer-operated and retailer operated models, an increase from 682 service stations as at December 31, 2014.
- We are pleased to reconfirm our 2016 Adjusted EBITDA guidance of $235 million to $265 million. Refer to Parkland's press releases issued on October 5, 2015 and March 2, 2016 on SEDAR at www.sedar.com for more information.

Q4 2015 vs. Q4 2014 overall performance

Net earnings

Parkland’s net earnings for the fourth quarter of 2015 were $15.7 million, compared to net earnings of $10.2 million for the fourth quarter of 2014.

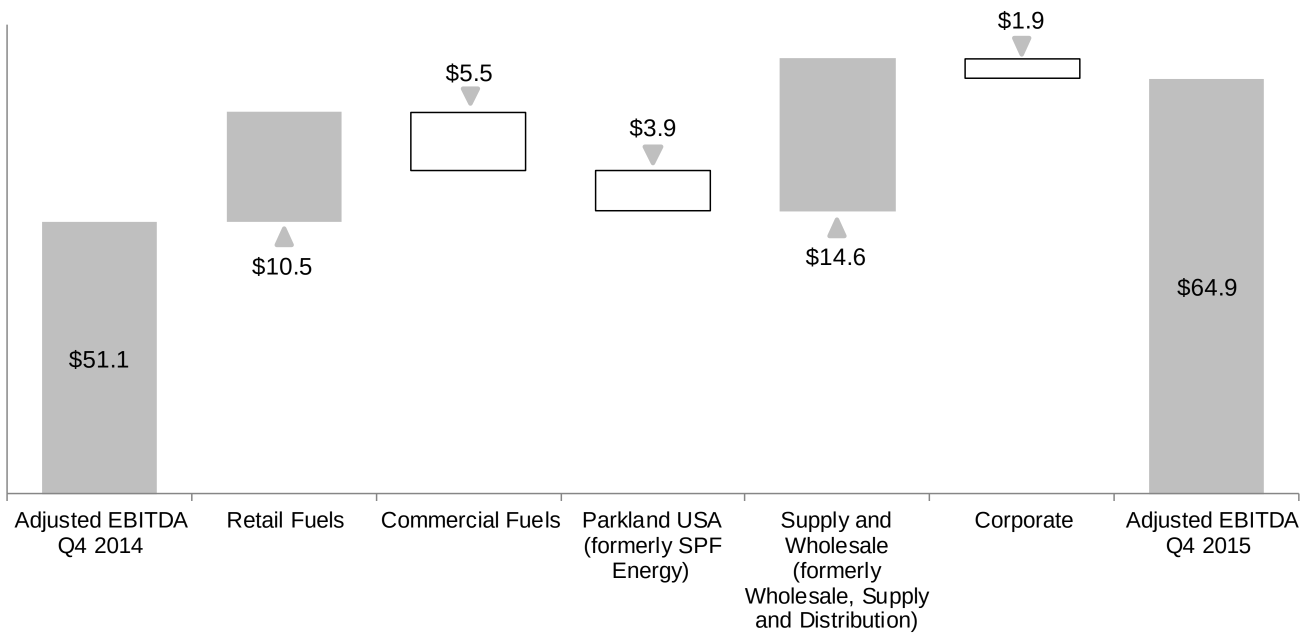
- Finance costs in the fourth quarter of 2015 increased to $9.1 million compared to $5.9 million in the fourth quarter of 2014. The increase in finance costs was primarily attributable to a $2.6 million increase in the change in fair value of redemption options and a $1.0 million increase in interest on long-term debt primarily due to the issuance of the Senior Unsecured Notes (as defined herein) in the second and fourth quarters of 2014. This was partially offset by a $1.1 million decrease in interest and accretion on convertible debentures as less convertible debentures remained outstanding during the fourth quarter of 2015 as compared to 2014.
- Income tax expense increased in the fourth quarter of 2015 to $6.2 million, compared to $3.8 million in the fourth quarter of 2014 primarily due to increase in earnings.
- The gain on risk management activities in the fourth quarter of 2015 was $3.7 million, compared to a gain of $1.5 million in the same period in 2014. The loss or gain on these financial contracts is calculated by comparison to their market valuation at 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 fourth quarter of 2015 was $29.0 million, compared to $17.6 million in the fourth quarter of 2014. The higher depreciation in 2015 is primarily attributable to an increased property, plant and equipment and intangible assets as a result of the Pioneer Acquisition and other acquisitions in 2015.
- Adjusted EBITDA in the fourth quarter of 2015 was a record $64.9 million, compared to $51.1 million in the fourth quarter of 2014. The growth in Adjusted EBITDA was primarily attributable to increased performance in the Retail Fuels segment as a result of the acquisition of Pioneer Energy and Chevron-branded service stations, and increased performance in the Supply and Wholesale segment driven by reductions in the negotiated cost of fuel, lower operating and third party trucking costs, and stronger LPG and crude, asphalt and fuel oils ("CAF") margins. The growth was partially offset by modest declines in the Commercial Fuels and Parkland USA (formerly SPF Energy) segments, and higher growth related costs in the Corporate segment.

Adjusted EBITDA

(in 000's of Canadian dollars)	Three months ended December 31, 2015	2014
Net earnings	**15,677**	10,222
Finance costs	**9,060**	5,887
Loss on disposal of property, plant and equipment	**1,065**	68
Income tax expense	**6,178**	3,769
Unrealized (gain) loss from the change in fair value commodities swaps and forward contracts, US dollar forward exchange contracts and future contracts	**(3,749)**	4,436
Unrealized loss on foreign exchange	**780**	1,251
Acquisition, integration and other costs	**6,848**	7,802
Depreciation and amortization	**28,995**	17,630
Adjusted EBITDA(1)	**64,854**	51,065

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

Adjusted EBITDA(1) movements by segment ($ millions)



(1) Non-GAAP financial measure. See the Non-GAAP Financial Measures, Reconciliations, and Advisories section of this MD&A.

Retail Fuels

- Retail Fuels Adjusted EBITDA grew by $10.5 million in the fourth quarter of 2015 as compared to the same period in 2014. Fuel and petroleum product volume grew by 485 million litres over the same period. The growth in Retail Fuels Adjusted EBITDA was primarily attributable to the acquisitions of Pioneer Energy and Chevron-branded service stations.

Commercial Fuels

- Commercial Fuels Adjusted EBITDA decreased by $5.5 million as compared to the fourth quarter of 2014. The decrease in Adjusted EBITDA was primarily driven by a decline in fuel volume as a result of reduced economic activity in Western Canada and a milder winter reducing furnace oil and propane demand.

These were partially offset by cost reduction initiatives and operational improvements using fleet management and other technology solutions.

Parkland USA (formerly SPF Energy)

- Parkland USA Adjusted EBITDA declined by $3.9 million as compared to the fourth quarter of 2014. The decrease in Parkland USA Adjusted EBITDA was primarily due to lower wholesale gas and diesel volumes and margins due to lower economic activity in the Bakken oil region. This was partially offset by the appreciation of the US dollar against the Canadian dollar and the additional contribution from the acquisition of seven service stations throughout 2015.

Supply and Wholesale (formerly Wholesale, Supply and Distribution)

- Supply and Wholesale Adjusted EBITDA increased by $14.6 million in the fourth quarter of 2015 as compared to the same period in 2014. The increase in Adjusted EBITDA was primarily driven by improvements in the negotiated cost of fuel, lower operating and third party trucking costs, and stronger LPG and CAF margins resulting from favourable geographical arbitrage opportunities and favourable foreign exchange rates. These increases were partially offset by higher rail car lease, employee, storage, and tank car cleaning costs as part of Parkland's growth activities.

Corporate

- The Corporate segment, which provides centralized administrative services for Parkland, incurred an additional $1.9 million of growth-focused expenses in the fourth quarter of 2015 as compared to the fourth quarter of 2014. The increased expenses to support Parkland's expansion primarily consist of employee costs, non-cash share incentive compensation and training and recruitment expenses.

2015 vs. 2014 overall performance

Net earnings

Parkland's net earnings for 2015 were $39.5 million, compared to $49.9 million in 2014.

- Finance costs increased by $9.8 million to $34.9 million in 2015 from $25.1 million in 2014. The increase in finance costs was primarily attributable to interest on long-term debt, which increased by $11.6 million primarily due to the issuance of $400.0 million aggregate principal amount of Senior Unsecured Notes in the second and fourth quarters of 2014. The change in fair value of redemption options also increased finance costs by $5.1 million. This was partially offset by a decrease on interest and accretion on convertible debentures of $6.7 million as less convertible debentures remained outstanding throughout 2015 as compared to 2014.
- The loss on risk management activities in 2015 was $1.6 million, compared to a gain of $2.7 million in 2014. The loss or gain on these financial contracts is calculated by comparison to their market valuation at end of each reporting period.
- In 2015, acquisition, integration and other costs included within marketing, general and administrative expenses, increased by $12.2 million to $27.9 million, compared to $15.7 million in 2014. Acquisition, integration and other costs for the year ended December 31, 2015 were comprised of acquisition costs of $18.1 million, a supplier billing adjustment of $3.2 million, integration costs of $4.9 million and other costs of $1.8 million.
- Depreciation and amortization expense in 2015 was $92.9 million, compared to $75.1 million in 2014. The higher depreciation in 2015 is primarily attributable to an increased property, plant and equipment and intangible assets as a result of the Pioneer Acquisition and other acquisitions throughout 2015.
- Parkland achieved a record $215.1 million in Adjusted EBITDA in 2015, compared to $183.2 million in 2014. The growth in Adjusted EBITDA was primarily attributable to increased performance in the Retail Fuels segment as a result of the acquisition of Pioneer Energy and Chevron-branded service stations,

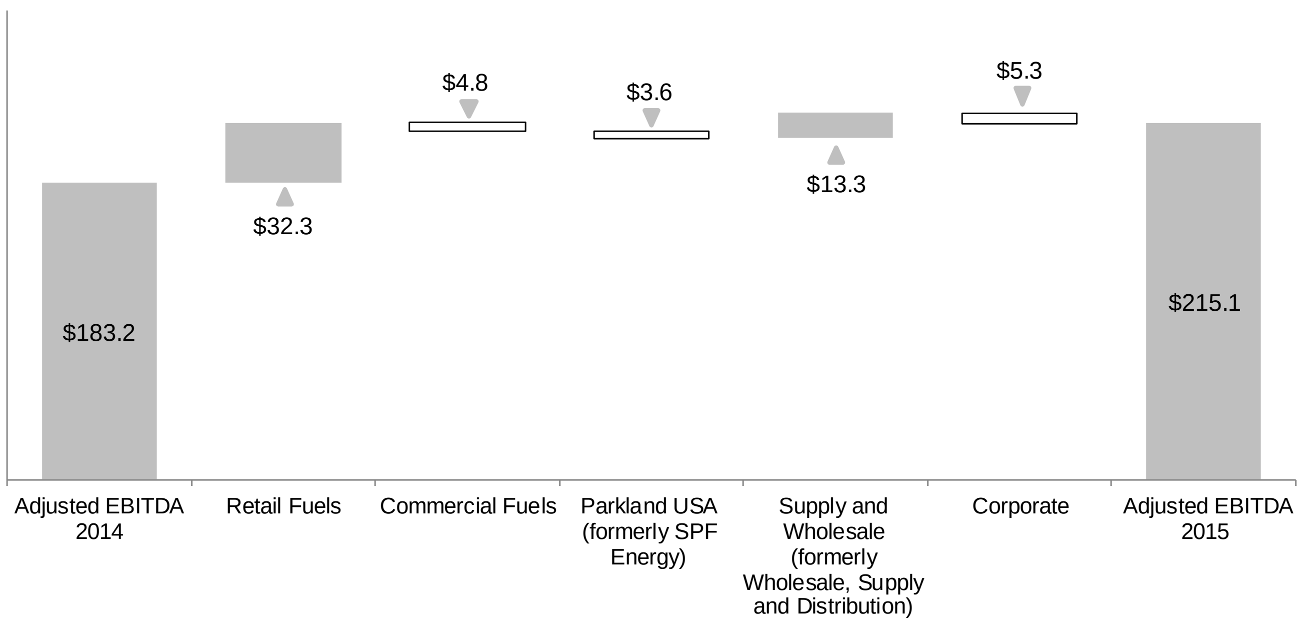
and increased performance in the Supply and Wholesale segment driven by lower cost of fuel due to negotiated price improvements and stronger LPG, refined products and renewable fuels margins. The growth was partially offset by increased expenses in the Corporate segment and decreased volumes in the Commercial Fuels and Parkland USA segments due to lower economic activity in Western Canada and the Bakken oil region.

Adjusted EBITDA

	Year ended December 31,	
(in 000's of Canadian dollars)	**2015**	2014
Net earnings	**39,498**	49,875
Finance costs	**34,892**	25,145
Loss on disposal of property, plant and equipment	**1,253**	1,156
Income tax expense	**20,274**	20,347
Unrealized (gain) from the change in fair value commodities swaps and forward contracts, US dollar forward exchange contracts and future contracts	**(1,507)**	(3,707)
Unrealized (gain) on foreign exchange	**(157)**	(432)
Acquisition, integration and other costs	**27,939**	15,699
Depreciation and amortization	**92,922**	75,124
Adjusted EBITDA[1]	**215,114**	183,207

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

Adjusted EBITDA[1] movements by segment ($ millions)



[1] Non-GAAP financial measure. See the Non-GAAP Financial Measures, Reconciliations, and Advisories section of this MD&A.

Retail Fuels

- Retail Fuels Adjusted EBITDA grew by $32.2 million in 2015 as compared to 2014. Fuel and petroleum product volumes grew by 1 billion litres over the same period. The increases were primarily attributable to the acquisitions of Pioneer Energy and Chevron-branded service stations.

Commercial Fuels

- Commercial Fuels Adjusted EBITDA decreased by $4.8 million in 2015 as compared to 2014. The decrease in Adjusted EBITDA was primarily driven by a decline in fuel volume as a result of reduced economic activity in Western Canada and a milder winter experienced in the fourth quarter of 2015. These were partially offset by stronger diesel and propane margins and cost reduction initiatives.

Parkland USA (formerly SPF Energy)

- Parkland USA Adjusted EBITDA decreased by $3.7 million in 2015 as compared to 2014. The decrease in Adjusted EBITDA was primarily due to lower wholesale gas and diesel volumes and margins due to lower economic activity in the Bakken oil region. This was partially offset by the appreciation of the US dollar against the Canadian dollar and the additional contribution from the acquisition of seven service stations throughout 2015.

Supply and Wholesale (formerly Wholesale, Supply and Distribution)

- Supply and Wholesale Adjusted EBITDA increased by $13.3 million in 2015 as compared to 2014. The increase was primarily attributable to lower cost of fuel due to negotiated price improvements and stronger LPG, refined products and renewable fuels margins resulting from favourable geographical arbitrage opportunities. These increases were partially offset by lower CAF margins and higher rail car lease, employee, storage and tank car cleaning costs. The weaker propane results experienced in the first quarter of 2015 were partially offset by stronger propane results in the third quarter and fourth quarter of 2015.

Corporate

- The Corporate segment incurred an additional $5.3 million of growth-focused expenses in 2015 as compared to 2014. The increased expenses to support Parkland's expansion primarily consists of employee, non-cash share incentive compensation, training and recruitment expenses.

2. Segment results

Refer to Note 27 of the Annual Consolidated Financial Statements for segment information.

Retail Fuels results and operations

Brands

Parkland Retail Fuels supplies and supports a network of 1,075 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:

- **Chevron –** The Chevron-branded wholesaler agreement provides Parkland with the opportunity to offer Chevron's premium brand to Parkland's network.
- **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.
- **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.
- **Pioneer –** Pioneer is a dynamic, low-cost brand in Ontario that offers a wide variety of services including Snack Express and Verve branded convenience stores and Clean Express branded car washes.
- **Other –** In most cases, "Other" represents brands that are being migrated to Parkland's primary brand offerings over time.

Business models

Parkland Retail Fuels operates under the following two main business models:

- **Company owned, retailer operated** – 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** – 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.

Site counts by brand and business models

The following tables provide site counts by brand and business models within the Retail Fuels segment:

	Fas Gas Plus	Race Trac	Esso	Chevron	Pioneer	Other	Total
Company owned, retailer operated	**94**	**2**	**64**	**30**	**121**	**1**	**312**
Dealer owned, dealer operated	**83**	**80**	**522**	**11**	**31**	**36**	**763**
Total sites, at December 31, 2015	**177**	**82**	**586**	**41**	**152**	**37**	**1,075**
Company owned, retailer operated	97	3	25	17	-	1	143
Dealer owned, dealer operated	89	86	331	4	-	29	539
Total sites, at December 31, 2014	186	89	356	21	-	30	682

The increase in retail sites was primarily attributable to the Pioneer Acquisition on June 25, 2015. The Pioneer Acquisition added 397 retailer and dealer operated service stations in Ontario and Manitoba, which includes 152 Pioneer-branded and 230 Esso-branded service stations. This increase was offset by general attrition of sites. The overall net addition of 169 retailer sites and 224 dealer sites during 2015 is expected to generate over 2.0 billion litres of new annualized volume.

Retail Fuels performance highlights

Retail Fuels Adjusted EBITDA for the fourth quarter of 2015 was $29.2 million, compared to $18.7 million for the fourth quarter of 2014. Retail Fuels Adjusted EBITDA in 2015 was $100.0 million, compared to $67.8 million for 2014. The acquisitions of Pioneer Energy and Chevron-branded service stations drove Adjusted EBITDA growth of 57% year-over-year for the fourth quarter of 2015 and drove Adjusted EBITDA annual growth of 48% in the year ended December 31, 2015.

	Three months ended December 31,				**Year ended December 31,**			
(in 000's of Canadian dollars)	**2015**	**2014**	**Change**	**%**	**2015**	**2014**	**Change**	**%**
Fuel and petroleum product volume[1] (000's of litres)	**912,002**	426,957	485,045	114%	**2,752,262**	1,733,960	1,018,302	59%
Sales and operating revenue	**685,683**	362,978	322,705	89%	**2,164,302**	1,678,002	486,300	29%
Fuel and petroleum product adjusted gross profit[2]	**46,276**	22,909	23,367	102%	**144,483**	86,762	57,721	67%
Non-fuel adjusted gross profit[2]	**12,847**	5,152	7,695	149%	**36,416**	19,545	16,871	86%
Adjusted gross profit[2]	**59,123**	28,061	31,062	111%	**180,899**	106,307	74,592	70%
Operating costs	**23,594**	6,470	17,124	265%	**61,487**	25,913	35,574	137%
Marketing, general and administrative	**6,373**	2,941	3,432	117%	**19,475**	12,608	6,867	54%
Adjusted EBITDA[2]	**29,190**	18,650	10,540	57%	**100,027**	67,786	32,241	48%
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit[2]	**5.07**	5.37	(0.30)	(6%)	**5.25**	5.00	0.25	5%
Operating costs	**2.59**	1.52	1.07	70%	**2.23**	1.49	0.74	50%
Marketing, general and administrative	**0.70**	0.69	0.01	1%	**0.71**	0.73	(0.02)	(3%)
Net unit operating cost ("NUOC")[2]	**1.88**	1.00	0.88	88%	**1.62**	1.09	0.53	49%
Adjusted EBITDA[2]	**3.20**	4.37	(1.17)	(27%)	**3.63**	3.91	(0.28)	(7%)
Other key performance indicators:								
Average number of sites for the period	**1,082**	687	395	57%	**922**	693	229	33%
Average fuel and petroleum product volume per site (000's of litres)	**843**	621	222	36%	**2,986**	2,502	484	19%

[1] Includes diesel, gasoline and propane volumes.

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

Q4 2015 vs. Q4 2014

In the fourth quarter of 2015, fuel volume increased primarily due to the acquisitions of Pioneer Energy and Chevron-branded service stations, adding 509 million litres and 8 million litres of volume respectively. The increase from the acquisitions was partially offset by a 32 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 fourth quarter primarily due to the acquisitions of Pioneer Energy and Chevron-branded service stations, adding $389.1 million and $6.8 million respectively. The increase in sales and operating revenue from the acquisitions were partially offset by the $73.2 million 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 fourth quarter of 2015 primarily due to the acquisitions of Pioneer Energy and Chevron-branded service stations and higher percentage rents collected through convenience store sales. 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 revenues, sales of select merchandise, and other ancillary sales.

Operating costs are expenses incurred primarily at company owned, retailer operated 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 increased primarily due to the additional company owned, retailer operated sites acquired as the result of the acquisitions of Pioneer Energy and Chevron-branded service stations. Excluding the impact of acquisitions, operating costs decreased by approximately 3% due to reduced activity levels and cost saving initiatives.

Marketing, general and administrative expenses in Retail Fuels are typically fixed in nature and do not vary with volume. Departments included in this category are marketing, real estate, finance, operations, credit, network development and infrastructure. Marketing, general and administrative expenses for the fourth quarter increased due to increased expenses and activities resulting from the acquisition of Pioneer Energy and increased labour costs associated with building capacity to focus on organic growth.

Key performance indicators

Fuel and petroleum adjusted gross profit decreased on a cpl basis mainly due to lower company fuel margins experienced in the fourth quarter at existing stations in Western Canada, offset partially by stronger company fuel margins at the newly acquired Pioneer Energy stations in Eastern Canada.

Operating costs on a cpl basis increased primarily due to the acquisition of Pioneer Energy and Chevron-branded service stations, creating a higher concentration of company owned, retailer operated sites that incur operating costs. Excluding the impact of the Pioneer acquisition, operating costs on a cpl basis increased by 5% due to the reduction in volumes exceeding the relative reduction in operating costs.

Marketing, general and administrative expenses on a cpl basis remained flat overall, where the increased expenses were offset by increased fuel volumes as a result of the acquisitions of Pioneer Energy and the Chevron-branded service stations.

Net unit operating cost ("NUOC") increased primarily due to a higher concentration of company owned, retailer operated sites that incur operating costs as a result of the acquisitions of Pioneer Energy and the Chevron-branded service stations.

Average fuel and petroleum product volume per site increased mainly due the newly acquired Pioneer Energy and the Chevron-branded service station sites that have higher volumes per site than the sites of the pre-existing business.

2015 vs. 2014

In 2015, fuel volume increased primarily due to the acquisitions of Pioneer Energy and Chevron-branded service stations, adding 1.1 billion litres and 27 million litres of volume respectively. The increase from the acquisitions was partially offset by an 80 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 due to the acquisition of Pioneer Energy and Chevron-branded service stations, adding $869.6 million and $25.6 million respectively. The increase in sales and operating revenue from the acquisitions was partially offset by the $408.9 million 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 primarily due to a combination of stronger company fuel margins, higher percentage rents collected through convenience store sales and the contribution from the acquisitions of Pioneer Energy and Chevron-branded service stations. 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 revenues, sales of select merchandise, and other ancillary sales.

Operating costs increased primarily due to the additional company owned, retailer operated sites acquired as the result of the acquisitions of Pioneer Energy and Chevron-branded service stations.

Marketing, general and administrative expenses increased due to increased expenses and activities resulting from the acquisitions of Pioneer Energy and increased labour costs associated with building capacity to focus on organic growth.

Key performance indicators

Fuel and petroleum adjusted gross profit increased on a cpl basis mainly due to stronger company fuel margins year-over-year.

Operating costs on a cpl basis increased primarily due to the acquisition of Pioneer Energy and Chevron-branded service stations, creating a higher concentration of company owned, retailer operated sites that incur operating costs.

Marketing, general and administrative expenses decreased on a cpl basis due to improved economies of scale, where the increase in volume growth as a result of the acquisition of Pioneer Energy exceeded the increase in cost.
NUOC increased primarily due to a higher concentration of company owned, retailer operated sites that incur operating costs as a result of the acquisitions of Pioneer Energy and the Chevron-branded service stations.

Average fuel and petroleum product volume per site increased mainly as a result of the newly acquired Pioneer Energy and the Chevron-branded service station sites which have higher volumes per site than the sites of the pre-existing business.

Commercial Fuels results and operations

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, operating across a broad cross-section of industries and geographies across Canada including: oil and gas, residential propane and heating fuel, construction, mining, forestry and fishing, as well as local and inter-regional transportation.

Commercial Fuels segment performance highlights

Commercial Fuels Adjusted EBITDA was $15.0 million in the fourth quarter of 2015, compared to $20.6 million in the fourth quarter of 2014. Adjusted EBITDA in 2015 was $61.0 million compared to $65.8 million for the same period in 2014. The 27% decrease in fourth quarter Adjusted EBITDA and 7% decrease in year-to-date Adjusted EBITDA was primarily driven by a decline in fuel volume as a result of reduced economic activity and a milder winter season. These were partially offset by improvements in operations such as the implementation of a centralized fleet management program, truck idling reduction initiatives and standardizing back office software and processes. Year-to-date Adjusted EBITDA was partially boosted by stronger diesel and propane margins and improvements in operations.

	Three months ended December 31,				**Year ended December 31,**			
(in 000's of Canadian dollars)	**2015**	**2014**	**Change**	**%**	**2015**	**2014**	**Change**	**%**
Fuel and petroleum product volume[1] (000's of litres)	**342,518**	400,231	(57,713)	(14%)	**1,405,736**	1,565,207	(159,471)	(10%)
Sales and operating revenue	**284,776**	394,349	(109,573)	(28%)	**1,214,277**	1,715,225	(500,948)	(29%)
Fuel and petroleum product adjusted gross profit[2]	**39,706**	46,545	(6,839)	(15%)	**160,171**	163,913	(3,742)	(2%)
Non-fuel adjusted gross profit[2]	**12,391**	14,962	(2,571)	(17%)	**49,957**	61,154	(11,197)	(18%)
Adjusted gross profit[2]	**52,097**	61,507	(9,410)	(15%)	**210,128**	225,067	(14,939)	(7%)
Operating costs	**31,870**	35,073	(3,203)	(9%)	**127,460**	136,164	(8,704)	(6%)
Marketing, general and administrative	**5,834**	6,100	(266)	(4%)	**23,288**	25,015	(1,727)	(7%)
Adjusted EBITDA[2]	**15,014**	20,599	(5,585)	(27%)	**61,017**	65,774	(4,757)	(7%)
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit	**11.59**	11.63	(0.04)	0%	**11.39**	10.47	0.92	9%
Operating costs	**9.30**	8.76	0.54	6%	**9.07**	8.70	0.37	4%
Marketing, general and administration	**1.70**	1.52	0.18	12%	**1.66**	1.60	0.06	4%
Adjusted EBITDA	**4.38**	5.15	(0.77)	(15%)	**4.34**	4.20	0.14	3%
Other key performance indicators:								
Operating ratio[2]	**72%**	67%	5%		**72%**	72%	0%	
Residential net promoter index ("NPI")	**94%**	92%	2%		**94%**	90%	4%	

(1) Includes diesel, gasoline, and propane volumes.

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

Q4 2015 vs. Q4 2014

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 milder winter season contributing to reduced propane and furnace oil volumes.

Sales and operating revenue decreased primarily due to decreased fuel prices resulting from lower crude oil and petroleum product prices and lower cartage revenues.

Similar to the decreases seen in fuel volumes, adjusted gross profit decreased primarily due to lower cartage sales driven by lower economic activity in Western Canada and lower propane sales driven by a milder winter season in Eastern 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 and labour costs driven by operating efficiencies, lower fuel costs 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 have decreased primarily due to a reduction in marketing costs.

Key performance indicators
Despite reduced fuel volume as a result of lower economic activity and a milder winter, fuel and petroleum product adjusted gross profit remained consistent with the fourth quarter of 2014 on a cpl basis. However, operating costs and marketing, general and administrative expenses on a cpl basis increased as the rate of decrease in volumes exceeded the rate of decrease in expenses. Similarly, Commercial Fuels' operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, increased as the decline in adjusted gross profit exceeded the cost reduction initiatives that contributed to the decrease in those expenses.

The residential net promoter index ("NPI") is determined by a third party research company that asks customers whether they would recommend Parkland to a friend or family member, on a scale of 0-10. Promoters are those who rate a 9 or 10, and detractors are those who rate a 6 or below. The NPI is calculated by deducting the percentage of detractors from the percentage of promoters. Residential NPI, which is an indicator of customer satisfaction, exceeded internal targets for the quarter, and increased quarter-over-quarter as a result of Parkland's initiatives in customer service excellence.

2015 vs. 2014
Commercial Fuels' volume decreased in 2015 due to reduced economic activity in Western Canada resulting in reduced diesel and propane volumes sold to oil and gas industries, and a milder winter season in Eastern Canada contributing to reduced propane and furnace oil volumes.

Sales and operating revenue decreased primarily due to decreased fuel prices resulting from lower crude oil and petroleum product prices.

Similar to the decreases seen in volumes, adjusted gross profit decreased primarily due to lower fuel volumes driven by weaker economic activity and a milder winter season. However, this was partially offset by stronger furnace oil and propane margins compared to the previous year.

Operating costs and marketing, general and administrative expenses decreased primarily due to operating efficiencies, lower trucking fuel costs and cost reduction initiatives.

Key performance indicators
Fuel and petroleum product adjusted gross profit increased on a cpl basis compared to 2014 due to stronger fuel oil and propane margins. However, operating costs and marketing, general and administrative expenses on a cpl basis increased as volumes declined more than expenses. Commercial Fuels' operating ratio, which is the ratio of operating costs and marketing, general and administrative expenses to adjusted gross profit, remained consistent year-over-year, as the cost reduction initiatives that contributed to the decrease in expenses remained in proportion to the decrease in adjusted gross profit.

Residential NPI, which is an indicator of customer satisfaction, exceeded internal targets for the year, and increased quarter-over-quarter as a result of Parkland's initiatives in customer service excellence.

Parkland USA (formerly SPF Energy) results and operations

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. The Parkland USA segment was renamed from the SPF Energy segment in the fourth quarter of 2015. Parkland USA operates and generates profits from the following divisions:

- **Wholesale** – 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. Parkland USA has 40,000 barrels of terminal storage capacity in Minot, North Dakota and supplies fuel to retailers, small resellers and commercial operators. Parkland USA owns a fleet of approximately 75 trucks which deliver wholesale fuels and commercial lubricants to its customers.

- **Retail** – 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 performance highlights

Parkland USA's Adjusted EBITDA was $4.2 million in the fourth quarter of 2015, compared to $8.0 million in the fourth quarter of 2014. The decrease of 48% or $3.9 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 US dollar against the Canadian dollar and the additional contribution from the acquisition of seven service stations throughout 2015.

Parkland USA's Adjusted EBITDA decreased 15% or $3.6 million to $20.1 million in 2015, compared to Adjusted EBITDA of $23.7 million in 2014, primarily due to the same reasons described for the fourth quarter of 2015.

	Three months ended December 31,				**Year ended December 31,**			
(in 000's of Canadian dollars)	**2015**	**2014**	**Change**	**%**	**2015**	**2014**	**Change**	**%**
Fuel and petroleum product volume[1] (000's of litres)	**236,660**	309,990	(73,330)	(24%)	**1,056,347**	1,185,568	(129,221)	(11%)
Sales and operating revenue	**167,581**	269,203	(101,622)	(38%)	**752,537**	1,106,747	(354,210)	(32%)
Fuel and petroleum product adjusted gross profit[2]	**8,132**	11,519	(3,387)	(29%)	**35,653**	38,218	(2,565)	(7%)
Non-fuel adjusted gross profit[2]	**8,622**	7,666	956	12%	**31,237**	28,304	2,933	10%
Adjusted gross profit[2]	**16,754**	19,185	(2,431)	(13%)	**66,890**	66,522	368	1%
Operating costs	**10,738**	9,315	1,423	15%	**39,573**	36,098	3,475	10%
Marketing, general and administrative	**1,897**	1,879	18	1%	**7,397**	6,964	433	6%
Adjusted EBITDA[2]	**4,161**	8,048	(3,887)	(48%)	**20,112**	23,720	(3,608)	(15%)
Key performance indicators (cpl):								
Fuel and petroleum product adjusted gross profit	**3.44**	3.72	(0.28)	(8%)	**3.38**	3.22	0.16	5%
Operating costs	**4.54**	3.00	1.54	51%	**3.75**	3.04	0.71	23%
Marketing, general and administration	**0.80**	0.61	0.19	31%	**0.70**	0.59	0.11	19%
Adjusted EBITDA	**1.76**	2.60	(0.84)	(32%)	**1.90**	2.00	(0.10)	(5%)

[1] Includes diesel, gasoline, and propane volumes.

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

Q4 2015 vs. Q4 2014

The decrease in Parkland USA's fuel volume is attributable to the reduced economic activity in the Bakken oil region and a warmer winter, offset partially by increased retail volumes driven by the recently completed acquisitions of seven service stations.

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

Adjusted gross profit decreased primarily due to the decline in wholesale gas and diesel volumes and margins as a result of decreased activity in the Bakken oil region, partially offset by gains from the appreciation of the US dollar.

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 increase in new sites and the strengthening of the US 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 US dollar basis, marketing, general and administrative expenses decreased from cost reduction initiatives, but were offset by the strengthening of the US dollar against the Canadian dollar, creating a flat quarter-over-quarter result.

Key performance indicators

Fuel and petroleum product adjusted gross profit decreased on a cpl basis due to a decline in sales margin as a result of lower economic activity in the Bakken oil region and declining margins due to increasing market supply length, partially offset by the strengthening of the US dollar against the Canadian dollar.

Operating costs and marketing, general and administrative expenses on a cpl basis increased due to decreased fuel and petroleum product volumes and the strengthening of the US dollar against the Canadian dollar.

2015 vs. 2014

The decrease in Parkland USA's fuel volume is attributable to decreased economic activity in the Bakken oil region and a warmer winter, offset partially by increased retail volumes from the recently completed acquisitions of seven service stations.

Sales and operating revenue decreased primarily due to declines in petroleum prices, partially offset by the appreciation of the US dollar against the Canada dollar.

Adjusted gross profit remained flat year-over-year. The strengthening of the US dollar against the Canadian dollar combined with the growth provided by the acquisition of seven service stations in North Dakota were offset by the decline in margins experienced in the wholesale business and decreased lubricant volumes as a result of lower economic activity in the Bakken oil region.

Operating costs increased primarily due to the increase in new sites and the strengthening of the US dollar against the Canadian dollar, partially offset by our continuous cost reduction initiatives and lower activity in the wholesale business.

Marketing, general and administrative expenses decreased on a US dollar basis as a result of cost reduction initiatives, but were offset by the strengthening of the US dollar against the Canadian dollar, creating a 6% year-over-year increase.

Key performance indicators

Fuel and petroleum product adjusted gross profit increased on a cpl basis due to the strengthening of the US dollar against the Canadian dollar. Removing the impact from the appreciation of the US dollar, fuel and petroleum product adjusted gross profit declined due to the lower economic activity in the Bakken oil region and increasing market supply length.

Operating costs and marketing, general and administrative expenses on a cpl basis increased due to decreased fuel and petroleum product volumes and the strengthening of the US dollar against the Canadian dollar.

Supply and Wholesale (formerly Wholesale, Supply and Distribution) results and operations

Parkland's Supply and Wholesale segment manages fuel supply by contracting and purchasing fuel from refiners and other suppliers, distributing through third party rail and highway carriers, storing fuel in owned and leased facilities and serving wholesale and reseller customers in Canada and in the United States. Major sales categories are:

- Wholesale gas and diesel
- Refined products, which includes 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
- Renewable fuels, which includes ethanol and biodiesel

The Supply and Wholesale segment was renamed from the Wholesale, Supply and Distribution segment in the fourth quarter of 2015. Supply and Wholesale products are marketed via the "Parkland", "Les Pétroles Parkland" and "Elbow River Marketing" brands.

Contracts – Parkland maintains fuel supply contracts with multiple oil refiners and wholesale suppliers. This diversity of supply, plus the availability of storage in the Canadian prairie and Eastern provinces, 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 of approximately 1,900 rail cars 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 performance highlights

Supply and Wholesale Adjusted EBITDA for the fourth quarter of 2015 was $27.9 million, compared to $13.3 million in the fourth quarter of 2014, driven by improved cost of fuel due to negotiated price improvements, lower operating and third party trucking costs and stronger LPG and CAF product margins resulting from favourable geographical arbitrage opportunities and favourable foreign exchange rates. These increases were partially offset by higher rail car lease, employee, storage, and tank car cleaning costs as part of the segment's growth activities.

Supply and Wholesale Adjusted EBITDA in 2015 was $77.4 million compared to $64.0 million in 2014. The increase of $13.3 million was primarily attributable to improved cost of fuel and stronger LPG, refined products, and renewable fuels margins resulting from favourable geographical arbitrage opportunities. These increases were partially offset by lower CAF margins and increased rail car lease, employee, storage, and tank car cleaning costs. The weaker propane results experienced in the first quarter of 2015 were partially offset by stronger propane results in the third quarter and fourth quarter of 2015.

(in 000's of Canadian dollars)	Three months ended December 31, 2015	2014	Change	%	Year ended December 31, 2015	2014	Change	%
Fuel and petroleum product volume[1] (000's of litres)	**1,122,682**	1,190,635	(67,953)	(6%)	**4,399,017**	4,370,413	28,604	1%
Sales and operating revenue	**517,634**	711,844	(194,210)	(27%)	**2,167,980**	3,027,278	(859,298)	(28%)
Fuel and petroleum product adjusted gross profit[2]	**49,631**	32,076	17,555	55%	**153,255**	130,207	23,048	18%
Non-fuel adjusted gross profit[2]	**4,602**	585	4,017	687%	**16,203**	12,423	3,780	30%
Adjusted gross profit[2]	**54,233**	32,661	21,572	66%	**169,458**	142,630	26,828	19%
Operating costs	**14,145**	9,265	4,880	53%	**52,669**	44,644	8,025	18%
Marketing, general and administrative	**12,193**	10,055	2,138	21%	**39,577**	33,967	5,610	17%
Adjusted EBITDA[2]	**27,916**	13,294	14,622	110%	**77,351**	64,044	13,307	21%

[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 & advisories" section of this MD&A.

Q4 2015 vs. Q4 2014

Fuel volume decreased due to a 55 million litre decrease in wholesale gas and diesel volume, a 28 million litre decrease in CAF volume, and an 11 million litre decrease in renewable fuels volume. This was partially offset by a 17 million litre increase in refined product volume and a 9 million litre increase in LPG volume. The change in product mix is primarily driven by changing geographical arbitrage opportunities. The 55 million litre decrease in wholesale gas and diesel volume is primarily attributable to the reduced demand as a result of weakened economic environment in Western Canada.

Sales and operating revenue decreased primarily due to lower crude oil and petroleum product prices.

Adjusted gross profit increased primarily due to improved cost of fuel due to negotiated price improvements, lower third party trucking costs, and stronger LPG and CAF product margins resulting from favourable geographical arbitrage opportunities and favourable foreign exchange rates.

Operating costs increased primarily due to higher rail car lease, storage and tank car cleaning costs. Marketing, general and administrative expenses increased due to increased employee variable compensation costs as a result of the higher earnings achieved during the quarter.

2015 vs. 2014

Fuel volume remained flat year-over-year, primarily driven by an aggregate 230 million litre increase in LPG volume offset by a 216 million litre decrease in CAF volume. The change in product mix is primarily driven by changing geographical arbitrage opportunities.

Sales and operating revenue decreased primarily due to decreased fuel prices resulting from lower crude oil and petroleum product prices.

Adjusted gross profit increased primarily due to improved cost of fuel due to negotiated price improvements and stronger LPG, refined products, and renewable fuels margins resulting from favourable geographical arbitrage opportunities, and lower commodity price related inventory losses, partially offset by lower CAF margins. The stronger propane results in third quarter and fourth quarter of 2015 partially offset the weaker propane results experienced in the first quarter of 2015.

Operating costs increased primarily due to higher rail car lease, storage and tank car cleaning costs. Marketing, general and administrative expenses increased primarily due to increased employee costs.

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.

	Three months ended December 31,				Year ended December 31,			
(in 000's of Canadian dollars)	**2015**	**2014**	**Change**	**%**	**2015**	**2014**	**Change**	**%**
Marketing, general and administrative	**18,406**	17,534	872	5%	**71,772**	54,275	17,497	32%
Less: Acquisition, integration and other costs	**(6,848)**	(7,802)	954	(12%)	**(27,939)**	(15,699)	(12,240)	78%
Corporate adjusted marketing, general and administrative[1]	**11,558**	9,732	1,826	19%	**43,833**	38,576	5,257	14%
Adjusted EBITDA[1]	**(11,427)**	(9,526)	(1,901)	20%	**(43,393)**	(38,117)	(5,276)	14%
Key performance indicators:								
Corporate adjusted marketing, general and administrative expenses as a % of Parkland's adjusted gross profit[1]	**6.34%**	6.88%	(0.54%)		**6.99%**	7.13%	(0.14%)	

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

Q4 2015 vs. Q4 2014

Marketing, general and administrative expenses and corporate adjusted marketing, general and administrative expenses increased due to increases in employee costs, non-cash share incentive compensation, training and recruitment expenses to support Parkland's expansion. Acquisition, integration and other costs are highly variable based on Parkland's acquisition and integration activities. Corporate adjusted marketing, general and administrative expenses as a percentage of Parkland's adjusted gross profit, which excludes acquisition, integration and other costs, improved from 6.88% to 6.34% due to improved economies of scale.

2015 vs. 2014

Marketing, general and administrative expenses and corporate adjusted marketing, general and administrative expenses increased during the year with increases in employee costs, non-cash share incentive compensation, training and recruitment expenses to support Parkland's expansion. Acquisition, integration and other costs increased primarily due to costs associated with the acquisition and integration of Pioneer Energy. 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 7.13% to 6.99% due to improved economies of scale.

3. Quarterly financial data

Financial Summary

(in 000's of Canadian dollars) For the three months ended,	2015 Dec 31	2015 Sep 30	2015 Jun 30	2015 Mar 31	2014 Dec 31	2014 Sep 30	2014 Jun 30	2014 Mar 31
Sales and operating revenues	**1,655,801**	1,862,234	1,389,910	1,391,626	1,738,479	1,898,690	1,873,109	2,017,360
Adjusted gross profit(1)	**182,340**	166,958	123,040	155,165	141,507	117,819	121,442	159,995
Net earnings	**15,677**	14,567	(10,524)	19,778	10,222	10,420	6,924	22,309
Per share - basic	**0.17**	0.16	(0.13)	0.24	0.13	0.14	0.09	0.30
Per share - diluted	**0.17**	0.16	(0.13)	0.24	0.13	0.14	0.09	0.30
Adjusted EBITDA(1)	**64,854**	59,072	34,055	57,133	51,065	35,236	35,692	61,214
Dividends	**25,404**	25,423	23,312	23,478	26,948	19,974	19,710	19,233
Per share outstanding	**0.27**	0.28	0.26	0.28	0.33	0.26	0.26	0.26
Distributable cash flow(2)	**35,257**	29,175	9,077	36,293	23,107	17,035	22,651	44,649
Per share outstanding(2)	**0.38**	0.32	0.10	0.44	0.28	0.22	0.30	0.61
Dividend payout ratio(2)	**72%**	87%	257%	65%	117%	117%	87%	43%
Total assets	**1,818,662**	1,836,944	1,819,555	1,514,174	1,531,791	1,426,792	1,418,130	1,461,718
Total long-term liabilities	**591,621**	598,372	590,725	549,919	551,065	463,986	451,917	449,448
Total funded debt(1)	**464,940**	455,214	467,288	167,953	245,519	278,270	311,357	367,907
Shares outstanding (000's of shares)	**93,856**	90,782	89,928	82,913	82,114	76,057	74,765	73,759

(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.

Operating Summary

For the three months ended,	2015 Dec 31	2015 Sep 30	2015 Jun 30	2015 Mar 31	2014 Dec 31	2014 Sep 30	2014 Jun 30	2014 Mar 31
Fuel volume (millions of litres)	**2,614**	2,731	2,031	2,238	2,328	2,333	1,922	2,272
Fuel and petroleum product adjusted gross profit(1)								
Retail Fuels (cpl)	**5.07**	5.63	5.09	4.87	5.37	5.28	4.94	4.34
Commercial Fuels (cpl)	**11.59**	8.89	10.46	13.56	11.63	8.57	9.60	11.32
Parkland USA (formerly SPF Energy) (cpl)	**3.44**	3.34	3.33	3.41	3.72	3.13	2.78	3.25
Operating costs (cpl)	**3.07**	2.71	2.97	2.97	2.58	2.46	3.13	2.87
Adjusted marketing, general and administrative(1) (cpl)	**1.45**	1.26	1.44	1.43	1.32	1.10	1.38	1.50

(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 revenues in each quarter of 2015 were lower than their respective 2014 amounts due to a decline in crude and petroleum prices.
- Total assets and total funded debt increased significantly in the second quarter of 2015 due to the Pioneer Acquisition.
- Fuel volumes in the second, third and fourth quarters of 2015 were higher than their respective 2014 quarters due to recently completed acquisitions. Parkland acquired Parkland USA Inc. on January 8, 2014, twelve Chevron-branded service stations on April 2, 2014, eleven Chevron-branded service station on April 7, 2015, five service stations in North Dakota in April 2015, and Pioneer Energy on June 25, 2015. The largest increase in fuel volumes during the last two years has come from the acquisition of Pioneer Energy.
- Without the effect of acquisitions, Commercial Fuels generally experiences higher volumes throughout the winter months, during the first and fourth quarters, due to higher demand for heating oil and propane. Retail Fuels generally experiences higher volumes in the second and third quarters, during the summer driving season.
- Operating costs on a cpl basis over the last eight quarters have generally increased due to increased sales activities from the acquired businesses, with the exception of the third quarter of 2015 which saw a decrease

primarily due to a higher increase in consolidated fuel and petroleum product volumes driven by growth in the Retail Fuels segment. Operating costs on a cpl basis in the fourth quarter of 2015 increased due to decreased volumes in the Parkland USA and Supply and Wholesale segments.

- Adjusted marketing, general and administrative expenses over the last eight quarters have generally increased due to increased activities from the acquired businesses except for the second and third quarter of 2014 which decreased due to lower activity in Supply and Wholesale.

4. Dividends, distributable cash flow and dividend payout ratio

(in 000's of Canadian dollars and shares, except per share amounts)	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Adjusted EBITDA[1]	**64,854**	51,065	**215,114**	183,207
Amounts to reconcile Adjusted EBITDA to net earnings[2]	**(49,177)**	(40,843)	**(175,616)**	(133,332)
Net earnings	**15,677**	10,222	**39,498**	49,875
Amounts to reconcile net earnings to cash generated from operating activities[3]	**32,671**	49,403	**183,790**	121,315
Cash generated from operating activities	**48,348**	59,625	**223,288**	171,190
Reverse: Change in other long-term liabilities[4]	**2,464**	(4,538)	**900**	(4,297)
Reverse: Net changes in non-cash working capital[4]	**(2,962)**	(25,979)	**(82,951)**	(44,889)
	47,850	29,108	**141,237**	122,004
Include: Maintenance capital expenditures	**(13,770)**	(8,382)	**(34,180)**	(18,530)
Include: Proceeds on sale of property, plant, and equipment and intangible assets	**1,177**	2,381	**2,745**	3,546
Distributable cash flow[5]	**35,257**	23,107	**109,802**	107,020
Reverse: Acquisition, integration and other costs	**6,848**	7,802	**27,939**	15,699
Adjusted distributable cash flow[5]	**42,105**	30,909	**137,741**	122,719
Shares outstanding	**93,856**	82,114	**93,856**	82,114
Distributable cash flow per share outstanding[5]	**0.38**	0.28	**1.17**	1.30
Adjusted distributable cash flow per share outstanding[5]	**0.45**	0.38	**1.47**	1.49
Dividends	**25,404**	26,948	**97,617**	85,865
Dividend payout ratio[5]	**72%**	117%	**89%**	80%
Adjusted dividend payout ratio[5]	**60%**	87%	**71%**	70%

(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 statement of cash flows on the consolidated financial statements for a detailed reconciliation from net earnings to cash generated from operating activities

(4) Included in cash flow from (used in) operating activities and excluded from distributable cash flow.

(5) Non-GAAP financial measure. See description of this non-GAAP measure below.

Dividends

For the quarter ended December 31, 2015, dividends decreased to $25.4 million (2014 – $26.9 million). Net of the dividend reinvestment plan, cash dividends paid to shareholders during the fourth quarter of 2015 were $7.1 million (2014 – $6.1 million). For the year ended December 31, 2015, dividends increased to $97.6 million (2014 – $85.9 million). Net of the dividend reinvestment plan, cash dividends paid to shareholders during 2015 were $27.2 million (2014 – $24.5 million). Overall, dividends increased primarily due to the increase in the number of shares outstanding from 82.1 million shares as at December 31, 2014 to 93.9 million shares as at December 31, 2015. During the year ended December 31, 2015, Parkland issued 5.8 million shares on the acquisition of Pioneer Energy, 2.4 million shares upon the conversion of convertible debentures, 3.0 million shares under the dividend reinvestment plan and 0.6 million shares under the restricted share units and share option plan.

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 outstanding, adjusted distributable cash flow per share outstanding, 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 outstanding is calculated as distributable cash flow divided by the number of shares outstanding, and adjusted distributable cash flow per share outstanding is calculated as adjusted distributable cash flow divided by the number of shares outstanding. 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.

Q4 2015 vs. Q4 2014

The dividend payout ratio and adjusted dividend payout ratio improved from 117% to 72% and 87% to 60%, respectively, as a result of increased distributable cash flow. Distributable cash flow and adjusted distributable cash flow increased to $35.3 million and $42.1 million for the fourth quarter of 2015, respectively (2014 – $23.1 million and $30.9 million), primarily due to $13.8 million of higher Adjusted EBITDA driven by Retail Fuels and Supply and Wholesale. This was partially offset by higher maintenance capital expenditures of $13.8 million (2014 – $8.4 million), primarily attributable to increased construction and upgrades in the Retail Fuels and Parkland USA segments as Parkland continues store refresh programs to increase sales.

2015 vs. 2014

The dividend payout ratio and adjusted dividend payout ratio increased from 80% to 89% and 70% to 71%, respectively, as a result of decreased distributable cash flow and increased dividends. Distributable cash flow increased to $109.8 million in 2015 (2014 – $107.0 million) partially due to an increase in Adjusted EBITDA of $31.9 million. This was offset by higher maintenance capital expenditures of $34.2 million (2014 – $18.5 million) which is attributable to increased construction and upgrades in the Retail Fuels and Parkland USA segments as Parkland continues store refresh programs to increase sales, as well as higher acquisition, integration and other costs of $27.9 million (2014 – $15.7 million) as a result of higher acquisition related activities in 2015. Adjusted distributable cash flow, which excludes the impact of acquisition, integration and other costs, improved from

$122.7 million to $137.7 million mainly due to the improved Adjusted EBITDA as a result of the Pioneer Acquisition.

5. Liquidity

Cash flows

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

	Three months ended December 31,			Year ended December 31,		
(in 000's of Canadian dollars)	**2015**	2014	2013	**2015**	2014	2013
Cash generated from operating activities	**48,348**	59,625	(8,160)	**223,288**	171,190	133,134
Cash used in investing activities	**(49,888)**	(21,147)	(28,209)	**(377,651)**	(149,822)	(184,575)
Net cash generated (used) before financing activities	**(1,540)**	38,478	(36,369)	**(154,363)**	21,368	(51,441)
Cash (used in) generated from financing activities	**(6,135)**	115,675	47,833	**(23,665)**	168,852	45,045
Increase (decrease) in net cash	**(7,675)**	154,153	11,464	**(178,028)**	190,220	(6,396)
Net foreign exchange difference	**(531)**	501	-	**606**	628	-
Net cash, beginning of period	**29,912**	44,474	(3,184)	**199,128**	8,280	14,676
Net cash, end of period	**21,706**	199,128	8,280	**21,706**	199,128	8,280

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.

Q4 2015 vs. Q4 2014

Cash generated from operating activities was $11.3 million lower in the fourth quarter of 2015 compared to the same period in 2014 primarily as a result of $21.1 million higher cash flow generated from changes in non-cash working capital during the fourth quarter of 2014. This was primarily attributable to a reduction in inventory balances during the fourth quarter of 2014 caused by a sharp decline in petroleum prices during the period. In 2015, the reduced cash flow from changes in non-cash working capital was partially offset by additional cash flows generated by operations subsequent to the acquisition of Pioneer Energy.

2015 vs. 2014

Cash generated from operating activities was $52.1 million higher in 2015 as compared to 2014 primarily as a result of larger decreases in accounts receivable balances during 2015 as compared to 2014 primarily due to the reduction in petroleum prices and improved credit management, as well as additional cash flows generated by operations subsequent to the acquisition of Pioneer Energy.

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.

Q4 2015 vs. Q4 2014

During the fourth quarter of 2015, investing activities used $49.9 million of cash as compared to $21.1 million in cash in the prior year. The increase in cash used in investing activities is primarily attributable to acquisitions of retail sites in Alberta and British Columbia, Canada and North Dakota, USA, and the additions of property, plant and equipment and intangible assets of $30.7 million (2014 – $22.4 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.

2015 vs. 2014

During 2015, investing activities used $377.7 million of cash as compared to $149.8 million of cash in the prior year. The increase in cash used in investing activities is primarily attributable to larger acquisition activities and additions of property, plant and equipment and intangible assets. During 2015, cash used in investing activities included $247.5 million for Pioneer Energy, $17.6 million for North Dakota service stations, $18.3 million for the Chevron-branded service stations and $15.1 million for retail sites in Alberta and British Columbia, Canada and North Dakota, USA. During 2014, cash used in investing activities included $84.5 million for Parkland USA Inc. and $16.4 million for the Chevron-branded service stations. Additions of property, plant and equipment and intangible assets were $22.8 million higher in 2015 as compared to 2014, and is mainly 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 "Premium Dividend™ and dividend reinvestment plan" section of this MD&A.

Q4 2015 vs. Q4 2014

During the fourth quarter of 2015, Parkland paid a monthly dividend of $0.090 per share (2014 - $0.088 per share). Total cash dividend payments, net of the dividend reinvestment plan for the period were $7.1 million (2014 - $6.1 million).

Cash used in financing activities during the fourth quarter of 2015 was $6.1 million primarily driven by dividends paid to shareholders of $7.1 million and cash repaid to holders of convertible debentures upon maturity of $1.8 million. In contrast, cash generated from financing activities during the fourth quarter of 2014 was $115.7 million, primarily due to the excess of cash generated from proceeds received from long-term debt of $195.6 million, partially offset by long-term debt repayments of $73.7 million.

2015 vs. 2014

During 2015, Parkland paid a monthly dividend ranging from $0.088 to $0.090 per share (2014 - $0.087 to $0.088 per share). Total cash dividend payments, net of dividend reinvestment plan for the period were $27.2 million (2014 - $24.5 million).

Cash used in financing activities during 2015 was $23.7 million primarily driven by $27.2 million of dividends paid to shareholders and $1.8 million of cash used to repay holders of convertible debentures upon maturity, partially offset by $5.7 million of cash proceeds received from shares issued. In contrast, cash generated from financing activities during 2014 was $168.9 million, primarily due to the excess of cash generated from proceeds received from long-term debt of $746.2 million, partially offset by long-term debt repayments of $557 million and cash dividends paid to shareholder of $24.5 million.

Available sources of liquidity

Parkland's sources of liquidity as at December 31, 2015 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 Premium Dividend and 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)	**December 31, 2015**	December 31, 2014
Cash and cash equivalents	**36,710**	203,264
Bank indebtedness	**(15,325)**	(5,969)
Unused credit facilities	**269,749**	317,935
	291,134	515,230

Parkland has contracted obligations under various debt agreements, capital expenditures and contractual commitments relating to property, plant and equipment, as well as under operating and capital leases. The following table provides an analysis of contractual maturities for financial liabilities:

December 31, 2015	**Less than one year**	**Years 2 and 3**	**Years 4 and 5**	**Thereafter**	**Total**
Bank indebtedness	**15,325**	**-**	**-**	**-**	**15,325**
Accounts payable and accrued liabilities	**349,127**	**-**	**-**	**-**	**349,127**
Dividends declared and payable	**8,479**	**-**	**-**	**-**	**8,479**
Risk management	**3,563**	**-**	**-**	**-**	**3,563**
Long-term debt (1)(2)	**29,258**	**86,967**	**46,877**	**428,995**	**592,097**
Other long-term liabilities	**1,029**	**8,200**	**-**	**-**	**9,229**
Obligations under operating leases	**44,612**	**69,588**	**38,021**	**46,888**	**199,109**
Purchase obligations	**8,444**	**-**	**-**	**-**	**8,444**
Total contractual obligations	**459,837**	**164,755**	**84,898**	**475,883**	**1,185,373**

(1) Undiscounted principal and interest, including current portion

(2) Long-term debt includes finance lease obligations

Fuel and petroleum products

Parkland has entered into various purchase agreements which requires it to purchase minimum amounts or quantities of fuel and petroleum product 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 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 and US$30 million with interest only payable at the banks' Canadian and US 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 May 28, 2021 and November 21, 2022, respectively, each with an aggregate principal amount of $200 million (the "Senior Unsecured Notes"). Refer to Note 14 of the Consolidated Financial Statements for additional information on the Senior Unsecured Notes.

Premium Dividend™ and Dividend Reinvestment Plan

Parkland's Premium Dividend™ and Dividend Reinvestment Plan are 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 $0.0900 per share, the Premium Dividend and Dividend Reinvestment Plan provide Canadian shareholders with the following options:

- Premium Dividend™ – this provides eligible shareholders with a 2% cash premium in addition to their regular cash dividend. Participants in this option will receive $0.0918 per share on the dividend payment date.
- Dividend Reinvestment Plan – this allows shareholders to purchase shares with their dividend at a 5% discount to the volume weighted average price as defined by the plan.

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 lubricants 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 December 31,		**Year ended December 31,**	
(in 000's of Canadian dollars)	**2015**	2014	**2015**	2014
Growth Capital Expenditures				
Retail Fuels	**9,472**	7,296	**23,687**	12,024
Commercial Fuels	**2,790**	4,629	**5,161**	13,760
Parkland USA (formerly SPF Energy)	**3,194**	1,089	**5,394**	1,336
Supply and Wholesale (formerly Wholesale, Supply and Distribution)	**1,393**	228	**4,207**	1,531
Corporate	**41**	728	**336**	2,990
Growth Capital Expenditures	**16,890**	13,970	**38,785**	31,641
Maintenance Capital Expenditures				
Retail Fuels	**6,929**	2,820	**12,884**	4,912
Commercial Fuels	**3,633**	5,044	**12,013**	8,729
Parkland USA (formerly SPF Energy)	**2,340**	314	**4,760**	3,098
Supply and Wholesale (formerly Wholesale, Supply and Distribution)	**423**	90	**2,104**	1,004
Corporate	**445**	114	**2,419**	787
Maintenance Capital Expenditures	**13,770**	8,382	**34,180**	18,530
Additions of property, plant and equipment and intangible assets	**30,660**	22,352	**72,965**	50,171

During the fourth quarter of 2015 and year ended 2015, Parkland's total growth capital expenditures and maintenance capital expenditures increased by $8.3 million and $22.8 million, respectively, as compared to the same periods in 2014. 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 Commercial Fuels segment.

Committed capital expenditures

At December 31, 2015, Parkland had $8.4 million (December 31, 2014 - $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 Premium Dividend, Dividend Reinvestment Plan and by the Credit Facility.

Financial covenants and metrics

At December 31, 2015, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on trailing four quarter Credit Facility EBITDA. Refer to the "Non-GAAP financial measures, reconciliation and advisories" section of this MD&A for the listing and the calculation of Parkland's debt covenants.

7. Accounting policies and critical accounting estimates

The discussion and analysis of Parkland's financial condition and results of operations are based upon the Annual Consolidated Financial Statements which have been prepared in accordance with IFRS. 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 revenues, expenses, assets and liabilities, the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. Parkland based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of Parkland. Such changes will be reflected in the assumptions when they occur.

The following areas on the consolidated financial statements have the most significant effect from estimates, assumptions and judgments, and affect all of Parkland's operating segments:

Asset retirement obligations and refinery and terminal remediation accrual

Asset retirement obligations and refinery and terminal remediation accrual represent the present value estimate of Parkland's cost to remediate the sites. Asset retirement obligations are measured at the present value of the expenditures expected to be required to settle the obligations using a pre-tax credit adjusted discount rate that reflects current market assessments of the time value of money and the risks specific to the obligations.

Parkland applies judgment in assessing the existence and extent as well as the expected method of remediation and decommissioning at the end of each reporting period. Parkland also uses judgment to determine whether the nature of the activities performed is related to decommissioning and remediation activities or normal operating activities. In addition, these provisions are based on estimated costs, which take into account the anticipated method and extent of remediation, technological advances, possible future use of the site, regulatory considerations, environmental considerations and safety considerations. Actual costs are uncertain and estimates can vary as a result of changes to relevant laws and regulations, the emergence of new technology, operating experience, prices and closure plans. The estimated timing of future decommissioning and remediation may change due to certain factors, including closure plans and regulatory considerations. Changes to estimates related to future expected costs, discount rates and timing may have a material impact on the amounts presented.

Contingencies and legal matters

Contingencies, by their nature, are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies, which include legal matters, involves a significant amount of judgment including assessing whether a present obligation exists and providing a reliable estimate of the amount of cash outflow required in settling the obligation. Parkland is required to both determine whether a loss is probable based on judgment and interpretation of laws and regulations, and determine that the loss can be reasonably estimated. The uncertainty involved with the timing and amount at which a contingency will be settled may have a material impact on the consolidated financial statements of future periods to the extent that the amount provided for differs from the actual outcome.

Business combinations

Parkland uses judgment in applying the acquisition method of accounting for business combinations and estimates to value identifiable assets and liabilities at the acquisition date. Parkland may engage independent third parties to determine the fair value of property, plant and equipment and intangible assets. Estimates are used to determine cash flow projections, including the period of future benefit, and future growth and discount rates, among other factors. The value placed on the acquired assets and liabilities will have an effect on the amount of goodwill that Parkland may record on an acquisition.

Determination of CGUs

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

Indicators of impairment

Parkland performs a calculation to determine the recoverability of non-financial assets when there is an indication that an asset may be impaired. The assessment of whether there is any indication that an asset may be impaired is performed at the end of each reporting period, and requires the application of judgment and usage of external and internal sources of information.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm’s length, for similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from budget for the first year and forecast for the next four years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill, property, plant and equipment and intangible assets recognized by Parkland.

Depreciation and amortization

Depreciation and amortization of property, plant and equipment and intangible assets incorporate estimates of useful lives and residual values. These estimates are based on past experience and industry norms. These estimates may change as more experience is obtained or as market conditions change.

Risk management assets, risk management liabilities and redemption options

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

Accounts receivable

Parkland regularly performs a review of outstanding accounts receivable balances past due to determine eventual collectability. If an account is deemed uncollectable, a provision for bad debt is recorded. Parkland also analyzes the bad debt provision regularly to determine if any of the accounts provided for should be written off. These accounts which are deemed uncollectible could materially change as a result of changes in a customer's financial situation.

Income taxes

Estimation of income taxes includes evaluating the recoverability of deferred tax assets based on an assessment of the ability to use the underlying future tax deductions against future taxable income before the deductions expire. The assessment is based upon existing tax laws and estimates of future taxable income. Parkland maintains provisions for uncertain tax positions using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Parkland reviews the adequacy of these provisions at the end of each reporting period.

Leases – Parkland as a lessor

In determining whether substantially all of the significant risks and rewards of ownership on certain Parkland's long-term tank leases are transferred to the customer or remain with Parkland, judgment is applied to appropriately account for the arrangements as finance or operating leases. These judgments pertain to the classification of the leases as property, plant and equipment or net investment in finance lease on the consolidated balance sheet.

Changes in accounting policies and standards issued but not yet effective

Changes in accounting policies

Annual Improvements 2010-2012 Cycle and Annual Improvements 2011-2013 Cycle

These improvements were applicable for annual periods beginning on or after July 1, 2014 and Parkland adopted these amendments in these consolidated financial statements effective January 1, 2015. They include improvements to IFRS 2 – Share-based Payment, IFRS 3 – Business Combinations, IFRS 8 – Operating Segments, IFRS 13 – Fair Value Measurement, IAS 16 – Property, Plant and Equipment, IAS 24 – Related Party

Disclosures and IAS 38 – Intangible Assets. The adoption of these amendments did not have a significant impact on the Corporation's consolidated financial statements.

Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Corporation's consolidated financial statements are listed below. This listing of standards and interpretations issued are those that the Corporation reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date.

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 will be effective for annual periods beginning on or after January 1, 2016. The amendments are not expected to have a significant impact on the consolidated financial statements.

IFRS 9 – Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9, which replaces IAS 39 – Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. The new standard introduces requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and the fair value of an entity's own debt. IFRS 9 will be effective for annual periods beginning on or after January 1, 2018, with earlier adoption permitted. Parkland has not yet determined the impact of this standard on the consolidated financial statements and has not decided whether to early adopt this standard.

IFRS 15 – Revenue from Contracts with Customers

In May 2014, the IASB issued IFRS 15, which provides a single, principles-based five-step model to be applied to all contracts with customers. IFRS 15 specifies how and when to recognize revenue as well as requiring entities to provide users of financial statements with more relevant disclosures. IFRS 15 supersedes IAS 18 – Revenue, IAS 11 – Construction Contracts, and a number of revenue-related interpretations and applies to annual reporting periods beginning on or after January 1, 2018. Application of the standard is mandatory for all IFRS reporters and early adoption is permitted. Parkland has not yet determined the impact of this standard on the consolidated financial statements and has not decided whether to early adopt this standard.

IFRS 16 – Leases

In January 2016, the IASB issued IFRS 16, which requires lessees to recognize assets and liabilities for most leases on their balance sheet. Lessor accounting is substantially unchanged from the existing accounting in IAS 17 – Leases. The new standard will be effective for annual periods beginning on or after January 1, 2019. Early application is permitted, provided the new revenue standard, IFRS 15 – Revenue from Contracts with Customers, has been applied, or is applied at the same date as IFRS 16. Parkland has not yet determined the impact of this standard on the consolidated financial statements and has not decided whether to early adopt this standard.

8. Risk factors

Key business risks

Parkland’s key risks, in terms of severity of consequence and likelihood, are summarized into groups as follows:

Risk Ranking Matrix		LIKELIHOOD					
		Extremely Unlikely	**Remote**	**Occasional**	**Probable**	**Frequent**	
SEVERTIY OF CONSEQUENCE	**Critical**	III	II	II	I	I	I – Exceeds Parkland's risk threshold and requires immediate action to reduce the risk or discontinue the applicable business operation to avoid the risk.
	Serious	III	III **(7)**	II	II	I	II – Risks that require oversight by senior management to monitor effectiveness of management systems.
	Significant	IV	III **(2)(5)(8)(10)(11)(17)**	III **(1)(3)(4)(6)(9)(12)(13)(14)(18)**	II	II	III – Acceptable risks with strong management systems and contingency plans in effect.
	Moderate	IV	IV	III **(15)(16)**	III	II	IV – Acceptable risks that re not expected to escalate in severity.
	Notable	IV	IV	IV	III	III	

(1) Macroeconomic conditions

Parkland's business is subject to a number of general economic factors, many of which are out of Parkland's control, which may materially and adversely affect Parkland's business, prospects, results of operations, and/or financial condition. These include recessionary economic cycles and downturns in the business cycles of the industries in which our customers conduct business, as well as downturns in the principal regional economies where operations are located. More specifically, Parkland's sales and operating revenues, Adjusted EBITDA and net earnings may be negatively influenced by changes in regional or local economic variables and consumer confidence. External factors that affect economic variables and consumer confidence over which Parkland exercises no influence include unemployment rates, levels of personal disposable income, and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of the Corporation's market areas. Some of Parkland's sites are located in markets which are more severely affected by weak economic conditions.

(2) Execution of the strategic plan

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

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

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

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

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

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

(3) Pricing pressures

Retail pricing and margin erosion

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

Difficult market conditions for Commercial Fuels may also adversely affect Parkland’s major customers and create increased credit risk. These risks are partially mitigated by Parkland’s other sources of revenue, conservative credit policies, geographic diversification and the wholesale business, which typically would only share in a portion of any market erosion. There can be no assurances that such mitigation efforts will be adequate, in whole or in part.

Volatility in crude oil prices and in wholesale petroleum pricing and supply

Parkland’s fuel and petroleum product revenue are a significant component of total revenue. Domestic wholesale petroleum, crude oil, natural gas liquids markets display significant volatility. Parkland is susceptible to interruptions in supply and changes in relative market pricing of crude oil and natural gas liquids that drive customer demand. General political conditions and instability in oil producing regions, particularly in the Middle East, Africa and South America, could significantly and adversely affect crude oil supplies and wholesale production costs. Local supply interruptions may also occur. Volatility in fuel and petroleum product supply and costs could result in significant changes in the retail price of petroleum products and in lower fuel gross margin per litre. Higher supply and product costs can also result in increased working capital and corresponding financing requirements. In addition, changes in the retail price of petroleum products could dampen consumer demand for motor fuel. These factors could materially influence Parkland’s fuel and petroleum product volume, adjusted gross profit and overall customer traffic which, in turn, could have a material adverse effect on Parkland's operating results and financial condition. The development of the oil sands in northern Alberta, together with upgraders producing a distillate stream, has the potential to add significant supply volume in the diesel market over time. Production at these facilities is subject to production interruptions which can periodically disrupt the availability of refined product in the region. Supply and Wholesale sales and volumes are driven by the opportunity to market variations in pricing of crude oil and natural gas liquids between geographical regions and markets. Changes in pricing and relative pricing of crude oil and natural gas liquids impact the earnings of Supply and Wholesale. Pipeline and transportation availability in various markets will impact the ability of Supply and Wholesale to profitably serve customers in those markets.

(4) Competition

Parkland competes with major integrated oil companies, other commercial fuel and propane marketers, convenience store chains, independent convenience stores, gas station operators, large and small food retailers, discount stores and mass merchants, many of which are well-established companies. In recent years, several non-traditional retailers have entered the motor fuel retail business, including supermarkets, club stores and mass merchants. These non-traditional motor fuel retailers have obtained a significant share of the motor fuel market and could grow. In some of Parkland's markets, competitors have been in existence longer and have greater financial, marketing and other resources than Parkland does. Parkland may not be able to compete successfully against current and future competitors, and competitive pressures faced by Parkland could materially and adversely affect Parkland's business, results of operations and financial condition.

(5) New energy technologies

The auto industry continues to develop technologies to improve the efficiency of internal combustion engines and produce economically viable alternate fuels. Although hybrid vehicles, and to a lesser extent electric vehicles, have entered the market, the non-urban nature of Parkland's market niche is expected to provide some insulation from the impact of these vehicles on fuel sales volume. Non-urban markets are expected to be late adopters of these technologies due to the realities of driving outside of Canada's large urban centres. To date no economically viable alternative to the transportation fuels Parkland markets is widely available. Should such an alternative become widely available, it may negatively affect the demand for Parkland's products.

(6) Government legislation

Parkland operates in highly regulated jurisdictions. The cost of compliance with these laws and regulations can have a material adverse effect on our operating results and financial condition. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavourable tax assessments that could adversely affect our business and our operating results.

Further, transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Increases in taxes or changes in tax legislation are possible and could have a material effect on the profitability of Parkland.

Any changes in the laws or regulations that are adverse to us or our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time which, if adopted, could have a material adverse effect on our operating results and financial condition.

(7) IT continuity

At the operational level, Parkland relies on electronic systems for recording of sales and accumulation of financial data. A major breakdown of computer systems would disrupt the flow of information and could cause a loss of records. This is mitigated by redundancies, emergency response plans and back-up procedures. However, there can be no certainty that such mitigation efforts will be successful in all circumstances. The conversion and upgrade of electronic systems could also result in lost or corrupt data which could impact the accuracy of financial reporting and management information.

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

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

(8) Supply disruption

Parkland's business depends to a large extent on a small number of fuel suppliers, a number of which are parties to long-term supply agreements with Parkland. An interruption or reduction in the supply of products and services by such suppliers could adversely affect Parkland's revenue and dividends in the future. Furthermore, if any of the long-term supply agreements are terminated or end in accordance with their terms, Parkland may experience disruptions in its ability to supply customers with products until a new source of supply can be secured. Such a disruption may have a material negative impact on Parkland's revenue, dividends and its reputation. Additionally, Parkland cannot ensure that it will be able to renegotiate such agreements or negotiate new agreements on terms favourable to Parkland.

Parkland strives to mitigate this risk by maintaining a diverse supply portfolio to include substantial volume from each of its major suppliers and growing to a level of annual sales volume that will offer potential suppliers a compelling share of the fuel supply business in the markets that Parkland serves. However, there can be no certainty that such mitigation efforts will be adequate, in whole or in part.

(9) Environmental laws

Parkland's business and properties are subject to extensive local, provincial, territorial, state and federal laws ("Applicable Environmental Laws"). Applicable Environmental Laws require that Parkland's operations, and certain properties associated with Parkland's operations, be operated, maintained, abandoned and reclaimed to the satisfaction of applicable regulatory authorities. Compliance with such Applicable Environmental Laws may require significant expenditures by Parkland, including expenditures to ensure compliance with new Applicable Environmental Laws. Failure to comply with such Applicable Environmental Laws to which our operations are subject may result in penalties and costs that could adversely affect our business and our operating results.

Any changes in the Applicable Environmental Laws that are adverse to us and our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time which, if adopted, could have a material adverse effect on our operating results and financial condition.

(10) Health and safety

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

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

Parkland is committed to ensuring a safe working environment that protects its employees, customers and the environment. As part of this commitment, Parkland has an established Health, Safety & Environment ("HSE") program that includes comprehensive policies and procedures designed to manage and mitigate HSE risks. Additionally, employees have the opportunity to actively engage in safety initiatives through numerous HSE committees representing all areas of Parkland’s business. For example, Parkland launched its "Drive to Zero" program in 2014 with the objective to achieve zero injuries and zero serious incidents.

Risks relating to the Pioneer Acquisition

(11) Competition Act matters

On April 30, 2015, the Commissioner of Competition (the "Commissioner") served Parkland with a notice of application to challenge the Pioneer Acquisition in 14 communities in Ontario and Manitoba under section 92 of the Competition Act (Canada) (the “Competition Act”). The Commissioner also served Parkland with an application under Section 104 of the Competition Act, which sought an interim order from the Competition Tribunal (the "Tribunal"). On May 29, 2015, the Tribunal issued an interim order (the "Interim Order") in respect of the application under section 104 of the Competition Act that permitted Parkland to close the Pioneer Acquisition, which closed effective June 25, 2015. Notwithstanding that closing of the Pioneer Acquisition has occurred, the Interim Order requires that; (i) the Pioneer Energy supply agreements with independent dealers and Pioneer Energy owned corporate sites in six local communities are to be held separate from Parkland's other assets and operations and be managed by an independent third party manager (the “Hold Separate Assets”), and (ii) Parkland maintain the economic viability, marketability and competitiveness of the Parkland supply agreements with independent dealers and Parkland owned corporate sites in six local communities. The Interim Order will continue in effect until the Commissioner's application challenging Parkland's acquisition of Pioneer Energy's assets in 14 communities is resolved or until there is an agreement with the Commissioner in respect of these six communities subject to the Interim Order. Parkland is consulting with its advisers to assess its approach to resolving the Commissioner's concerns in each of 14 communities (including the six communities subject to the Interim Order). Parkland will continue to vigorously contest the Commissioner's application before the Tribunal in the communities where there is no resolution of the dispute. The Commissioner's application challenging Parkland's acquisition of Pioneer Energy's assets is currently scheduled to commence on May 30, 2016. Parkland continues to believe that the Pioneer Acquisition will be beneficial to consumers and will result in additional efficiencies in the marketplace. It is not known at this time when the principal application will be heard before the Tribunal.

In connection with or as a result of the principal application filed by the Commissioner, Parkland may determine to, or may be required to, divest certain of its assets or assets that comprise a portion of the Pioneer Business or be subject to another remedy (including a behavioral remedy) which in any case may adversely affect Parkland's ability to achieve the anticipated benefits of the Pioneer Acquisition and financial projections related thereto.

Parkland may also incur significant costs in connection with its defense of the application by the Commissioner.

(12) Integration of the Pioneer Acquisition

Achieving the benefits of the Pioneer Acquisition depends, in part, on successfully consolidating functions and integrating operations, procedures and personnel in a timely and efficient manner, as well as the ability to realize the anticipated growth opportunities and synergies, including operating expense reductions. The integration of the Pioneer Business requires the dedication of substantial management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may also result in the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships. Furthermore, as mentioned above the Pioneer Acquisition is subject to a challenge by the Commissioner, which may result in an obligation to divest certain of Parkland’s assets or assets of the Pioneer Business or Parkland being subject to another remedy. These factors may adversely affect Parkland's ability to achieve the anticipated benefits of the Pioneer Acquisition and financial projections related thereto.

(13) Operation of Pioneer Commercial Assets

In connection with the Pioneer Acquisition, Parkland has entered into an agreement (the "Commercial Assets Agreement") with the vendor 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 vendor and its employees and the vendor has commenced a strategic review and evaluation of opportunities for the vendor to sell the Pioneer Commercial Assets to a third party in one or more transactions. The vendor has retained a third party to administer and conduct any sale process involving the Pioneer Commercial Assets. Under the Commercial Assets Agreement, Parkland will have an indirect economic interest in the Pioneer Commercial Assets and the proceeds of any disposition thereof.

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 timing for the disposition of the Pioneer Commercial Assets is out of Parkland's control and there can be no guarantee that such disposition will occur in a timely fashion or at all, or on terms that will result in an economic benefit to Parkland as currently contemplated.

Note 23 – Business Combinations of the Consolidated Financial Statements provides a description of the acquisition of Pioneer Energy.

Financial risks

(14) Credit risk

Credit risk is the risk that Parkland's counterparties will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Parkland manages its exposure to credit risk through a variety of means, including, but not limited to: i) Rigorous credit granting procedures, which includes reviewing of each new customer’s credit history before extending credit and imposing short payment terms or security interests where applicable; ii) Ongoing credit evaluations of its customers, which includes reviewing financial conditions and credit performance of its customers and the industries in which they operate; iii) Ongoing monitoring of outstanding amounts, which includes making a provision when an amount is deemed uncollectible; and iv) Usage of standby and commercial letters of credit for certain customers, where applicable.

Parkland does not have significant credit exposure to any individual customer. While credit risk is minimized by Parkland's broad customer and geographic base, a substantial portion of Parkland's trade accounts receivable and long-term receivables are with customers in the oil and gas, mining and forestry industries, which are subject to normal industry credit risks. The maximum exposure of credit risk of the accounts receivable account is its carrying value. Counterparties for all risk management activities transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

(15) Foreign currency risk

Parkland is exposed to foreign currency risk due to fluctuation in the US dollar to Canadian dollar exchange rate, relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars, and Parkland's net investments in US subsidiaries. Parkland's risk exposure from its net investment in foreign subsidiaries is partially mitigated through net investment hedges.

Hedge of net investments in foreign operations

Parkland's net investment in SPF Energy Inc., which has a US dollar functional currency, presents a foreign currency risk to the Corporation, which has a Canadian dollar functional currency. Parkland is using a net investment hedge to partially mitigate this risk. Parkland has designated US$26.5 million borrowings under the revolving operating loan of the Credit Facility as a hedge of the first US$26.5 million of net investment in SPF Energy Inc. This designation has the effect of partially mitigating the volatility of other comprehensive income by offsetting long-term foreign exchange gains and losses on US dollar denominated long-term debt and gains and losses on the US dollar investment in SPF Energy Inc. Foreign currency translation of the net earnings of SPF Energy Inc. impacts consolidated net earnings. Foreign currency translation of Parkland's investment in SPF Energy Inc. impacts other comprehensive income.

(16) Interest rate risk

Interest rate risk is the impact of fluctuating interest rates on earnings, cash flows and valuations. Parkland is exposed to market risk from changes in the Canadian prime interest rate, Bankers' Acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes the interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate.

(17) Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland's cash liquidity is provided by cash flows from operating activities and borrowings available under its Credit Facility and Senior Unsecured Notes. Parkland's process for managing liquidity risk includes ensuring, to the extent possible, that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates. Parkland also manages liquidity risk by continuously monitoring actual and projected cash flows, taking into account the seasonality of Parkland's working capital needs and sales activities. At December 31, 2015, Parkland has available unused credit facilities in the amount of $270 million (December 31, 2014 – $318 million). Parkland believes it has sufficient funding through the use of its facility to meet foreseeable liquidity requirements.

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

	Standard and Poor's	Dominion Bond Rating Service
Corporate	**BB-**	**BB**
5.5% Senior Unsecured Notes due 2021	**BB-**	**BB**
6.0% Senior Unsecured Notes due 2022	**BB-**	**BB**

Refer to the "Liquidity" and "Capital resources" sections of this MD&A for further discussion.

(18) Commodity price risk

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

A detailed discussion of additional risk factors relating to Parkland and its business is presented in the Annual Information Form which is available on SEDAR.

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 and operation of Parkland's disclosure controls and procedures ("DC&P"), as such term is defined in NI 52-109, as at December 31, 2015. 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 published by The Committee of Sponsoring Organizations of the Treadway Commission to evaluate the design and effectiveness of ICFR. These controls are designed to provide reasonable assurance regarding the reliability of Parkland's financial reporting and compliance with IFRS. Parkland's CEO and CFO have evaluated, or caused to be evaluated under their supervision, the design and operational effectiveness of such controls as at December 31, 2015.

In accordance with the provisions of NI 52-109, management, including the CEO and CFO, have 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 December 31, 2015). 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 effective from the date of acquisition:

(000's of Canadian dollars)	**Year ended December 31, 2015**
Revenue	**894,187**
Net income	**20,203**

(000's of Canadian dollars)	**As at December 31, 2015**
Current assets	**58,396**
Non-current assets	**487,895**
Current liabilities	**(99,373)**
Non-current liabilities	**(41,508)**

Based on the evaluation of the design and operating effectiveness of Parkland's DC&P and ICFR, the CEO and the CFO concluded that Parkland's DC&P and ICFR were effective as at December 31, 2015. There have been no changes in ICFR that occurred during the period beginning January 1, 2015 and ended on December 31, 2015 that has materially affected or is reasonably likely to materially affect Parkland's ICFR.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, these systems provide 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.

Financial instruments

Financial instruments recorded at fair value through profit or loss

Parkland's financial instruments recorded at fair value through profit or loss includes risk management assets and liabilities and redemption options.

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, future contracts, and US dollar forward exchange contracts. Parkland periodically enters into derivative contracts which are believed to be economically effective at managing exposure to movements in commodity prices and US dollar exchange rates. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under IFRS because they have not been documented as such, or do not qualify under IFRS.

The Senior Unsecured Notes contain Redemption Options that allows Parkland to redeem the notes prior to maturity at a premium. The Redemption Options have been accounted for as an embedded derivative financial instrument under IFRS.

Fair value measurement

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

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

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

- The fair value of the outstanding NYMEX New York Harbour or WTI to heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which is compared to observable data.
- The fair value of commodities forward contracts, future contracts and US dollar forward exchange contracts are determined using independent price publications, third party pricing services, market exchanges and investment dealer quotes.
- Parkland used interest rate swaps to limit its credit risk by executing counterparty risk procedures which include transacting only with financial institutions within Parkland's Credit Facility. The fair value of the

interest rate swap was determined using external counterparty information, which is compared to observable data. The interest rate swaps expired on June 30, 2014.

- The fair value of the Redemption Options are determined using a valuation model based on inputs from observable market data, including independent price publications, third party pricing services, and market exchanges.

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

Fair value measurement hierarchy

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis and the fair value hierarchy of the valuation techniques used:

	Fair value at December 31, 2015			
(in 000's of Canadian dollars)	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Redemption Options	-	9,140	-	9,140
Risk management assets				
Commodities swaps and forward contracts	-	4,566	-	4,566
US dollar forward exchange contracts	-	235	-	235
Total risk management assets	-	4,801	-	4,801
Risk management liabilities				
Commodities swaps and forward contracts	-	(136)	-	(136)
US dollar forward exchange contracts	-	(3,427)	-	(3,427)
Total risk management liabilities	-	(3,563)	-	(3,563)

Impact on the consolidated balance sheet and consolidated statement 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 income in finance costs. The fair value of the Redemption Options was $9.1 million as at December 31, 2015 (December 31, 2014 – $11.3 million). The change in fair value of the Redemption Options for the year ended December 31, 2015 was a loss of $2.2 million (December 31, 2014 – gain of $2.9 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 statement of income in loss (gain) on risk management activities. The fair value of the risk management assets and liabilities as at December 31, 2015 was $4.8 million and $3.6 million, respectively (December 31, 2014 – $4.9 million and $5.2 million). Loss on risk management activities for the year ended December 31, 2015 was $1.6 million (December 31, 2014 – gain of $2.7 million).

Other financial instruments

Information on Parkland's financial instruments can be found in Note 16 of the Annual Consolidated Financial Statements.

Off-balance sheet arrangements

Guarantees

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

Letters of credit

At December 31, 2015, outstanding balances for letters of credit totalled $14.9 million, which mature at various dates up to November 30, 2016.

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 year ended December 31, 2015 were $4.1 million (December 31, 2014 – $4.2 million), and the amounts payable as at December 31, 2015 were $0.2 million (December 31, 201 – $1.8 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.

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 December 31, 2015, outstanding amounts related to a promissory note receivable to fund the operational cash requirements of the Pioneer Commercial Assets were $5 million (December 31, 2014 – nil).

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 were $4.9 million, and the accounts receivable balance outstanding as at December 31, 2015 was $0.4 million.

Shares outstanding

As at March 2, 2016, Parkland had approximately 93.9 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 LTIF calculated on a trailing twelve months basis by geography:

	Year ended December 31, 2015	Year ended December 31, 2014	Year ended December 31, 2013
Lost time injury frequency - Canada	**0.37**	0.30	0.94
Lost time injury frequency - USA	**0.00**	1.20	N/A

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 analyse 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 include 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, US dollar forward exchange contracts and future 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:

(in 000's of Canadian dollars)	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Net earnings	**15,677**	10,222	**39,498**	49,875
Finance costs	**9,060**	5,887	**34,892**	25,145
Loss on disposal of property, plant and equipment	**1,065**	68	**1,253**	1,156
Income tax expense	**6,178**	3,769	**20,274**	20,347
Unrealized loss (gain) from the change in fair value of commodities swaps and forward contracts, US dollar forward exchange contracts and future contracts	**(3,749)**	4,436	**(1,507)**	(3,707)
Unrealized gain on foreign exchange	**780**	1,251	**(157)**	(432)
Acquisition, integration and other costs (2)	**6,848**	7,802	**27,939**	15,699
Depreciation and amortization	**28,995**	17,630	**92,922**	75,124
Adjusted EBITDA (1)	**64,854**	51,065	**215,114**	183,207

(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 December 31, 2015 were comprised of acquisition costs of $6.1 million and integration costs of $0.7 million (three months ended December 31, 2014 - acquisition costs of $7.8 million). Acquisition, integration and other costs for the year ended December 31, 2015 were comprised of acquisition costs of $18.1 million, a supplier billing adjustment of $3.2 million, integration costs of $4.9 million and other costs of $1.8 million (year ended December 31, 2014 - acquisition costs of $15.7 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 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 costs	(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 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.

	Three months ended March 31, 2014	June 30, 2014	September 30, 2014	December 31, 2014	Trailing twelve months ended December 31, 2014
Adjusted EBITDA	61,214	35,692	35,236	51,065	183,207
Share incentive compensation	2,027	1,144	645	918	4,734
Acquisition, integration and other costs	(2,212)	(2,424)	(3,261)	(7,802)	(15,699)
Credit Facility EBITDA	61,029	34,412	32,620	44,181	172,242

Gross profit and adjusted gross profit

Gross profit and adjusted gross profit are non-GAAP measures which 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:

	Three months ended December 31,		Year ended December 31,	
(in 000's of Canadian dollars)	**2015**	2014	**2015**	2014
Sales and operating revenue	**1,655,801**	1,738,479	**6,299,571**	7,527,638
Cost of goods sold	**1,474,876**	1,605,705	**5,673,026**	6,989,601
Gross profit	**180,925**	132,774	**626,545**	538,037
Realized (loss) gain on risk management activities	**(56)**	5,948	**(3,084)**	(978)
Realized (loss) gain on foreign exchange	**1,471**	2,785	**4,042**	3,704
Adjusted gross profit[1]	**182,340**	141,507	**627,503**	540,763
Fuel and petroleum product adjusted gross profit	**143,747**	112,995	**493,084**	419,052
Non-fuel adjusted gross profit	**38,593**	28,512	**134,419**	121,711
Adjusted gross profit[1]	**182,340**	141,507	**627,503**	540,763

[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 months 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:

(in 000's of Canadian dollars)	**December 31, 2015**	December 31, 2014
Senior Funded Debt:		
Long-term debt - current portion	**4,413**	2,448
Bank indebtedness	**15,325**	5,969
Long-term debt - non-current portion (excluding Senior Unsecured Notes)	**42,075**	36,198
Letters of credit and surety bonds	**41,193**	7,145
Cash and cash equivalents and restricted cash	**(37,031)**	(205,097)
Senior Funded Debt	**65,975**	(153,337)
Senior Unsecured Notes	**398,965**	398,856
Total Funded Debt	**464,940**	245,519
Credit Facility EBITDA [1]	**223,852**	172,242
Senior Funded Debt to Credit Facility EBITDA Ratio	**0.29**	-
Total Funded Debt to Credit Facility EBITDA Ratio	**2.08**	1.43

[1] Amounts for 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.

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	
(in 000's of Canadian dollars)	**December 31, 2015**	December 31, 2014
Credit Facility EBITDA [(1)]	**223,852**	172,242
Less:		
Maintenance capital expenditures [(1)]	**38,680**	18,530
Taxes paid [(1)]	**34,312**	25,011
Adjusted Credit Facility EBITDA	**150,860**	128,701
Fixed Charges		
Interest [(1)]	**33,659**	20,615
Distributions	**27,227**	24,473
Total Fixed Charges	**60,886**	45,088
Credit Facility Fixed Charge Coverage Ratio	**2.48**	2.85

(1) Amounts for 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.

At December 31, 2015, 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.

Retail Fuels Net Unit Operating Cost ("NUOC")

Retail Fuels 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 believes 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:

	Three months ended December 31,		Year ended December 31,	
(in 000's of Canadian dollars)	**2015**	2014	**2015**	2014
Retail Fuels				
Operating costs	**23,594**	6,470	**61,487**	25,913
Marketing, general and administrative	**6,373**	2,941	**19,475**	12,608
Less: Non-fuel adjusted gross profit[(1)]	**(12,847)**	(5,152)	**(36,416)**	(19,545)
	17,120	4,259	**44,546**	18,976
Fuel and petroleum product volume[(2)] (000's of litres)	**912,002**	426,957	**2,752,262**	1,733,960
Retail Fuels NUOC[(1)]	**1.88**	1.00	**1.62**	1.09

(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.

Commercial Fuels Operating Ratio

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

	Three months ended December 31,		**Year ended December 31,**	
(in 000's of Canadian dollars)	**2015**	2014	**2015**	2014
Commercial Fuels				
Operating costs	**31,870**	35,073	**127,460**	136,164
Marketing, general and administration	**5,834**	6,100	**23,288**	25,015
	37,704	41,173	**150,748**	161,179
Adjusted gross profit[1]	**52,097**	61,507	**210,128**	225,067
Commercial Fuels operating ratio[1]	**72%**	67%	**72%**	72%

[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.

Adjusted Marketing, General and Administrative expense

Adjusted Marketing, General and Administrative expense is calculated by reducing marketing, general and administrative expenses by acquisition, integration and other costs. Parkland believes the presentation of Adjusted Marketing, General and Administrative expense 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 expense to set targets and assess expenses of Parkland. Adjusted Marketing, General and Administrative expense is one metric that can be used to determine Parkland's non-operating core business expenses. Adjusted Marketing, General and Administrative excludes acquisition, integration and other costs which are considered to be not representative of Parkland's underlying core operating performance. This non-GAAP measure is calculated as follows:

	Three months ended December 31,		**Year ended December 31,**	
(in 000's of Canadian dollars)	**2015**	2014	**2015**	2014
Marketing, general and administrative	**44,703**	38,509	**161,509**	132,829
Less: Acquisition, integration and other costs	**(6,848)**	(7,802)	**(27,939)**	(15,699)
Adjusted marketing, general and administrative[1]	**37,855**	30,707	**133,570**	117,130

[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 expense as a % of Adjusted Gross Profit

Corporate adjusted marketing, general, and administrative expense as a percentage of adjusted gross profit is 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 Company'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 Company's adjusted gross profit. This non-GAAP measure is calculated as follows:

(in 000's of Canadian dollars)	Three months ended December 31, 2015	2014	Year ended December 31, 2015	2014
Corporate marketing, general and administrative	**18,406**	17,534	**71,772**	54,275
Less: Acquisition, integration and other costs	**(6,848)**	(7,802)	**(27,939)**	(15,699)
Corporate adjusted marketing, general and administrative[1]	**11,558**	9,732	**43,833**	38,576
Parkland's adjusted gross profit[1]	**182,340**	141,507	**627,503**	540,763
Corporate marketing, general and administrative expense as a % of Parkland's adjusted gross profit[1]	**6.34%**	6.88%	**6.99%**	7.13%

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

Forward-looking Information

Certain information included herein is forward-looking. Many of these statements can be identified by words such as "believe", "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 the Pioneer Acquisition and the anticipated benefits and synergies of such acquisition, 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;
- ability to resolve the Commissioner's concerns in respect of the Pioneer Acquisition;
- continued defense of the Commissioner's application and the costs associated therewith;
- expectations for the timing in which the Commissioner's application will be heard before the Tribunal;
- expectations regarding the Hold Separate Assets and the final outcome of the Commissioner's application, including the impact thereof;

- 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;
- 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 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;
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the 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;
- the operations of Parkland's assets, including the Hold Separate Assets, in accordance with the Interim Order;
- the operation of the Pioneer Commercial Assets by Pioneer in accordance with the Commercial Assets Agreement;
- the impact or nature of any order or remedy imposed by or negotiated with the Commissioner in respect of the applications under the *Competition Act*;

- failure to successfully defend, in whole or in part, the application under the *Competition Act*;
- 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;
- failure to resolve the Commissioner's concerns in respect of the Pioneer Acquisition or to achieve a final outcome to the application under the *Competition Act* on terms and conditions acceptable to Parkland;
- 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.