



MANAGEMENT'S DISCUSSION AND ANALYSIS

Q4 2020



Report to shareholders

Management's Discussion and Analysis

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Corporation ("Parkland", "we", "our" or "us") dated March 4, 2021 should be read in conjunction with our December 31, 2020 consolidated financial statements (the "Annual Consolidated Financial Statements"). The Annual Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 of the Annual Consolidated Financial Statements. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland including quarterly and annual reports and the Annual Information Form is available online at www.sedar.com and Parkland's website, www.parkland.ca.

Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020. As a result of the change in organizational structure, the chief operating decision maker assesses performance, monitors results and allocates resources based on the combined Canada segment.

Non-GAAP financial measures and key performance indicators

Parkland has identified several key operating performance measures that management believes provide meaningful information in assessing Parkland's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Section 14 of this MD&A for a list of defined non-GAAP financial measures and key performance indicators ("KPIs").

Adjusted EBITDA and Adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 24 of the Annual Consolidated Financial Statements. Refer to Section 14 of this MD&A for more information on these measures of segment profit.

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 within the Forward-looking Information section and Risk factors section of this MD&A and the Annual Information Form. The information within these sections of this MD&A is based on Parkland's current expectations, estimates, projections and assumptions that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is subject to a number of risks and uncertainties beyond Parkland's control including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under Section 9 of this MD&A and the Risk Factors section of the Annual Information Form. Readers are cautioned that such forward-looking information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 15 of this MD&A for further details.

1. PARKLAND OVERVIEW

Effective May 15, 2020, Parkland Fuel Corporation amended its articles to change its name to "Parkland Corporation" and adopted "Corporation Parkland" as its French name. Parkland Corporation's ("Parkland", or "the Company") business activities have evolved beyond the sale of fuel to a broader scope representing an internationally-integrated business, serving our customers' fuel, low-carbon fuel and convenience store needs. Parkland's management believed it to be in the best interest of Parkland to change its name to better reflect our overall strategic direction, and the name change was supported by 99.9% of our shareholders at our recent Annual General Meeting.

Parkland is a fast-growing independent supplier and marketer of fuel and petroleum products and leading convenience store operator with operations across the Americas. The Company serves customers through its retail, commercial and wholesale sales channels, and optimizes its fuel supply to each by leveraging a growing portfolio of supply relationships and storage and logistics infrastructure and by operating its refinery located in Burnaby, British Columbia (the "Burnaby Refinery").

Through its Burnaby Refinery, and as part of its commitment to a lower carbon future, Parkland is focused on delivering the essential fuels its customers depend on but with lower carbon intensity. It was the first facility in Canada to use existing infrastructure and equipment to co-process bio-feedstocks along with crude oil to produce low carbon fuels, which have less than one eighth of the carbon intensity of conventional fuels. Parkland provides trusted and locally relevant fuel brands and convenience stores, including its On the Run convenience store brand in the communities it serves. The Company continues to expand On the Run in Canada and the U.S and aims to create a unified North American convenience store brand. Driven by its customer focus, Parkland has connected over 1,000 of its Canadian fuel retail sites and On the Run convenience stores under a single proprietary Rewards program called JOURNIE™ Rewards ("JOURNIE™"). In addition to offering customers compelling fuel and merchandise offers, JOURNIE™ is a powerful customer loyalty offer with national scale.

Parkland is designed to capture value across its entire value chain and is advancing its proven strategy of growing organically, realizing a strong supply advantage, acquiring prudently and integrating successfully. Parkland is focused on expanding margins across its fuel and non-fuel categories, and its diversified and resilient platform provides stability and multiple avenues for growth.

Our purpose: Powering Journeys and Energizing Communities

Parkland's purpose is to Power Journeys and Energize Communities by safely providing our customers with the essential fuels, services and convenience goods they rely on. Built on core values and leadership behaviours, the Company's talented employees work together as One Parkland team to be a dynamic and trusted partner, serve our customers, and support our communities. Parkland is committed to delivering competitive and sustainable returns to shareholders. Our strategy is centred around locking in demand, organically and through acquisitions, and then optimizing supply and consists of the following four strategic imperatives:

1. Grow organically

Parkland is focused on consistently delivering annual Adjusted EBITDA organic growth for its marketing operations and related direct supply volumes. The Company invests capital into growth opportunities that strengthen its entire business, optimizes its supply chain to lower product costs, and leverages technology, proprietary data and its brands to continuously enhance its customer value and loyalty propositions. Parkland continuously advances and evolves these capabilities to position itself to win in each of its markets.

2. Strong supply advantage

Parkland has built a strong supply advantage across its entire business that is underpinned by proprietary assets, supply flexibility and logistics and trading capabilities. The Company strives to enhance margins by leveraging its scale and product diversity, and sources the most economic products by leveraging its transportation and storage capacity. Parkland's supply advantage is supported by the safe and reliable operation of the Burnaby Refinery, coupled with purchasing a full suite of products from third-party refiners and suppliers. The Company safely, efficiently and reliably supplies its own retail, commercial and wholesale sales network and drives incremental value through third-party sales.

3. Acquire prudently and integrate

Parkland has a highly disciplined acquisition strategy. The Company has a proven track record of identifying, acquiring and integrating leading regional operators that complement, strengthen and expand its business. Parkland is skilled at effectively integrating acquired companies, including driving operational efficiencies, capturing synergies and creating value with support from its supply advantage and leading marketing platform. The combination of its supply advantage, integration capabilities and experience across all fuel marketing channels positions Parkland to be a regional consolidator of an often-fragmented fuel distribution market.

4. Enable our teams to succeed

Parkland's employees are at the heart of its strategy. The Company recruits and develops high-calibre people and positions them for success by fostering an industry-leading organizational culture and by investing in technology that supports efficiency and productivity. Parkland believes its agile culture is a source of competitive advantage. Built on deeply embedded BOLD behaviours, Parkland's employees are fully empowered to Build, Own, Lead and Deliver on their mandates. Parkland's core values of safety, integrity, community and respect underpin everything the Company does.

Parkland's common shares are listed on the Toronto Stock Exchange and traded under the symbol PKI. We operate through four operating segments: Canada, International, USA, and Supply.

2. PERFORMANCE OVERVIEW

(\$ millions, unless otherwise noted)						
Financial Summary	Three months ended December 31,			Year ended December 31,		
	2020 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾	2020 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾
Sales and operating revenue	3,474	4,779	3,506	14,011	18,453	14,442
Fuel and petroleum product volume (million litres)	5,416	5,850	4,354	21,424	22,282	16,978
Adjusted gross profit ⁽¹⁾	606	728	587	2,360	2,832	1,995
Adjusted EBITDA including non-controlling interest ("NCI")	271	327	285	1,057	1,358	887
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	247	302	285	967	1,265	887
Canada ⁽²⁾	112	88	105	435	380	409
International	72	73	—	270	281	—
USA	11	15	11	74	56	28
Supply	78	153	199	280	660	561
Corporate	(26)	(27)	(30)	(92)	(112)	(111)
Net earnings (loss)	64	186	77	112	414	206
Net earnings (loss) attributable to Parkland	53	176	77	82	382	206
Net earnings (loss) per share – basic (\$ per share)	0.36	1.19	0.58	0.55	2.60	1.56
Net earnings (loss) per share – diluted (\$ per share)	0.35	1.17	0.57	0.54	2.55	1.53
Dividends	47	44	41	184	177	159
Per share	0.3036	0.2985	0.2934	1.2110	1.1906	1.1704
Weighted average number of common shares (million shares)	149	148	133	149	147	132
TTM distributable cash flow ⁽¹⁾⁽⁵⁾	481	564	416	481	564	416
Per share ⁽¹⁾⁽³⁾⁽⁵⁾	3.23	3.84	3.15	3.23	3.84	3.15
TTM adjusted distributable cash flow ⁽¹⁾⁽⁵⁾	478	561	568	478	561	568
Per share ⁽¹⁾⁽³⁾⁽⁵⁾	3.21	3.82	4.30	3.21	3.82	4.30
TTM dividends ⁽⁵⁾	184	177	159	184	177	159
TTM dividend payout ratio ⁽¹⁾⁽⁵⁾	38 %	31 %	38 %	38 %	31 %	38 %
TTM adjusted dividend payout ratio ⁽¹⁾⁽⁵⁾	38 %	32 %	28 %	38 %	32 %	28 %
TTM weighted average number of common shares (million shares) ⁽⁵⁾	149	147	132	149	147	132
Total assets	9,094	9,283	5,661	9,094	9,283	5,661
Total Funded Debt to Credit Facility EBITDA ratio ⁽¹⁾⁽⁶⁾	2.91	2.79	2.47	2.91	2.79	2.47
Non-current financial liabilities	4,377	4,328	2,288	4,377	4,328	2,288
Interest coverage ratio ⁽¹⁾	5.33	5.32	6.52	5.33	5.32	6.52
Growth capital expenditures attributable to Parkland ⁽¹⁾	45	69	57	110	221	109
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	39	91	52	225	232	187

⁽¹⁾ Measure of segment profit and Non-GAAP financial measures. See Section 14 of this MD&A.

⁽²⁾ For comparative purposes, information for the year ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in Supply, are now included in Canada, reflecting a change in organizational structure in 2020.

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

⁽⁴⁾ 2020 and 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year and are not restated to reflect the impact of IFRS 16, as is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽⁵⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽⁶⁾ Beginning in Q1 2020, Credit Facility EBITDA includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI, and Total Funded Debt includes long term-debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI. The amounts presented for 2019 and 2018 have not been restated.

Financial Highlights

Throughout 2020, Parkland demonstrated the agility, resilience and flexibility of its business and completed the year with a successful fourth quarter despite the macro-economic and other challenges due to the ongoing COVID-19 pandemic ("COVID-19"). Parkland responded quickly and prudently to COVID-19 to maintain its operational flexibility and the result of these efforts are reflected in the strong results, balance sheet and cash flow. Parkland's strong execution, supported by its integrated, agile and resilient business model, diverse geographic platform, and extensive product offering has delivered a strong 2020.

Adjusted EBITDA

Parkland recorded Adjusted EBITDA of \$247 million for the fourth quarter of 2020 and \$967 million for the year ended December 31, 2020, representing a decrease of 18% and of 24% as compared to the same periods in 2019.

Overall, the quarter-over-quarter variances in Adjusted EBITDA are due to:

- Canada achieved a \$24 million increase in Adjusted EBITDA as compared to the same period in 2019, primarily due to improved fuel margins, short-term and long-term cost reduction initiatives, restructuring activities and benefits from government programs, partially offset by lower volumes as a result of COVID-19.
- International achieved consistent results for the fourth quarter of 2020 with the prior year despite COVID-19 restrictions and pandemic-related impacts on the tourism industry significantly impacting aviation and retail volumes. International's performance was bolstered by the execution of profitable supply initiatives with application of enhanced logistics and storage optimization, strong cost controls and geographical and product diversification.
- USA realized a \$4 million decrease in Adjusted EBITDA for the fourth quarter of 2020 as compared to the same period in 2019 due to compressed fuel margins in a competitive environment, significant decrease in marine fuel demand and overall decline in fuel and non-fuel volumes as a result of reduced economic activity due to COVID-19. This was partially offset by strong retail margins and the contributions from the 2020 USA Acquisitions.
- Supply incurred a \$75 million decrease in Adjusted EBITDA for the fourth quarter of 2020 as compared to the same period in 2019 due to reduced finished product demand and prices as a result of COVID-19 and a one-time adjustment for \$17 million related to prior periods, of which \$11 million related to 2019.

Further, the decrease in the Adjusted EBITDA for the year ended December 31, 2020 as compared to the same period in 2019 is a result of the economic impacts of COVID-19 and the impact of the 2020 Burnaby Refinery Turnaround (the "Turnaround"), partially offset by benefits from government programs.

Cash flows, capital expenditures and liquidity

Parkland took prudent and proactive action to continue to increase financial flexibility and maintain balance sheet strength during COVID-19.

- We achieved distributable cash flows of \$151 million for the fourth quarter of 2020 and distributable cash flows of \$481 million for the year ended December 31, 2020. This success in cash generation is due to the outstanding performance of our marketing businesses, stability from geographic diversification, and effective cost control measures.
- The cash flow from our operations fully funded our capital expenditures, dividend payments and the 2020 Acquisitions for the year ended December 31, 2020, providing us with continued balance sheet strength and financial flexibility.
- Our commitment to exercising strict capital discipline within our revised capital program guidance¹ allowed us the flexibility in challenging economic conditions to advance our strategy of acquiring prudently and successfully complete the acquisition of the assets of Sevier Valley Oil and Carter Oil in USA.
- We expanded the commitments under the existing syndicated facility by \$300 million, increasing financial flexibility and positioning ourselves to take advantage of potential future growth opportunities.
- Total Funded Debt to Credit Facility EBITDA ratio as at December 31, 2020 was 2.91, well below the covenant restriction of 6.00.
- Liquidity available as at December 31, 2020 was \$1,267 million.

¹ On March 30, 2020, Parkland took decisive action in response to COVID-19 and reduced its guidance for 2020 Total Capital expenditures to \$275 million +/- 5%, a reduction of \$300 million. This guidance was increased by \$50 million to \$325 million +/- 5%, with the release of our second quarter results based on stronger cash flow generation relative to our initial COVID-19 planning scenario and reflecting higher Turnaround costs.

Operational Highlights

Parkland's strong financial performance was also complemented by the following strategic and operational successes.

During the fourth quarter of 2020:

- Parkland's geographic diversity positioned it well in the current economic environment and provided the ability to continue strong operations and generate stable distributable cash flow comparable to the same period in 2019. Our performance continues to confirm our business models' ability to succeed through uncertain economic conditions.
- Our convenience stores in Canada continued to demonstrate exceptional growth achieving 7.8% C-Store SSSG² through the fourth quarter of 2020, achieving 20 consecutive quarters of C-Store SSSG².
- International continued to benefit from geographic diversification, with South American and Spanish Caribbean countries and territories performing stronger relative to the rest of the region due to their more diversified economies with exposure to the natural resource sector.
- USA successfully completed the acquisition of the assets of Sevier Valley Oil and Carter Oil (see section 4).
- The Burnaby Refinery realized strong utilization rate of 89.7% despite lower product demand associated with COVID-19.
- The Burnaby Refinery continued to produce low-carbon renewable fuels by co-processing renewable feedstock with crude feedstock, achieving a record level of output with a renewable component.

In addition to the above, during the year ended December 31, 2020:

- The Company's marketing operations (Canada, International and USA) performed very well as overall margin increases helped offset volume declines as a result of lower product demand due to COVID-19.
- Supply's integrated logistics business continued to deliver solid results along with the Burnaby Refinery, effectively maintaining a strong utilization rate given current market conditions.
- We demonstrated a disciplined approach to cost management and capital expenditures across the Company in response to the challenging economic conditions throughout 2020.
- Our convenience stores in Canada achieved 8.1% same-store sales growth through the year ended December 31, 2020. Canada advanced several retail initiatives including JOURNIE™ Rewards loyalty program, which now exceeds 1.5 million active memberships as of December 31, 2020, SkipTheDishes delivery, Private Label offerings, M&M frozen food market products, and Amazon Hub Locker pick-up.
- Despite COVID-19 restrictions and the shutdown of the tourism industry significantly impacting aviation, marine and retail volumes, International's performance was bolstered by geographical diversification, executing profitable supply initiatives, synergy capture and implementing strong cost controls.
- We successfully completed the Kellerstrass Acquisition and ConoMart Acquisition (see section 4). Further, USA also acquired the license for the exclusive use of the On the Run trademark in the majority of U.S. states, which positions Parkland to expand On the Run across the majority of U.S. states to create a unified North American convenience store brand.
- Parkland's continued focus on integration efficiencies, increasing scale, national accounts and joint marketing efforts with International and Supply drove organic growth in USA.
- We successfully completed the Turnaround, restoring full operational capability with outstanding safety results and without interruption of fuel supply for customers, demonstrating a strong achievement by the team despite increased challenges posed by COVID-19. Despite the Turnaround and lower product demand associated with COVID-19, the Burnaby Refinery realized a strong utilization rate of 68.9% for the year ended December 31, 2020.
- We began collaborating with Amazon Web Services, which will allow us to further strengthen our customer value proposition and loyalty initiatives and accelerate our digital transformation.
- We introduced "Community Driven", a new program in Canada, and "Sol Cares" campaigns in the Caribbean, designed to respond quickly and directly to the evolving needs of the communities we serve, and provided over \$4 million in fuel discounts, fuel and critical resource donations to support frontline and other essential workers, and the more vulnerable.

² Refer to Section 14 for definitions of Parkland's Key Performance Indicators.

- Parkland released its inaugural Sustainability Report, which outlines how we provide our customers with safe, reliable energy and products they need today, while making strategic decisions and innovative investments that contribute to a lower-carbon future. We are committed to providing our shareholders, customers, team members and the communities in which we operate continued prosperity by operating safely and efficiently and protecting our shared environment.
- During the year ended December 31, 2020, Parkland's total recordable injury frequency ("TRIF"), on a trailing-twelve-month basis, was 1.12, demonstrating Parkland's commitment to safety.

Net earnings

The following table outlines items other than Adjusted EBITDA which impacted net earnings (loss) for the fourth quarter of 2020 and the year ended December 31, 2020.

	Three months ended December 31,		Year ended December 31,	
(\$ millions)	2020	2019	2020	2019
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	247	302	967	1,265
Add: Attributable to NCI	24	25	90	93
Adjusted EBITDA including NCI	271	327	1,057	1,358
Less:				
Acquisition, integration and other costs	14	14	52	91
Depreciation and amortization	144	145	609	580
Finance costs	58	65	250	260
(Gain) loss on foreign exchange - unrealized	—	(21)	(2)	(47)
(Gain) loss on asset disposals	1	(4)	2	3
(Gain) loss on risk management and other derivatives - unrealized	(11)	3	(10)	1
Other (gains) and losses				
Change in redemption value of Sol Put Option	34	(63)	23	6
Change in fair value of Redemption Options	(72)	(23)	(34)	(91)
Change in estimates of environmental provision	8	(25)	17	(2)
Share in earnings from investment in associate	(1)	(1)	(8)	(8)
Other	1	(3)	(10)	(14)
Other adjusting items	1	15	14	32
Income tax expense (recovery)	30	39	42	133
Net earnings (loss)	64	186	112	414

Q4 Performance - 2020 vs. 2019

Net earnings were \$64 million for the fourth quarter of 2020, representing a decrease of \$122 million in net earnings as compared to the same period in 2019. The decrease was primarily due to changes in Adjusted EBITDA as discussed above offset by the (i) decrease in Income tax expense of \$9 million primarily due to lower taxable earnings, (ii) decrease in finance costs of \$7 million due to lower effective interest and discount rates and the impact of the foreign exchange and changes in the following non-cash items:

- Net changes in unrealized (gain) loss on foreign exchange decreased net earnings by \$21 million due to a one-time gain on foreign exchange for the fourth quarter of 2019 related to higher borrowings under the Intermediation Facility in that period.
- Net changes in unrealized (gain) loss on risk management and other derivatives increased net earnings by \$14 million, primarily due to the decrease in commodity prices.
- Net changes in gains within other (gains) and losses decreased the net earnings by \$85 million. The changes were driven by:
 - the \$34 million loss on revaluation of the redemption value of the Sol Put option due to a change in the estimated trailing-twelve-month adjusted EBITDA of Sol and a decrease in the discount rate as compared to a \$63 million gain for the same period in 2019;
 - the \$72 million gain on the change in fair value of Redemption options of the Senior Notes, attributable to a decrease in the credit spread from September 30, 2020 to December 31, 2020 as compared to a \$23 million gain for the same period in 2019; and
 - the \$8 million loss on the environmental provision as a result of the decrease in the discount rate as compared to a \$25 million gain for the same period in 2019.

Performance - 2020 vs. 2019

Net earnings were \$112 million for the year ended December 31, 2020, representing a decrease of \$302 million in net earnings as compared to the same period in 2019. The decrease was primarily due to the changes in Adjusted EBITDA as discussed above, offset by the (i) decrease in Income tax expense of \$91 million, primarily due to lower taxable earnings, (ii) decrease in acquisition, integration and other costs of \$39 million, primarily due to higher costs in 2019 associated with the Sol Transaction and Phase II of the Chevron TSA, (iii) decrease in finance costs of \$10 million due to the costs related to the amendment of the Credit Facility in connection with the Sol Transaction recognized in 2019 and changes in the following non-cash items:

- Net changes in unrealized (gain) loss on foreign exchange decreased net earnings by \$45 million, primarily due to a non-recurring (i) \$32 million gain on foreign exchange in 2019 driven by the translation impact from the US Senior Notes and USD-denominated credit facility prior to the designation of the Net Investment Hedge on February 4, 2019 and (ii) unrealized gain on Intermediation Facility as discussed above.
- Net changes in unrealized (gain) loss on risk management and other derivatives increased the net earnings by \$11 million, primarily due to the decrease in commodity prices.
- Depreciation and amortization increased \$29 million, primarily driven by additions to property, plant and equipment and intangible assets from organic growth, the 2019 USA Acquisitions and the 2020 USA Acquisitions.
- Net changes in gains within other (gains) and losses decreased net earnings by \$97 million. These changes were driven by:
 - the \$23 million loss on revaluation of the redemption value of the Sol Put option due to a change in the estimated trailing-twelve-month adjusted EBITDA of Sol and a decrease in the discount rate as compared to a \$6 million loss for the same period in 2019;
 - the \$34 million gain on the change in fair value of Redemption options of the Senior Notes, attributable to a decrease in the credit spread as compared to a \$91 million gain for the same period in 2019; and
 - the \$17 million loss on the environmental provision as a result of the decrease in the discount rate as compared to a \$2 million gain for the same period in 2019.

Cash flow and liquidity

- Parkland's cash flow used in operating activities was \$101 million for the fourth quarter of 2020 and Parkland's cash flow generated from operating activities was \$934 million for the year ended December 31, 2020. The yearly cash flows fully funded growth and maintenance capital expenditures, dividend payments and the 2020 USA Acquisitions, which demonstrates the resilience of our business and success of our cash flow management.
- As at December 31, 2020, Parkland was in compliance with all debt covenants. The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios of 0.42 and 2.91 are well below the covenant restrictions of 3.50 and 6.00, respectively and within our leverage guidelines for normal operations. The Interest coverage ratio of 5.33 is well above the covenant restriction of 3.00. The Adjusted EBITDA for the year ended December 31, 2020 was lower than the same period in 2019 due to the Turnaround and the impact of COVID-19. The Turnaround did not affect the Credit Facility EBITDA due to the normalization for the effect of the Turnaround in the Credit Facility EBITDA calculation pursuant to the terms of Parkland's credit agreement. See Section 14 of this MD&A.

Dividends and dividend payout ratio

- In 2020, Parkland raised its per share dividend for the 8th consecutive year. Dividends of \$47 million for the fourth quarter of 2020 and \$184 million for the year ended December 31, 2020 were issued to shareholders. This is higher than in the respective periods in 2019 due to a \$0.0204 per share increase in the annual dividend to \$1.2144 per share effective March 20, 2020 and a higher number of common shares outstanding.
- The adjusted dividend payout ratio increased by 4 p.p. to 35% for the fourth quarter of 2020 and 6 p.p. to 38% for the year ended December 31, 2020 as compared to the same periods in 2019 due to higher dividends as discussed above and lower adjusted distributable cash flows. Lower adjusted distributable cash flows were primarily driven by lower Adjusted EBITDA as described above, an increase in payments on principal amount of leases and lower maintenance capital expenditures.

Capital expenditures attributable to Parkland

Parkland responded prudently to COVID-19 by revising its 2020 capital program consistent with our priority to maintain financial flexibility and balance sheet strength in the current uncertain economic environment. Our capital expenditures were consistent with the revised capital expenditure program and still enabled Parkland to maintain leadership in low-carbon fuel refining, enhance our supply capability through infrastructure investments and build additional digital capability such as the JOURNIETM Rewards program.

- Growth capital expenditures attributable to Parkland were \$45 million for the fourth quarter of 2020 and \$110 million for the year ended December 31, 2020, primarily focused on continuing our disciplined approach to network development and improving our customer value proposition, including the enhancement of digital capability, low-carbon manufacturing growth projects at the Burnaby Refinery and other minor organic growth initiatives across our areas of operations.
- Maintenance capital expenditures attributable to Parkland were \$39 million for the three months ended December 31, 2020, primarily due to selected infrastructure and IT maintenance and upgrades across our areas of operations and other ongoing maintenance projects at the Burnaby Refinery. For the year ended December 31, 2020, maintenance capital expenditures attributable to Parkland were \$225 million, primarily due to the Turnaround and other ongoing maintenance projects at the Burnaby Refinery.

3. SUSTAINABILITY

Parkland's inaugural Sustainability Report issued on September 30, 2020 outlines our established environmental, social and governance ("ESG") practices and sets the stage for the development of Parkland's enterprise-wide sustainability strategy. While sustainability practices are already deeply embedded across our business, we are developing an enterprise-wide sustainability strategy that will be grounded in meaningful ESG targets, ongoing transparency and regular performance reporting. As part of this strategy, we plan to build on our accomplishments and low-carbon leadership and are actively developing meaningful targets across our business. The report highlights Parkland's existing sustainability practices coupled with the Company's philosophy and aspirations within each of its five strategic focus areas:

- **Climate Change:**
We are committed to meeting our customers' growing need for energy while contributing to the world's transition to a lower-carbon future.
- **Safety and Emergency Preparedness:**
Safety is foundational to our organizational culture, and the safety of our people, customers and communities is our top priority.
- **Product Transportation and Storage:**
Extensive systems and processes across our operations protect the environment and ensure our products stay safely where they belong.
- **Diversity and Inclusion (D&I):**
Underpinning our focus on attracting and retaining the best talent, we are committed to delivering equal opportunities and an environment where all employees can contribute their best.
- **Governance and Ethics:**
We measure our business practices against the highest standards of ethical conduct, and are guided by our values of Safety, Integrity, Community and Respect.

Health, safety and environment ("HS&E")

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. During this period of uncertainty as a result of COVID-19, Parkland's priority continues to be focused on the health and safety of employees and customers while continuing to provide essential services to the communities in which it operates. Throughout this period, Parkland has remained committed to protecting the safety of our team members, customers, and partners, and has implemented the following precautionary measures:

- Team members who could work from home did so, and we are undertaking a measured and phased approach to returning to the workplace, based on public health guidance.
- In commercial offices and retail sites that were required to remain open, we implemented enhanced operating procedures and protocols in line with recommendations from local health authorities, including installation of plexiglass barriers, floor guidance stickers and safety signage.

- We increased the frequency of sanitization, and made hand sanitizer, disinfectant wipes and masks available to our team members to ensure a higher level of cleanliness for our offices and sites.

Parkland is committed to reducing injuries and incidents in our workplaces and at customer sites, actively involving our workers in enhancing, tracking and measuring our performance, and training our workers to ensure they have the knowledge and skills necessary to perform their work safely. Parkland has a number of internal HS&E programs in place, including "Stop, Think, Act", which reinforces a strong safety culture among all employees in the workplace, and "Drive to Zero", which aims to reduce at-risk behaviours and safety incidents at Parkland down to zero. Parkland is prioritizing to protect the health and safety of employees during this period of uncertainty as a result of COVID-19, as the Company continues to provide essential services to the communities.

The table below presents Parkland's consolidated lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF") calculated on a trailing-twelve-month basis, including the results of the Kellerstrass Acquisition, the Sol Transaction, certain 2020 USA Acquisitions and the 2019 USA Acquisitions since the dates of their respective transaction closure. The strong results, including a record low TRIF, demonstrate Parkland's continued commitment to safety.

	December 31, 2020	December 31, 2019
TTM LTIF ⁽¹⁾	0.21	0.17
TTM TRIF ⁽¹⁾	1.12	1.52

⁽¹⁾ Key performance indicator. See Section 14 of this MD&A.

4. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Refer to Note 24 of the Annual Consolidated Financial Statements for a description of Parkland's segments.

Canada

Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

Canada operates and supports a coast-to-coast network of 1,832 convenience and fuel stores, 162 cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers. Canada operates under five key retail fuel brands—Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer—and operates a leading convenience store brand, On the Run / Marché Express. Canada also serves its commercial customer base through a family of brands including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane. Refer to Section 13 for a detailed description of Parkland's multi-brand strategy and business models.

Canada segment performance highlights

Canada delivered strong results through a challenging market environment, with Adjusted EBITDA of \$112 million for the fourth quarter of 2020, representing an increase of \$24 million as compared to the same period in 2019. This was primarily due to improved fuel margins, short-term and long-term cost reduction initiatives, restructuring activities and the impact from the Canadian Emergency Wage Subsidy ("CEWS"), partially offset by lower volumes as a result of COVID-19. Canada delivered Adjusted EBITDA of \$435 million for the year ended December 31, 2020, representing an increase of \$55 million as compared to the same period in 2019, driven by the factors described above.

The Canadian operations achieved a number of notable successes during 2020, including delivering 20 consecutive quarters of C-Store SSSG and the successful launch of JOURNIET[™] Rewards in our Chevron, Pioneer, and Ultramar branded retail stations. Parkland continues to have strong momentum from its proprietary loyalty program, JOURNIET[™] Rewards, along with its exclusive financial institution partnership with CIBC. Over 1,000 locations are now active in the program and our total membership exceeds 1.5 million as of December 31, 2020.

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2020	2019 ⁽⁶⁾	Change	%	2020	2019 ⁽⁶⁾	Change	%
Retail volume (million litres)	1,493	1,718	(225)	(13)%	5,970	6,890	(920)	(13)%
Commercial and other volume (million litres)	727	804	(77)	(10)%	2,747	3,036	(289)	(10)%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	2,220	2,522	(302)	(12)%	8,717	9,926	(1,209)	(12)%
Sales and operating revenue	1,614	2,251	(637)	(28)%	6,433	8,989	(2,556)	(28)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	195	203	(8)	(4)%	751	775	(24)	(3)%
Non-fuel adjusted gross profit ⁽²⁾	46	45	1	2%	187	203	(16)	(8)%
Adjusted gross profit ⁽²⁾⁽³⁾	241	248	(7)	(3)%	938	978	(40)	(4)%
Operating Costs	107	123	(16)	(13)%	423	479	(56)	(12)%
Marketing, General and Administrative	22	37	(15)	(41)%	81	121	(40)	(33)%
Other adjusting items ⁽⁷⁾	—	—	—	—%	(1)	(2)	1	(50)%
Adjusted EBITDA ⁽²⁾	112	88	24	27%	435	380	55	14%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	8.78	8.05	0.73	9%	8.62	7.81	0.81	10%
Operating Costs (cpl)	4.82	4.88	(0.06)	(1)%	4.85	4.83	0.02	—%
Marketing, General and Administrative (cpl)	0.99	1.47	(0.48)	(33)%	0.93	1.22	(0.29)	(24)%
Adjusted EBITDA (cpl)	5.05	3.49	1.56	45%	4.99	3.83	1.16	30%
Company Volume SSSG ⁽⁴⁾⁽⁵⁾	(14.3)%	(3.1)%	(11.2)p.p.		(15.0)%	(0.5)%	(14.5)p.p.	
Company C-Store SSSG ⁽⁴⁾	7.8%	0.9%	6.9p.p.		8.1%	2.5%	5.6p.p.	

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 14 of this MD&A.

⁽³⁾ Adjusted gross profit consists of: (i) fuel and petroleum product adjusted gross profit primarily from gasoline and diesel sales, and (ii) non-fuel adjusted gross profit primarily from convenience store merchandise sales, convenience store rents, car wash revenue, and other ancillary sales.

⁽⁴⁾ SSSG denotes same-store sales growth. See Section 14 of this MD&A for an explanation of this KPI.

⁽⁵⁾ Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.

⁽⁶⁾ For comparative purposes, information for the year ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

⁽⁷⁾ Includes customer finance income.

Q4 and Q4 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume decreased 302 million litres for the fourth quarter of 2020 and 1,209 million litres for the year ended December 31, 2020, as compared to the same periods in 2019, primarily due to lower demand attributed to COVID-19 and lower oil and gas industry activity.

Sales and operating revenue decreased \$637 million for the fourth quarter of 2020 and \$2,556 million for the year ended December 31, 2020 as compared to the same periods in 2019, primarily due to a decrease in fuel and petroleum product prices and lower volumes as noted above.

Fuel and petroleum product adjusted gross profit decreased \$8 million for the fourth quarter of 2020 and \$24 million for the year ended December 31, 2020, as compared to the same periods in 2019. Decreases were driven by lower volumes in both retail and commercial businesses, partially offset by stronger unit margins and the impact of the US Tax Blenders Credit of \$8 million related to prior periods received by the commercial business in the fourth quarter of 2019, which did not recur in 2020.

Non-fuel adjusted gross profit is primarily generated from convenience store and lubricants sales, rents and royalties, car wash, and other ancillary sales. Non-fuel adjusted gross profit increased by \$1 million for the fourth quarter of 2020 as compared to the same period in 2019, primarily as a result of the strong Company C-Store SSSG, as Canada achieved 20 consecutive quarters of C-Store SSSG and had continued momentum in the JOURNIE™ program. This growth was partially offset by the disposition of certain non-core assets in commercial business. Non-fuel adjusted gross profit decreased \$16 million for the year ended December 31, 2020, as compared to the same period in 2019 as the strong Company C-Store SSSG was offset by the disposition of commercial business non-core assets, and impacts to in-home services as a result of COVID-19.

Operating Costs decreased \$16 million for the fourth quarter of 2020 and \$56 million for the year ended December 31, 2020, as compared to the same periods in 2019 primarily due to lower employee-related costs, including the impact of CEWS. Variable costs also decreased as a result of reduced demand resulting in lower transportation costs, commissions and credit card fees.

Marketing, General and Administrative expenses decreased \$15 million for the fourth quarter of 2020 and \$40 million for the year ended December 31, 2020 as compared to the same periods in 2019, primarily due to lower employee-related costs, including the impact of CEWS and successful execution of other cost management initiatives.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 9% for the fourth quarter of 2020 and 10% for the year ended December 31, 2020, as compared to the same periods in 2019, primarily due to the improved market dynamics and benefits from purposeful investments in Parkland's digital and analytics capabilities.

Operating Costs on a cpl basis remained relatively flat for the fourth quarter of 2020 and for the year ended December 31, 2020 as compared to the same periods in 2019 as the impact of cost savings was offset by lower volumes.

Marketing, General and Administrative expenses on a cpl basis decreased 33% for the fourth quarter of 2020 and 24% for the year ended December 31, 2020 as compared to the same periods in 2019, mainly due to cost reduction initiatives impacting employee, marketing and advertising costs and the impact of CEWS.

Economic activity continues to be impacted by COVID-19 after an interim recovery in the third quarter of 2020. Volumes have seen downward trends through the end of December 2020 as provincial governments restricted travel and business operations. Company Volume SSSG saw a decline of 14.3% for the fourth quarter of 2020 and a decline of 15.0% for the year ended December 31, 2020, compared to a decline of 3.1% and of 0.5% for the same periods in 2019, respectively.

Parkland's convenience store operations continue to grow through the impacts of COVID-19 and have maintained positive C-Store SSSG for 20 consecutive quarters. Our C-Stores experienced strong Company C-Store SSSG of 7.8% for the fourth quarter of 2020 and 8.1% for the year ended December 31, 2020, compared to 0.9% and 2.5% for the same periods in 2019, respectively. Despite the fuel volume declines as a result of lower economic activity, C-Store SSSG experienced across Canada was attributable to increased sales of tobacco, alcohol, and beverages, partially offset by lower car wash service. Higher sales were also attributed to strong convenience store foot traffic during COVID-19 and the advancement of C-Store improvement initiatives like the JOURNIE™ Rewards loyalty program, SkipTheDishes delivery, 59th Street Private Label, M&M frozen food market products, and Amazon Hub Locker pick-up. Excluding cigarettes, Company C-Store SSSG was 8.7% for the fourth quarter of 2020 and 7.3% for the year ended December 31, 2020, compared to 7.1% and 5.5% for the same periods in 2019, respectively.

Site count by business model

The following table provides site count by business model within Canada's operations:

	Total
Company sites	650
Dealer sites	1,182
Cardlock	162
Site count, as at December 31, 2020	1,994
Company sites	641
Dealer sites	1,208
Cardlock	163
Site count, as at December 31, 2019	2,012
Net change in site count	(18)

The change in site count is attributable to network plan optimization and routine site count fluctuations as a result of new site builds (also known as new-to-industry, or NTI sites), new dealers, site conversions, site sales, site closures, or site rebranding. Ten NTI sites were added and one site was closed in the year ended December 31, 2020, increasing the number of Company sites from 641 to 650. The site count for the dealer sites decreased by 26 sites for the year ended December 31, 2020 from 1,208 to 1,182 as a result of adding 33 new sites and attrition of 59 sites. Cardlock sites decreased by one for the year ended December 31, 2020.

International

Parkland owns 75% of the outstanding shares of Sol Investments SEZC ("Sol"), which was acquired on January 8, 2019 (the "Sol Transaction"). With sales and operations in 23 countries and territories, Sol is the largest independent fuel marketer in the Caribbean, with its retail channel serving customers under the Sol, Esso, and Shell brands, and its commercial channel delivering gasoline, diesel, fuel oil, propane, lubricants and jet fuel to customers in various geographies and sectors. Refer to Section 13 for a detailed description of International's multi-brand strategy and business models.

The results for the year ended December 31, 2019 comparative period exclude activities and earnings generated prior to the Sol Transaction on January 8, 2019. Adjusted EBITDA attributable to Parkland represents Parkland's 75% interest in International.

International segment performance highlights

International delivered Adjusted EBITDA attributable to Parkland of \$72 million for the fourth quarter of 2020 and \$270 million for the year ended December 31, 2020 as compared to \$73 million and \$281 million for the same periods in 2019, respectively. Despite COVID-19 restrictions and pandemic-related impacts on the tourism industry significantly impacting aviation and retail volumes, International's performance was bolstered by the execution of profitable supply and logistics initiatives, strong cost controls and geographical diversification.

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Retail volume ⁽¹⁾ (million litres)	422	460	(38)	(8)%	1,546	1,811	(265)	(15)%
Commercial and other volume ⁽¹⁾ (million litres)	822	1,121	(299)	(27)%	3,428	3,307	121	4 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,244	1,581	(337)	(21)%	4,974	5,118	(144)	(3)%
Sales and operating revenue ⁽¹⁾	889	1,444	(555)	(38)%	3,619	4,946	(1,327)	(27)%
Fuel and petroleum product adjusted gross profit ⁽¹⁾⁽²⁾	131	142	(11)	(8)%	493	528	(35)	(7)%
Non-fuel adjusted gross profit ⁽¹⁾⁽²⁾	23	29	(6)	(21)%	96	113	(17)	(15)%
Adjusted gross profit ⁽¹⁾⁽²⁾	154	171	(17)	(10)%	589	641	(52)	(8)%
Operating Costs ⁽¹⁾	43	49	(6)	(12)%	160	178	(18)	(10)%
Marketing, General and Administrative ⁽¹⁾	19	30	(11)	(37)%	82	104	(22)	(21)%
Other adjusting items ⁽¹⁾	(4)	(6)	2	(33)%	(13)	(15)	2	(13)%
Adjusted EBITDA including NCI ⁽¹⁾	96	98	(2)	(2)%	360	374	(14)	(4)%
Less: Adjusted EBITDA attributable to NCI	24	25	(1)	(4)%	90	93	(3)	(3)%
Adjusted EBITDA ⁽²⁾	72	73	(1)	(1)%	270	281	(11)	(4)%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	10.53	8.98	1.55	17 %	9.91	10.32	(0.41)	(4)%
Operating Costs (cpl)	3.46	3.10	0.36	12 %	3.22	3.48	(0.26)	(7)%
Marketing, General and Administrative (cpl)	1.53	1.90	(0.37)	(19)%	1.65	2.03	(0.38)	(19)%
Adjusted EBITDA (cpl)	7.72	6.16	1.56	25 %	7.24	7.32	(0.08)	(1)%

⁽¹⁾ At 100% Sol interest.

⁽²⁾ Measure of segment profit. See Section 14 of this MD&A.

Q4 and Q4 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume decreased 337 million litres for the fourth quarter of 2020 as compared to the same period in 2019 mainly due to lower demand attributed to COVID-19. Fuel and petroleum product volume decreased 144 million litres for the year ended December 31, 2020 primarily due to lower demand attributed to COVID-19, partially offset by robust wholesale volumes mainly in the second quarter of 2020. Overall, fuel demand in the region continues to be negatively affected by COVID-19-related impacts, including travel restrictions affecting aviation volumes, low tourism affecting retail and LPG volumes, and localized COVID-19 shutdowns affecting commercial volumes. International continues to benefit from geographic diversification, with South America and Spanish Caribbean performing stronger relative to the rest of the region due to their economies being diversified in natural resources and other industries. Although International is experiencing progress in demand recovery with the easing of COVID-19 restrictions, demand recovery will be tempered until COVID-19 restrictions are lifted and tourism activities return to normal.

Sales and operating revenue decreased \$555 million for the fourth quarter of 2020 and \$1,327 million for the year ended December 31, 2020 as compared to the same periods in 2019 primarily due to lower fuel and petroleum product commodity prices and lower demand attributable to COVID-19.

Fuel and petroleum adjusted gross profit decreased \$11 million for the fourth quarter of 2020 as compared to the same period in 2019 primarily due to lower volumes driven by COVID-19-related impacts, partially offset by higher unit margins as a result of profitable supply and logistics initiatives. Fuel and petroleum adjusted gross profit decreased \$35 million for the year ended December 31, 2020 as compared to the same period in 2019 primarily due to lower volumes as well as lower unit margins driven by a change in product demand mix during the COVID-19 pandemic, which resulted in a lower composition of retail, LPG and aviation volumes that earn higher unit margins, and a higher composition of wholesale and commercial volumes that earn lower unit margins.

Non-fuel adjusted gross profit is mainly generated from retail rent and convenience store royalties, aviation service fees, lubricant sales and other services. Non-fuel adjusted gross profit declined \$6 million for the fourth quarter of 2020 and \$17 million for the year ended December 31, 2020 as compared to the same periods in 2019 primarily due to the impact of reduced aviation traffic on aviation service fees and the impact of local COVID-19 restrictions on other non-fuel sales. Although convenience-related gross profit is approaching 2019 levels in the fourth quarter of 2020, full recovery will remain tempered until COVID-19 restrictions are lifted and aviation and tourism activities return to normal.

Operating Costs and Marketing, General and Administrative expenses decreased \$6 million and \$11 million for the fourth quarter of 2020, respectively, and \$18 million and \$22 million for the year ended December 31, 2020, respectively as compared to the same periods in 2019, primarily as a result of short-term and long-term cost reduction initiatives and restructuring activities, as well as reduced variable costs from decreased demand attributed to COVID-19. Although the majority of costs are variable in nature, International is expected to benefit from the long-term cost reduction initiatives and an improved long-term cost structure.

Other adjusting items included in Adjusted EBITDA primarily consist of earnings from Sol's 29% interest in the SARA Refinery located in Martinique as well as other income from aviation activities, which were slightly lower due to COVID-19-related impacts.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 17% for the fourth quarter of 2020. However, lower-than-normal unit margins were experienced in the fourth quarter of 2019 as a result of market volatility. On a year-to-date basis, fuel and petroleum product adjusted gross profit on a cpl basis decreased 4% for the year ended December 31, 2020 primarily due to the change in product demand mix during the COVID-19 pandemic impacting overall unit margins, as noted above.

Operating Costs on a cpl basis increased by 12% in the fourth quarter of 2020 due to the impact of lower volumes exceeding reductions in operating costs. On a year-to-date basis, Operating Costs on a cpl basis improved by 7% for the year ended December 31, 2020 primarily as a result of short-term and long-term cost reduction initiatives and restructuring activities.

Marketing, General and Administrative expenses on a cpl basis improved by 19% and 19% for the fourth quarter of 2020 and for the year ended December 31, 2020, respectively, primarily as a result of short-term and long-term cost reduction initiatives and restructuring activities.

International's KPIs and metrics are not comparable to other Parkland segments as International operates multiple distribution channels in geographical environments that are substantively different from operations in Canada and the USA.

Retail site count by business model

The following table provides retail site count by business model within the International segment:

	Total
Company-owned or company-leased	256
Dealer-owned and dealer-operated	238
Site count, as at December 31, 2020	494
Company-owned or company-leased	259
Dealer-owned and dealer-operated	237
Site count, as at December 31, 2019	496
Net change in site count	(2)

The change in site count is attributable to network plan optimization and routine site count fluctuations, which may be driven by new site builds, new dealers, site conversions, site sales, site closures, or site rebranding.

USA

USA operates, under various independent brands, a network of convenience and fuel stores and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Idaho, Minnesota, Montana, New Mexico, Nevada, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland with export opportunities for products from western Canada as well as synergies with International and Supply. Refer to Section 13 for a detailed description of Parkland's multi-brand strategy and business models.

2020 USA Acquisitions

During the year ended December 31, 2020, Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interests of Kellerstrass Enterprises, LLC ("Kellerstrass") as well as equity interests and the assets of certain of its affiliates (collectively the "Kellerstrass Acquisition") on February 14, 2020; (ii) certain ConoMart Super Stores ("ConoMart Acquisition") on May 13, 2020; (iii) all of the assets of Sevier Valley Oil Company, Inc. ("Sevier Valley Oil Acquisition") on December 7, 2020; and (iv) and certain assets of Carter Oil Company, Inc. ("Carter Oil") on December 31, 2020.

Kellerstrass Acquisition

The Kellerstrass Acquisition added nine distribution facilities and five cardlocks. The Kellerstrass business continues to strengthen the Rockies Regional Operating Centre ("ROC") by adding a high-quality, 84-site retail dealer business as well as additional commercial fuel distribution and a 17-car rail spur.

Sevier Valley Oil Acquisition

The Sevier Valley Oil Acquisition added seven company retail sites and over twenty retail dealers in addition to robust commercial diesel distribution capabilities. The Sevier Valley Oil Acquisition strongly complements our existing Rockies ROC and positions Parkland for further organic and acquisition growth in neighbouring Nevada and Arizona.

Carter Oil Acquisition

The Carter Oil Acquisition added one company retail site and a wholesale and commercial fuel business in Flagstaff, Arizona, complementing Parkland's existing Utah and Arizona operations within our Rockies ROC and expanding our presence in the high-growth Northern Arizona region.

During the year ended December 31, 2020, USA also acquired the license for the exclusive use of the On the Run trademark in the majority of U.S. states, which positions Parkland to expand On the Run across the majority of U.S. states to create a unified North American convenience store brand.

2019 USA Acquisitions

During the year ended December 31, 2019, Parkland successfully completed the acquisition of: (i) certain assets and liabilities of Ken Bettridge Distributing Inc. ("KB Oil") on June 1, 2019, all of which were accounted for as individually separate business combinations; (ii) all of the issued and outstanding equity interests of Tropic Oil Company, Inc. ("Tropic") as well as equity interest and the assets of certain of its affiliates (collectively the "Tropic Acquisition") on October 1, 2019; and (iii) certain assets and liabilities of Mort Distributing Inc. ("Mort") on December 17, 2019 (collectively the "2019 USA Acquisitions").

Tropic Acquisition

The Tropic Acquisition added four bulk storage plants and warehouses and nine cardlock facilities. The Tropic business distributes and markets a full range of commercial fuels and lubricants across the central and southern Florida region. The Tropic Acquisition established a new ROC in the South East tributary. This ROC is the operating platform that drives organic growth and enables further acquisitions across the region that can leverage substantial existing capacity within current bulk storage terminals and warehouses. It will also serve as a gateway to connect to our International business and customer base.

USA segment performance highlights

USA delivered Adjusted EBITDA of \$11 million for the fourth quarter of 2020 as compared to \$15 million for the same period in 2019. USA saw soft results primarily due to a more than 50% decline in marine fuel demand, as a result of the impact of COVID-19 on the cruise ship industry. Overall, fuel and non-fuel volume demand decreased, as compared to the same period in 2019, due to the impact of COVID-19 on economic activity. Reduced traffic as a result of an increased number of state-wide travel restrictions during the Thanksgiving and Christmas holiday seasons and compressed fuel margins due to the challenging business environment also contributed to the decrease in Adjusted EBITDA in the fourth quarter of 2020, as compared to the

same period in 2019. These were partially offset by the 2020 USA Acquisitions and strong retail performance due to improved retail unit fuel margins, driven by rack price declines.

USA delivered Adjusted EBTIDA of \$74 million for the year ended December 31, 2020 as compared to \$56 million for the same periods in 2019. This was primarily as a result of the 2019 USA Acquisitions and 2020 USA Acquisitions, organic growth focusing on national accounts, joint marketing efforts with International and Supply, and successful execution of cost management initiatives. This was partly offset by fuel and non-fuel volume demand decreases due to the impact of COVID-19 on economic activity.

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
Retail volume (million litres) ⁽¹⁾	64	65	(1)	(2)%	255	256	(1)	— %
Wholesale and Commercial volume (million litres) ⁽¹⁾	561	481	80	17 %	2,235	1,419	816	58 %
Fuel and petroleum product volume ⁽¹⁾⁽²⁾ (million litres)	625	546	79	14 %	2,490	1,675	815	49 %
Sales and operating revenue	433	547	(114)	(21)%	1,855	1,657	198	12 %
Fuel and petroleum product adjusted gross profit ⁽³⁾	28	29	(1)	(3)%	132	86	46	53 %
Non-fuel adjusted gross profit ⁽³⁾	31	28	3	11 %	125	101	24	24 %
Adjusted gross profit ⁽³⁾	59	57	2	4 %	257	187	70	37 %
Operating Costs	38	33	5	15 %	142	103	39	38 %
Marketing, General and Administrative	10	9	1	11 %	41	28	13	46 %
Adjusted EBITDA ⁽³⁾	11	15	(4)	(27)%	74	56	18	32 %
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	4.48	5.31	(0.83)	(16)%	5.30	5.13	0.17	3 %
Operating Costs (cpl)	6.08	6.04	0.04	1 %	5.70	6.15	(0.45)	(7)%
Marketing, General and Administrative (cpl)	1.60	1.65	(0.05)	(3)%	1.65	1.67	(0.02)	(1)%
Adjusted EBITDA (cpl)	1.76	2.75	(0.99)	(36)%	2.97	3.34	(0.37)	(11)%

⁽¹⁾ Volumes for 2019 have been restated to conform with 2020 presentation.

⁽²⁾ Includes gasoline, diesel and propane volumes.

⁽³⁾ Measure of segment profit. See Section 14 of this MD&A.

Q4 and Q4 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume increased 79 million litres for the fourth quarter of 2020 as compared to the same period in 2019, primarily due to the 2019 Acquisitions, the 2020 Acquisitions, and organic growth, partially offset by a decrease in marine, retail, wholesale and commercial fuel demand due to COVID-19, including reduced traffic as a result of increased number of state-wide travel restrictions during the Thanksgiving and Christmas holiday seasons. The wholesale and commercial fuel demand further decreased as a result of reduced oil and gas industry activity in Western North Dakota, driven by a decrease in crude oil prices, as compared to the same period in 2019. Fuel and petroleum product volume increased 815 million litres for the year ended December 31, 2020 as compared to the same period in 2019 due to the 2019 USA Acquisitions, the 2020 USA Acquisitions, and organic growth through the addition of new national accounts across the country.

Sales and operating revenue declined \$114 million in the fourth quarter of 2020, as compared to the same period in 2019 due to a decrease in commodity prices, despite the increase in product volumes. Sales and operating revenue increased \$198 million for the year ended December 31, 2020 as compared to the same period in 2019 due to higher fuel volumes driven by the 2019 USA Acquisitions and the 2020 USA acquisitions, outweighing the impact of a decrease in commodity prices.

Fuel and petroleum product adjusted gross profit decreased \$1 million in the fourth quarter of 2020, as compared to the same period in 2019 despite the overall increase in fuel and petroleum product volume. The lower fuel and petroleum product adjusted gross profit was primarily due to lower wholesale and commercial unit fuel margins as a result of reduced oil and gas industry activity in western Northern Dakota, driven by a decrease in commodity prices, as compared to the same period in 2019 and challenging business environment due to COVID-19. However, retail unit fuel margins improved due to stronger retail-to-

rack prices as a result of a decrease in crude oil prices, especially in the first half of 2020. Fuel and petroleum product adjusted gross profit increased \$46 million for the year ended December 31, 2020 as compared to the same period in 2019, primarily due to the 2019 USA Acquisitions and the 2020 USA Acquisitions.

Non-fuel adjusted gross profit is mainly generated from convenience store sales, lubricant sales and other services. Non-fuel adjusted gross profit increased \$3 million and \$24 million for the fourth quarter of 2020 and for the year ended December 31, 2020, respectively, as compared to the same periods in 2019. The increase in non-fuel adjusted gross profit was driven by the 2019 USA Acquisitions and the 2020 USA Acquisitions, and partially offset by lower convenience store sales due to COVID-19 and decreased lubricant margins as a result of reduced oil and gas activity in western North Dakota, as well as a challenging market environment as a result of COVID-19.

Operating Costs and Marketing, General and Administrative expenses increased \$5 million and \$1 million for the fourth quarter of 2020, respectively, and increased \$39 million and \$13 million for the year ended December 31, 2020, respectively, as compared to the same periods in 2019, primarily due to the 2019 USA Acquisitions and the 2020 USA Acquisitions.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 16% for the fourth quarter of 2020 primarily due to lower wholesale and commercial margins as a result of a challenging business environment due to COVID-19, reduced oil and gas industry activities driven by a decrease in commodity prices and the Kellerstrass Acquisition, where the fuel and petroleum product adjusted gross profit on a cpl basis is lower than our existing businesses' average cpl basis. Fuel and petroleum product adjusted gross profit on a cpl basis increased 3% for the year ended December 31, 2020 as compared to the same period in 2019, primarily due to strong retail fuel margins in the Northern and Rockies ROCs, notably in the first half of the year, as a result of rack price declines, and the Tropic Acquisition, which generates higher unit fuel margins. The increases were partially offset by lower unit fuel margins in wholesale and commercial business and the Kellerstrass Acquisition as discussed above.

Operating Costs on a cpl basis remained flat for the fourth quarter of 2020, but improved 7% for the year ended December 31, 2020, as compared to the same periods in 2019, due to management effectively controlling costs while delivering strong fuel volumes. Marketing, General and Administrative expenses on a cpl basis remained flat for the fourth quarter of 2020 and for the year ended December 31, 2020, as compared to the same periods in 2019 primarily due to cost control efforts in relation to volume increase.

Supply

Supply serves the Canada, USA and International segments, in addition to external customers. It consists of logistics, marketing, supply, distribution and the Burnaby Refinery. This segment supports Parkland's strategic objectives by manufacturing transportation fuels, procuring feedstocks and fuels from third parties, and transporting (via ship, rail, truck and pipeline), storing and marketing fuels, crude oil and liquid petroleum gases ("LPGs") to serve a wide range of customers across North America and the Caribbean. Supply also manufactures and sells aviation fuel primarily to airlines operating out of the Vancouver International Airport. Refer to Section 13 for a detailed overview of Supply's sales categories and operations.

Supply utilizes the expertise of its people to safely and reliably build resilient, cost-effective and optimized supply chains. Throughout the fuel value chains, Supply brings experience in manufacturing, multi-modal logistics, terminalling, supplier relationships, risk management and a strong customer focus to deliver value to the Parkland enterprise.

Supply segment performance highlights

Supply's Adjusted EBITDA was \$78 million for the fourth quarter of 2020 and \$280 million for the year ended December 31, 2020 as compared to \$153 million and \$660 million for the same periods in 2019. This represents a \$75 million decrease for the fourth quarter of 2020 as compared to the same period in 2019 and a \$380 million decrease for the year ended December 31, 2020 as compared to the same period in 2019. Reduced finished product demand and prices as a result of COVID-19 offset strong Refinery utilization of 89.7%, given the external market factors during the fourth quarter of 2020. A \$17 million adjustment related to prior periods in the fourth quarter of 2020 also negatively impacted margin and Adjusted EBITDA. Our integrated logistics business continued to deliver solid results given current market conditions. Results for the year ended December 31, 2020 were impacted by the planned shutdown of the Refinery, where the Supply team safely and successfully completed the Burnaby Refinery Turnaround (the "Turnaround") in early April 2020. This included maintaining uninterrupted fuel supply for customers during the Turnaround, despite the planned duration being extended, primarily due to labour productivity challenges, some of which were COVID-19-related. Post Turnaround, the Refinery managed production rates to meet reduced product demand associated with COVID-19.

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2020	2019 ⁽⁴⁾	Change	%	2020	2019 ⁽⁴⁾	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,327	1,201	126	10 %	5,243	5,563	(320)	(6)%
Sales and operating revenue	538	537	1	— %	2,104	2,861	(757)	(26)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	146	241	(95)	(39)%	568	1,010	(442)	(44)%
Non-fuel adjusted gross profit ⁽²⁾	7	10	(3)	(30)%	9	15	(6)	(40)%
Adjusted gross profit ⁽²⁾	153	251	(98)	(39)%	577	1,025	(448)	(44)%
Operating Costs	66	87	(21)	(24)%	267	326	(59)	(18)%
Marketing, General and Administrative	9	11	(2)	(18)%	30	39	(9)	(23)%
Adjusted EBITDA ⁽²⁾	78	153	(75)	(49)%	280	660	(380)	(58)%
KPIs:								
Refinery utilization ⁽³⁾	89.7 %	91.6 %	(1.9)p.p.		68.9 %	93.7 %	(24.8)p.p.	
Crude throughput ⁽³⁾ (000's bpd)	49.4	50.4	(1.0)	(2)%	37.9	51.5	(13.6)	(26)%

⁽¹⁾ Includes external gasoline, diesel, propane, crude oil and other volumes. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada segment, are excluded from these reported volumes.

⁽²⁾ Measure of segment profit. See Section 14 of this MD&A.

⁽³⁾ See Section 14 of this MD&A for a description of this KPI.

⁽⁴⁾ For comparative purposes, information for the year ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

Q4 and Q4 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume increased 126 million litres for the fourth quarter of 2020 and decreased 320 million litres for the year ended December 31, 2020 as compared to the same periods in 2019. The increase in the fourth quarter of 2020 was primarily due to the growth of our USA Supply business to support organic growth initiatives across North America. For the year ended December 31, 2020, this was more than offset by the impact of COVID-19 on supply and demand across all products.

Sales and operating revenue increased \$1 million for the fourth quarter of 2020 and decreased \$757 million for the year ended December 31, 2020 as compared to the same periods in 2019, respectively. The fourth quarter increase was primarily driven by the increased activity associated with our USA Supply business. The impact of the Turnaround along with the reduced production rates and significant volume and commodity price declines driven by COVID-19 exceeded the growth in the sales of our USA Supply business for the year ended December 31, 2020.

Adjusted gross profit decreased \$98 million for the fourth quarter of 2020 and \$448 million for the year ended December 31, 2020 as compared to the same periods in 2019. In the fourth quarter of 2020, the Refinery maintained strong utilization in light of COVID-19. This strong utilization and lower crude input costs relative to 2019 were offset by a drop in refined product demand and finished product prices due to COVID-19. The margin for the fourth quarter of 2020 was also negatively impacted by a \$17 million adjustment related to prior periods of which \$11 million related to 2019. The margin decline for the year ended December 31, 2020 was primarily due to the Turnaround, which resulted in lower refining utilization. Supply was able to mitigate this impact by capitalizing on its risk management expertise to reduce the impact of volatile commodity prices through its inventory hedging strategy. Supply also continued to realize strong results through its integrated logistics business.

Operating Costs decreased \$21 million for the fourth quarter of 2020 and \$59 million for the year ended December 31, 2020 as compared to the same periods in 2019. These decreases were driven by successful execution of cost management initiatives and lower employee-related costs, including the impact of CEWS and lower transportation logistics costs. The fourth quarter of 2019 also included costs related to preparation for the Turnaround. The lower costs for the year ended December 31, 2020 were a result of lower variable costs at the Burnaby Refinery, including fuel, utilities, catalyst and chemical costs due to the longer Turnaround, and lower refinery throughput from reduced demand related to COVID-19. During the year ended December 31, 2020, \$74 million of Turnaround costs were capitalized within maintenance capital expenditures.

Marketing, General and Administrative expenses decreased \$2 million for the fourth quarter of 2020 and \$9 million for the year ended December 31, 2020 as compared to the same periods in 2019, primarily due to lower employee-related costs, including the impact of CEWS, and successful implementation of other cost management initiatives.

KPIs

Refinery utilization is a key performance indicator that measures crude oil throughput and is expressed as a percentage of the 55,000-bpd total crude distillation capacity. Refinery utilization and average refinery crude throughput were 89.7% and 49,350 bpd for the fourth quarter of 2020, respectively and 68.9% and 37,870 bpd for the year ended December 31, 2020, respectively. The Refinery achieved strong utilization and crude throughput in the fourth quarter of 2020 despite a four-day third-party power outage, driven by gasoline product demand in the Burnaby orbit, and the Refinery's ability to clear excess distillate inventories resulting from jet fuel demand destruction, which allowed it to continue running efficiently. The significant drop for the year ended December 31, 2020 as compared to the same period in 2019 was largely related to the impact of the Turnaround, and management of production rates at the Refinery following start-up after the Turnaround to meet reduced product demand associated with COVID-19. The Refinery also continued to ramp up bio-feed processing to meet British Columbia's low-carbon fuel requirements and to establish Parkland as a leader in low-carbon fuel refining. This focus resulted in the Refinery co-processing 104 kbbls of renewables in the fourth quarter of 2020 and 272 kbbls for the year ended December 31, 2020 as compared to 73 kbbls and 114 kbbls for the same periods in 2019, respectively. At current levels, co-processing does not displace crude throughput at the Refinery. The Refinery utilization calculation is a simple measure of crude throughput relative to total crude distillation capacity and therefore does not provide a full picture of total refined product produced from crude, bio and other feedstocks.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they increase at a slower pace than Parkland's adjusted gross profit. As a result of the continued disciplined approach to cost management and the impact of CEWS obtained to compensate for the employee costs Parkland continued to carry during the year, Marketing, General and Administrative expenses as a percentage of total adjusted gross profit improved to 3.9% for the year ended December 31, 2020 from 4.0% for the same period in 2019.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	Three months ended December 31,				Year ended December 31,			
	2020	2019	Change	%	2020	2019	Change	%
(Gain) loss on foreign exchange - realized	(2)	(1)	(1)	100 %	1	(1)	2	(200)%
Other adjusting items ⁽¹⁾	3	—	3	100 %	—	—	—	— %
Marketing, General and Administrative	25	28	(3)	(11)%	91	113	(22)	(19)%
Adjusted EBITDA ⁽²⁾ expense	26	27	(1)	(4)%	92	112	(20)	(18)%
Acquisition, integration and other costs								
Acquisition costs	5	2	3	150 %	10	21	(11)	(52)%
Integration costs	6	12	(6)	(50)%	10	49	(39)	(80)%
Restructuring and other costs	3	—	3	100 %	32	21	11	52 %
	14	14	—	— %	52	91	(39)	(43)%
KPI:								
Corporate Marketing, General and Administrative expenses as a % of total adjusted gross profit	4.1 %	3.8 %	(0.3)p.p.		3.9 %	4.0 %	(0.1)p.p.	

⁽¹⁾ Includes realized foreign exchange (gain) loss on cash pooling arrangements.

⁽²⁾ Measure of segment profit. See Section 14 of this MD&A.

Q4 and Q4 YTD Performance - 2020 vs. 2019

Corporate Marketing, General and Administrative expenses decreased by \$3 million for the fourth quarter of 2020 and \$22 million for the year ended December 31, 2020 as compared to the same periods in 2019, primarily as a result of lower employee-related costs, including the impact of CEWS, along with successful implementation of other cost management initiatives. The gain on foreign exchange realized with the repayment of USD-denominated liabilities increased by \$1 million for the fourth quarter of 2020 as compared to the same period in 2019 primarily due to the stronger Canadian dollar environment in the current quarter. The realized foreign exchange gain of \$2 million for the fourth quarter of 2020 was offset by the realized foreign exchange loss of \$3 million for the first nine months of 2020 caused by the weaker Canadian dollar environment resulting in the net loss of \$1 million for the year ended December 31, 2020.

Acquisition, integration and other costs remained flat for the fourth quarter of 2020 and decreased by \$39 million for the year ended December 31, 2020 as compared to the same periods in 2019. This was primarily due to the lower acquisition and integration-related activities during the year ended December 31, 2020 as compared to the same periods in 2019, when the Sol Transaction and Phase II of the Chevron TSA occurred.

Restructuring and other costs for the fourth quarter and the year ended December 31, 2020 mainly include \$1 million and \$29 million, respectively, in restructuring costs incurred as part of our drive to reduce fixed and variable costs, increase the efficiency of our scalable growth platform and align our teams with our current capital plans.

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted) For the three months ended	2020				2019			
	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Financial Summary								
Sales and operating revenue	3,474	3,499	2,691	4,347	4,779	4,605	4,854	4,215
Adjusted gross profit ⁽¹⁾	606	674	487	593	728	679	728	697
Adjusted EBITDA including NCI ⁽¹⁾	271	364	208	214	327	322	370	339
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	247	338	191	191	302	302	346	315
Canada ⁽²⁾	112	128	93	102	88	104	71	117
International	72	77	54	67	73	63	74	71
USA	11	23	22	18	15	17	13	11
Supply	78	122	40	40	153	146	218	143
Corporate	(26)	(12)	(18)	(36)	(27)	(28)	(30)	(27)
Net earnings (loss)	64	91	31	(74)	186	26	111	91
Net earnings (loss) attributable to Parkland	53	76	32	(79)	176	24	105	77
Net earnings (loss) per share (\$ per share)								
Per share – basic	0.36	0.51	0.22	(0.53)	1.19	0.16	0.72	0.53
Per share – diluted	0.35	0.50	0.21	(0.53)	1.17	0.16	0.70	0.52
Dividends	47	47	45	45	44	45	45	43
Per share	0.3036	0.3036	0.3036	0.3002	0.2985	0.2985	0.2985	0.2951
Weighted average number of common shares (millions)	149	149	149	148	148	148	147	145
TTM distributable cash flow ⁽³⁾⁽⁸⁾	481	479	331	417	564	566	562	512
Per share ⁽³⁾⁽⁴⁾⁽⁸⁾	3.23	3.24	2.24	2.82	3.84	3.96	4.04	3.76
TTM adjusted distributable cash flow ⁽³⁾⁽⁸⁾	478	484	364	444	561	594	612	595
Per share ⁽³⁾⁽⁴⁾⁽⁸⁾	3.21	3.27	2.46	3.00	3.82	4.15	4.40	4.38
TTM dividends ⁽⁸⁾	184	181	179	179	177	174	168	164
TTM dividend payout ratio ⁽³⁾⁽⁸⁾	38%	38%	54%	43%	31%	31%	30%	32%
TTM adjusted dividend payout ratio ⁽³⁾⁽⁸⁾	38%	37%	49%	40%	32%	29%	27%	28%
TTM weighted average number of common shares (million shares) ⁽⁸⁾	149	148	148	148	147	143	139	136
Total assets	9,094	8,978	9,702	9,446	9,283	9,157	9,104	8,998
Total Funded Debt to Credit Facility EBITDA ratio ⁽³⁾	2.91	2.56	2.70	2.93	2.79	2.58	2.47	2.71
Interest coverage ratio ⁽³⁾	5.33	5.52	5.40	5.78	5.32	5.97	6.47	7.18
Growth capital expenditures attributable to Parkland ⁽³⁾	45	15	19	31	69	71	52	29
Maintenance capital expenditures attributable to Parkland ⁽³⁾	39	18	50	118	91	46	45	50
Operating Summary								
Fuel and petroleum product volume (million litres) ⁽⁵⁾	5,416	5,313	4,735	5,960	5,850	5,584	5,512	5,336
Fuel and petroleum product adjusted gross profit (cpl) ⁽⁶⁾ :								
Canada ⁽²⁾	8.78	8.79	8.64	8.26	8.05	7.57	6.86	8.72
International	10.53	11.69	8.18	9.46	8.98	10.22	10.71	11.95
USA	4.48	4.90	6.07	5.36	5.31	5.28	5.25	4.53
Refinery utilization ⁽⁷⁾	89.7%	90.3%	64.0%	30.9%	91.6%	96.2%	94.9%	92.0%

⁽¹⁾ Measure of segment profit. See Section 14 of this MD&A.

⁽²⁾ For comparative purposes, information for previous periods was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

⁽³⁾ Non-GAAP financial measure. See Section 14 of this MD&A.

⁽⁴⁾ Calculated using the TTM weighted average number of common shares.

⁽⁵⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽⁶⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 14 of this MD&A.

⁽⁷⁾ Key performance indicator. See Sections 4 and 14 of this MD&A.

⁽⁸⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

Over the last eight quarters, Parkland's quarterly results were primarily impacted by COVID-19, the Turnaround, the 2019 USA Acquisitions and the 2020 USA Acquisitions. In particular:

- Adjusted Gross Profit and Adjusted EBITDA trended downwards in the first, second and fourth quarters of 2020 as compared to the same periods in 2019 primarily due to the economic impacts of COVID-19 whereas the third quarter of 2020 had a record Adjusted EBITDA due to an interim rebound from the economic impact of COVID-19 in the first and second quarter of 2020 and successful completion of the Turnaround in April 2020. In contrast, Adjusted gross profit and Adjusted EBITDA in each quarter in 2019 trended higher as compared to the same periods in 2018 due the Sol Transaction, the 2019 USA Acquisitions and the 2018 USA Acquisitions³ and the impact of the adoption of IFRS 16 on Adjusted EBITDA. The fluctuations in Supply Adjusted EBITDA are largely driven by the crack spreads, which change based on market conditions and drive refining margins.
- With the exception of the second half of 2020, total assets increased significantly in the last eight quarters due to the 2020 USA Acquisitions, the 2019 USA Acquisitions, the Sol Transaction, and currency translation impact on assets of foreign subsidiaries in a weaker Canadian dollar environment. Exceptions to the growth trend in the second half of 2020 are primarily attributed to lower inventory and accounts receivable balances as a result of lower product demand and prices and efficient working capital management, and the currency translation impact on assets of foreign subsidiaries in a stronger Canadian dollar environment.
- Net earnings generally grew throughout 2019 due to the 2019 USA Acquisitions, and the Sol Transaction. Exception to the growth trend in the third quarter of 2019 was due to increased finance costs primarily to fund the Sol Transaction and an increase in the redemption value of the Sol Put Option due to a decrease in discount rate. In the first half of 2020, net earnings declined, primarily driven by the economic impacts of COVID-19 and the Turnaround. The second half of 2020 shows an increasing trend in earnings as the markets improve and show signs of partial recovery from COVID-19.

³ During the year ended December 31, 2018, Parkland completed the acquisition of: (i) certain assets and liabilities of Bradco Inc. ("Bradco") on November 26, 2018; (ii) all outstanding shares of Missouri Valley Petroleum, Inc. and J5 Transport, Co. ("MVP") on November 1, 2018; (iii) all outstanding shares of Rhinehart Oil Co., LLC and its affiliates ("Rhinehart Acquisition") for a purchase price of \$176 million on August 27, 2018; and (iv) individually immaterial businesses complementary to Parkland's existing lines of business, all of which were accounted for as individually separate business combinations (collectively the "2018 USA Acquisitions").

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

	Three months ended December 31,		Year ended December 31,	
(\$ millions, unless otherwise noted)	2020	2019	2020	2019
Cash generated from (used in) operating activities	(101)	203	934	897
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(20)	(22)	(79)	(83)
	(121)	181	855	814
Reverse: Change in other liabilities and other assets	12	(20)	15	(49)
Exclude: Change in other liabilities	—	—	—	14
Reverse: Net change in non-cash working capital	293	68	(180)	(4)
Include: Maintenance capital expenditures attributable to Parkland ⁽¹⁾	(39)	(91)	(225)	(232)
Include: Proceeds on asset disposals	6	11	16	21
Distributable cash flow ⁽¹⁾	151	149	481	564
Reverse: Acquisition, integration and other costs	14	14	52	91
Include: Payments of principal amount on leases	(35)	(29)	(149)	(117)
Exclude: Payments of principal amount on leases attributable to NCI	4	5	20	19
Reverse: 2020 Turnaround maintenance capital expenditures	2	3	74	4
Adjusted distributable cash flow ⁽¹⁾	136	142	478	561
Weighted average number of common shares (millions)	149	148	149	147
Distributable cash flow per share ⁽¹⁾⁽²⁾	1.01	1.01	3.23	3.84
Adjusted distributable cash flow per share ⁽¹⁾⁽²⁾	0.91	0.96	3.21	3.82
Dividends	47	44	184	177
Dividend payout ratio ⁽¹⁾	31 %	30 %	38 %	31 %
Adjusted dividend payout ratio ⁽¹⁾	35 %	31 %	38 %	32 %
Dividends paid to shareholders, net of dividend reinvestment plan	33	28	136	114

⁽¹⁾ Non-GAAP financial measure. See Section 14 of this MD&A.

⁽²⁾ Calculated using the weighted average number of common shares.

Dividends

Dividends paid to shareholders increased for the fourth quarter of 2020, primarily due to a \$0.0204 increase in annual dividend to \$1.2144 per share effective March 20, 2020. The average dividend reinvestment plan ("DRIP") participation rate for the fourth quarter of 2020 was 29.1%, which was lower than the participation rate of 31.8% for the same period in 2019.

Dividends paid to shareholders increased for the year ended December 31, 2020, primarily due to a \$0.0204 increase in annual dividend to \$1.1940 per share, effective March 22, 2019 and a \$0.0204 increase in annual dividend to \$1.2144 per share effective March 20, 2020. Furthermore, there was an increase in the number of common shares outstanding driven by the Sol Transaction and the ConoMart Acquisition, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. The average DRIP participation rate for the year ended December 31, 2020 was 24.6%, which was lower than the participation rate of 33.7% for the year ended December 31, 2019.

Distributable cash flow, adjusted distributable cash flow, dividend payout ratio and adjusted dividend payout ratio

Q4 and Q4 YTD - 2020 vs. 2019

The dividend payout ratio was 31% for the fourth quarter of 2020 as compared to 30% for the same period in 2019. This is primarily due to slightly higher distributable cash flow driven by lower maintenance capital expenditures as a result of the reduction in the 2020 Capital Program in response to COVID-19, partially offset by lower Adjusted EBITDA in Supply due to reduced finished product demand and prices as a result of COVID-19, and the increase in dividends.

The dividend payout ratio was 38% for the year ended December 31, 2020 as compared to 31% for the same period in 2019. The increase is primarily as a result of lower distributable cash flow. This is driven by lower Adjusted EBITDA as a result of the economic impacts of COVID-19 and the Turnaround in Supply, as well as higher maintenance capital expenditures in Supply due to the Turnaround and higher annual dividends.

Adjusted distributable cash flow decreased by \$6 million and \$83 million for the fourth quarter of 2020 and the year ended December 31, 2020, respectively, as compared to the same periods in 2019. The decrease in adjusted distributable cash flow in the fourth quarter of 2020 and the year ended December 31, 2020 was primarily due to lower Adjusted EBITDA partially offset by lower maintenance capital expenditures, as discussed above, and an increase in payments on principal amount of leases primarily as a result of new leases entered to support supply initiatives and certain leases nearing the end of their lease term.

The adjusted dividend payout ratio increased by 4 p.p. for the fourth quarter of 2020 and 6 p.p. for the year ended December 31, 2020 as compared to the same periods in 2019 due to lower adjusted distributable cash flows partially offset by the increases in dividends.

7. CASH FLOWS AND LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Cash generated from (used in) operating activities	(101)	203	934	897
Cash generated from (used in) investing activities	(183)	(245)	(515)	(1,547)
Net cash generated (used) before financing activities	(284)	(42)	419	(650)
Cash generated from (used in) financing activities	220	(1)	(367)	879
Increase (decrease) in net cash	(64)	(43)	52	229
Impact of foreign currency translation on cash	(18)	(6)	(13)	(12)
Net cash, beginning of period	378	306	257	40
Net cash, end of period	296	257	296	257

Operating activities

Q4 2020 vs. Q4 2019

Parkland used \$101 million cash in operating activities for the fourth quarter of 2020, primarily due to Adjusted EBITDA including NCI of \$271 million, which was more than offset by: (i) the change in net non-cash working capital outflow of \$293 million, largely attributable to higher inventories and receivable balances due to an increase in commodity prices and lower accounts payable due to the payment of certain government duties and taxes that were previously deferred as a result of deadline extensions due to COVID-19, (ii) \$61 million in interest payments on long-term debt, (iii) current income taxes of \$13 million and (iii) \$14 million in acquisition, integration and other costs primarily in connection with the 2020 USA Acquisitions.

In comparison, operating activities generated \$203 million of cash for the fourth quarter of 2019, primarily due to \$327 million of Adjusted EBITDA including NCI. This was partially offset by: (i) net non-cash working capital outflow of \$68 million, largely attributable to higher inventories and receivables balances driven by the Sol Transaction, (ii) \$45 million of interest payments on long-term debt, primarily relating to Senior Notes and the credit facility balance used to fund the Sol Transaction and 2019 USA Acquisitions, (iii) current income taxes of \$45 million, and (iv) \$14 million in acquisition, integration and other costs incurred primarily in connection with the Sol Transaction, the 2019 USA Acquisitions and the one-time Alberta office consolidation.

2020 vs. 2019

Parkland generated \$934 million cash from operating activities for the year ended December 31, 2020, primarily due to Adjusted EBITDA including NCI of \$1,057 million and (i) the change in net non-cash working capital inflow of \$180 million, primarily attributable to lower inventories and accounts receivable as a result of lower product demand and prices, and focused efforts on collection of receivables, respectively, offset by a decrease in accounts payable as a result of lower prices and activity levels due to COVID-19 and a decrease in income tax payable balances due to higher tax instalment payments and lower taxable income, (ii) current income taxes of \$32 million, (iii) \$236 million in interest payments on long-term debt, primarily relating to Senior Notes and the credit facility balance, and (iv) \$52 million in acquisition, integration and other costs primarily related to restructuring costs incurred as a response to COVID-19 and the 2020 USA Acquisitions.

In comparison, operating activities generated \$897 million of cash for the year ended December 31, 2019, primarily due to \$1,358 million of Adjusted EBITDA including NCI, partially offset by (i) \$205 million of interest paid on long-term debt, primarily relating to the Senior Notes and credit facility used to fund the Sol Transaction, (ii) \$155 million in income tax payments, and (iii) \$91 million in acquisition, integration and other costs incurred primarily in connection with the Sol Transaction, and one-time costs related to Phase II of the Chevron TSA, which was completed on April 1, 2019.

Investing activities

Q4 2020 vs. Q4 2019

Parkland invested \$183 million in the fourth quarter of 2020, primarily including \$124 million related to the Sevier Valley Oil Acquisition and Carter Oil Acquisition, as well as other acquisitions in Canada, and \$70 million of growth and maintenance capital expenditures primarily related to (i) selected network development and improving customer value proposition in Canada and International, (ii) growth capital expenditures for certain low-carbon manufacturing growth projects at the Burnaby Refinery, and (iii) selected infrastructure, IT maintenance and upgrades across our areas of operation.

In comparison, the \$245 million used in investing activities for the same period in 2019 was primarily due to \$156 million of capital expenditures largely for growth and maintenance projects in retail operations in Canada, and maintenance projects at the Burnaby Refinery and Sol, as well as \$74 million for the 2019 USA Acquisitions.

2020 vs. 2019

Parkland invested \$515 million in the year ended December 31, 2020, including \$345 million in growth and maintenance capital expenditures primarily focused on (i) network development, (ii) customer value proposition improvement projects, (iii) certain low-carbon manufacturing growth projects at the Burnaby Refinery, (iv) the Turnaround, selected infrastructure and IT maintenance projects, and (v) other minor organic growth initiatives across our areas of operations. Investing activities also included \$209 million for the 2020 USA Acquisitions and other acquisitions in Canada, which was offset by (i) \$10 million in dividends received from its investment in the SARA Refinery, and (ii) \$29 million on disposal of certain assets and repayment of long-term receivables.

In comparison, the \$1,547 million used in investing activities for the same period in 2019 was primarily due to \$948 million for the Sol Transaction, \$489 million of capital expenditures to support growth and operations and \$101 million for the 2019 USA Acquisitions.

Financing activities

Q4 2020 vs. Q4 2019

During the fourth quarter of 2020, financing activities generated \$220 million of cash, primarily attributable to \$278 million of net proceeds from the Credit Facility, partially offset by (i) \$35 million of payments made on principal amount on leases under IFRS 16, and (ii) cash dividends paid to shareholders and non-controlling interests of \$33 million and \$7 million, respectively.

In contrast, financing activities during fourth quarter of 2019 used \$1 million of cash, primarily due to \$29 million of payments made on principal amount of leases under IFRS 16 and cash dividends paid to shareholders of \$28 million, offset by net long-term debt proceeds of \$57 million.

Cash dividends paid to shareholders for the fourth quarter of 2020 increased by \$5 million to \$33 million as compared to the same period in 2019, due to an increase in outstanding common shares and dividends paid per share offset by lower DRIP participation. During the fourth quarter of 2020, Parkland paid a monthly dividend of \$0.1012 per share (2019 - \$0.0995 per share).

2020 vs. 2019

During the year ended December 31, 2020, financing activities used \$367 million of cash, primarily attributable to (i) payments of \$425 million largely due to the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes, (ii) repayments of \$114 million attributable to lower borrowings under the Intermediation Facility due to changes in the intermediation agreement, which provides Parkland additional flexibility on the amount of financing, (iii) payments of \$149 million made on principal amounts on leases, and (iv) cash dividends paid to shareholders and non-controlling interests of \$136 million and \$23 million, respectively. This is partially offset by net proceeds of \$396 million, primarily from the issuance of the 6.00% Senior Notes, due in 2028, and net proceeds of \$84 million from the Credit Facility. With the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes, the nearest maturity of the outstanding senior notes is in the year 2024.

In contrast, financing activities for the same period in 2019 generated \$879 million, largely due to total net proceeds of \$1,158 million, primarily from the new credit facility and US Senior Notes issued for the Sol Transaction, partially offset by (i) \$117 million of payments made on principal amount of leases, (ii) cash dividends paid to shareholders and non-controlling interests of \$114 million and \$84 million, respectively.

Cash dividends paid to shareholders for the year ended December 31, 2020 increased by \$22 million to \$136 million as compared to the same period in 2019, due to an increase in outstanding common shares and dividends paid per share offset by lower DRIP participation. During the year ended December 31, 2020, Parkland paid a monthly dividend ranging from \$0.0995 per share to \$0.1012 per share (2019 - \$0.0978 per share to \$0.0995 per share).

Contractual commitments

Parkland has contracted obligations under various debt agreements, leases, capital expenditures and other contractual commitments with maturities from less than a year to over five years. Parkland's commitments decreased from \$7,347 million as at December 31, 2019 to \$7,168 million as at December 31, 2020. This decrease is primarily attributable to reduced borrowings under the Intermediation Facility due to changes in the intermediation agreement, which provides Parkland additional flexibility on the amount of financing.

Fuel and petroleum products and other purchase commitments

In addition to the commitments described above, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services. Such obligations include commodity purchase obligations transacted at market prices.

Available sources of liquidity

Parkland's sources of liquidity as at December 31, 2020 are cash and cash equivalents as well as available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flows to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity, and management believes cash flows from operations will be adequate to fund maintenance capital expenditures, interest, income taxes, and dividends. Any future acquisitions will be funded by available cash flows from operations, debt and equity offerings if needed, and available borrowing capacity under the Credit Facility. Any additional debt incurred will also be serviced by the anticipated increases in cash flows and will only be borrowed within Parkland's debt covenant limits.

On January 8, 2019, in connection with the Sol Transaction, the existing Credit Facility was amended and restated to expand the available facility and extend the maturity date. The facility was further amended on June 9, 2020 to, among other things, expand the commitments under the existing syndicated facility by \$300 million (the "Credit Facility"). The Credit Facility includes a combined revolving facility amount of US\$780 million and \$700 million with a maturity date of January 8, 2023. The Credit Facility is available to all Parkland entities with the exception of the US\$780 million facility, of which US\$230 million is allocated to a Caribbean tranche that is only available to Sol and its subsidiaries. Parkland can obtain various types of loans under the facilities, including loans at the Canadian and US Prime Rate or the London Interbank Offered Rate (LIBOR). The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. Security on the Credit Facility consists of the assignment of insurance and priority interests on all present and future Parkland properties and assets, except for those secured under the Intermediation Facility. Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

The following table provides a summary of available cash and cash equivalents and unused credit facilities:

(\$ millions)	December 31, 2020	December 31, 2019
Cash and cash equivalents	262	244
Unused credit facilities	1,005	748
	1,267	992

Financial covenants and metrics

As at December 31, 2020, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

Ratio ⁽¹⁾	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			December 31, 2020	December 31, 2019
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	0.42	0.38
2. Total Funded Debt to Credit Facility EBITDA ratio	< 6.00 - < 5.00 ⁽²⁾	2.00 - 3.50	2.91	2.79
3. Interest coverage ratio	> 3.00	> 3.00	5.33	5.32

⁽¹⁾ Debt covenant ratios are calculated pursuant to the terms of the Credit Facility dated June 9, 2020. See Section 14 of this MD&A.

⁽²⁾ For the trailing-twelve-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021, the Total Funded Debt to Credit Facility EBITDA covenant restriction is < 6.00 (December 31, 2019 - < 5.00).

The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios are well below the covenant restrictions of 3.50 and 6.00, respectively, and are in line with management's long-term targets. The Interest coverage ratio is well above the covenant restriction of 3.00. Refer to Section 14 of this MD&A for the calculation of Parkland's debt covenants.

8. CAPITAL EXPENDITURES

Maintenance and growth capital expenditures

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

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Growth capital expenditures				
Canada ⁽²⁾	27	54	53	136
International	10	9	24	30
USA	2	—	7	1
Supply	3	7	15	35
Corporate	6	1	17	26
Growth capital expenditures	48	71	116	228
Maintenance capital expenditures				
Canada ⁽²⁾	14	24	32	55
International	18	20	46	66
USA	2	7	7	15
Supply	9	40	149	106
Corporate	1	5	3	7
Maintenance capital expenditures	44	96	237	249
Net additions to property, plant and equipment and intangible assets	92	167	353	477
Growth capital expenditures attributable to Parkland ⁽¹⁾	45	69	110	221
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	39	91	225	232
Additions to property, plant and equipment and intangible assets attributable to Parkland	84	160	335	453

⁽¹⁾ Non-GAAP financial measure. See Section 14 of this MD&A.

⁽²⁾ For comparative purposes, information for the three and twelve months ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

Consistent with our disciplined approach to capital allocation and maintaining balance sheet strength, Parkland reduced its guidance for 2020 Total Capital expenditures (the "2020 Capital Program") by \$300 million during the first quarter of 2020 in response to COVID-19. In the second quarter of 2020, Parkland revised its 2020 Capital Program, reflecting stronger cash flow generation relative to the initial COVID-19 planning scenario.

Parkland's combined growth and maintenance capital expenditures decreased \$75 million during the fourth quarter of 2020 as compared to the same period in 2019. Growth capital expenditures during the fourth quarter of 2020 were focused on selected network development and improving customer value proposition in Canada and International including (i) construction and acquisition of new-to-industry retail sites, (ii) retail station rebrands and refreshes and On the Run / Marché Express site conversions in Canada, and (iii) projects to enhance our digital capability. Additionally, Parkland also invested in certain low-carbon manufacturing growth projects at the Burnaby Refinery. Parkland's Maintenance capital expenditures during the fourth quarter of 2020 were primarily due to selected infrastructure and IT maintenance and upgrades across our areas of operation, equipment purchases to support the integration of the acquisitions and other ongoing maintenance projects at the Burnaby Refinery.

The combined growth and maintenance capital expenditures decreased \$124 million during the year ended December 31, 2020 as compared to the same period in 2019 due to the reduction in the 2020 Capital Program to maintain operational flexibility during COVID-19. Growth capital expenditures during the year ended December 31, 2020 were mainly driven by (i) focused network development, (ii) customer value proposition improvement projects, (iii) certain low-carbon manufacturing growth projects at the Burnaby Refinery as discussed above, and (iv) other minor organic growth initiatives across our areas of operations. Maintenance capital expenditures during the year ended December 31, 2020 were mainly driven by the Turnaround and selected infrastructure and IT maintenance across our areas of operations. During the year ended December 31, 2020, \$74 million related to Turnaround costs was capitalized within maintenance capital expenditures and \$33 million was expensed within Operating Costs.

See guidance on the 2021 Capital Program in Section 10 of this MD&A.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment attributable to Parkland as at December 31, 2020 are \$81 million (December 31, 2019 - \$107 million). These contractual commitments are expected to be incurred primarily over the next 12 months, and relate mainly to (i) network development including building new and upgrading existing retail service stations, retrofitting and rebranding with the On the Run / Marché Express brand, (ii) projects to improve our customer value proposition, including enhancement of our digital capability, such as the JOURNIE™ Rewards program, (iii) projects at the Burnaby Refinery to maintain leadership in low-carbon fuel refining and to enhance supply capability, and (iv) other ongoing infrastructure and IT maintenance projects. Parkland plans to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

9. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of our strategic objectives and the nature of our operations. We use a proactive approach for Enterprise Risk Management to enable effective decision-making through the consistent identification of risks inherent to our activities.

Parkland performs an annual company-wide risk assessment using a systematic approach that includes significant engagement from Parkland's Senior Leadership Team, Senior Management Team and individuals across the business. Current and emerging risks are assessed using Parkland's company-wide risk framework considering controls and mitigating factors to determine residual risk rankings. There are determined levels of accountability, responsibility and ownership for each risk. Key residual risk exposures are reassessed regularly by cross-functional teams. Reporting to the Board of Directors on identified risks and management action plans is done on a quarterly basis. In 2020, Parkland conducted a comprehensive enterprise risk management assessment, which included the Board's views on key risks to which Parkland is exposed. Throughout 2020, management and the Board continued to assess key risks and incorporate any additional risks identified.

Parkland's key risk themes are summarized as follows:

Risk Matrix	IMPACT					Legend
	Low				High	
LIKELIHOOD	High	1				Acceptable risks that are appropriately mitigated through management systems.
						Risks that require oversight by senior management to monitor the continued effectiveness of management systems.
		3, 7, 8	2			Higher impact risks that require oversight by senior management to monitor the continued effectiveness of management systems.
		9, 10	4, 5, 6			Exceeds Parkland's risk threshold and requires immediate action to reduce the risk or discontinue the applicable business operation to avoid the risk.
Low						

Current investors and prospective purchasers of Parkland's securities should consider carefully the following risk factors, as well as the other information contained in documents filed by Parkland pursuant to applicable securities laws, including our Annual Information Form. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows, the value and trading price of Parkland's securities and its ability to pay dividends could be materially and adversely affected.

Security holders and prospective security holders of Parkland should carefully review and consider the risk factors set out below, as well as all other information contained and incorporated by reference in this MD&A before making a decision on investment and should consult their own experts where necessary.

(1) Economic conditions and geopolitical instability

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 revenue, Adjusted EBITDA and net earnings may be negatively influenced by changes in international, national, regional or local economic variables and consumer confidence.

External factors that affect economic variables and consumer confidence over which Parkland exercises no influence include global trade tensions, 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 Parkland's market areas. Some of Parkland's sites are located in markets that are more severely affected by weak economic conditions.

On March 11, 2020, the World Health Organization declared a global pandemic in relation to the spread of COVID-19. As the virus continues to spread across the world, communities and governments are closing businesses and applying isolation and social distancing practices. The virus and its impact on communities has resulted in a decline in the world economy. Among other effects, demand for refined petroleum products has decreased in the regions in which Parkland operates. Demand has also reduced from our commercial customers, including in the cruise ship and aviation industries.

Country risk

The economic and political systems of certain jurisdictions in which Parkland operates are less predictable than others, resulting in an increased risk of sudden and unforeseen regulatory changes or governmental or administrative action that could have a material and adverse effect on Parkland's future cash flows, earnings, results of operations and/or financial condition. The businesses operated by Sol are subject to the risks normally associated with any business conducted in emerging markets or developing countries including political or social unrest, changes in laws and regulations, changes in the tax regimes, uncertainty regarding the enforceability of contractual, property, and other legal rights in local courts, unpredictable government actions, and delays in obtaining or the inability to obtain necessary governmental permits or the reimbursement of refundable tax from fiscal authorities.

Moreover, some of these jurisdictions where Parkland operates present an increased risk of incidents of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related-party transactions, and may require additional compliance procedures with applicable anti-corruption legislation including the US Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act (see "Regulatory Risk" for additional information). These risks may negatively impact operations and revenues.

(2) Commodity price and pricing pressure

Petroleum, crude oil and natural gas liquid markets display significant volatility. The prices for these commodities can be influenced by global and regional supply and demand factors, which are outside of Parkland's control. Parkland is susceptible to changes in relative market pricing, including degradation of supply discounts for crude oil and natural gas liquids that drive customer demand. Volatility in fuel and petroleum product supply and costs could result in significant changes in (i) the retail price of petroleum products, (ii) fuel gross margins per litre, and (iii) refining gross margins.

Retail pricing for motor fuels is very competitive and influenced by a market consisting of major oil companies, international convenience operators, national grocery chains, and independent fuel retailers. From time to time, factors such as intensified price competition, seasonal oversupply, and lack of responsiveness of retail pricing to changes in refined product costs may lead to margin pressure in Parkland's business. These pressures are normally restricted to relatively short, seasonal time periods and isolated market areas, but could occur more extensively across Parkland's network. Parkland partially mitigates this risk through the continued development of an international network, where geographic diversification helps offset any short-term pricing pressures in any individual market.

Economic crude supply

Refining gross margins are primarily driven by commodity prices and are a function of the difference between the costs of feedstock (primarily crude oil) and market prices for the marketing of finished products (such as gasoline, diesel, jet fuel, lubricants, fuel oil, fuel and lubricant additives). Prices for commodities are determined by global and regional marketplaces and influenced by many factors, including supply/demand balances, inventory levels, industry refinery operations, currency fluctuations, seasonal demand, political climate, disruptions at the Burnaby Refinery resulting from unplanned outages due to severe weather, power failures, fires or other operational events, and plant capacity utilization.

(3) Balance sheet resiliency

Parkland has incurred additional borrowings in connection with its ongoing growth and acquisition strategy, which involves significant interest expense and debt service obligations, and may have a negative effect on our results of operations. We have implemented enhanced cash and covenant management processes to manage the risk. Parkland's leverage could have other important consequences for purchasers, including the following:

- it may limit Parkland's ability to obtain additional financing for working capital, capital expenditures, debt service requirements, acquisitions and general corporate or other purposes;
- it may limit Parkland's ability to declare dividends on its common shares;
- certain of Parkland's borrowings are at variable rates of interest and expose Parkland to the risk of increased interest rates;
- it may limit Parkland's ability to adjust to changing market conditions and place Parkland at a competitive disadvantage compared to competitors that have less leverage;
- Parkland may be vulnerable in a downturn in general economic conditions; and
- Parkland may be unable to make capital expenditures that are important to its growth and strategies.

(4) Information and security breach

Parkland relies on electronic systems for recording sales and accumulating financial data, making Parkland vulnerable to cyber attacks. This could result in Parkland's systems being disabled or disrupted or the compromise of company, employee, customer or supplier information. A major breakdown of computer systems could disrupt the flow of information and business operations and cause a loss of records.

(5) Risks relating to acquisitions and integration

Significant acquisition and related costs

Parkland has incurred a number of costs associated with acquisitions and expects to incur additional costs related thereto. The majority of such costs will be non-recurring expenses related to acquisitions consisting of transaction costs, facilities and systems consolidation costs, and employment-related costs. Additional unanticipated costs may be incurred in the integration of the associated assets, operations and businesses, which may negatively impact Parkland's results of operations.

Failure to realize the anticipated benefits of acquisitions

Achieving the full benefits of any acquisition includes, but is not limited to: timely and efficient consolidation of functions; integration of operations, procedures and personnel; and the ability to realize the anticipated growth opportunities, synergies and operating expense reductions.

The integration of newly acquired assets is supported by the dedication of substantial management effort, time and resources, which may divert management's focus and resources from other strategic opportunities and other operational matters. Notwithstanding Parkland's commitment to providing the labour and resources required to support the integration of newly acquired assets, there is a risk that the anticipated benefits of any given acquisition may not be fully realized if Parkland is unable to fully address and mitigate the risks of the integration process, including the loss of key employees and the disruption of ongoing business, supplier, customer and employee relationships.

Potential undisclosed liabilities associated with acquisitions

In pursuing acquisitions, Parkland conducts due diligence on the businesses or assets being acquired and seeks detailed representations and warranties with respect to these businesses or assets. Despite such efforts, there can be no assurance that Parkland will not become subject to undisclosed liabilities or litigation as a result of acquisitions, including, but not limited to, undisclosed and unknown liabilities related to acquisitions. In addition, liabilities may exist which were not discovered during the due diligence process prior to completing an acquisition. This failure to discover potential liabilities may be due to various factors, such as failure to accurately assess all of the pre-existing liabilities of the operations acquired or vendors failing to comply with applicable laws. If this occurs, Parkland may be responsible for such liabilities, which could materially and adversely affect its business, prospects, results of operations and/or financial condition.

(6) IT systems

Acquisitions require the integration of one or more systems into Parkland's overall information technology platform. The integration of different IT systems is a technical process requiring the coordination of specialized employees and technical resources, often across multiple jurisdictions. Unanticipated costs, delays, and unforeseen technical issues and limitations may arise in connection with Parkland's integration of its IT systems and could disrupt the flow of information, cause loss of data records, or delay Parkland's ability to realize the anticipated benefits of an acquisition. As Parkland's IT systems become increasingly integrated, there is an increased risk that a failure in one system could affect another system in the infrastructure.

(7) Operational resiliency

Risks relating to scheduled and unscheduled maintenance

The Burnaby Refinery consists of several processing units, each of which is to undergo scheduled maintenance events every five to ten years on a rotational basis and turnarounds every other year. One or more of the units may require additional unscheduled downtime for unanticipated maintenance or repairs. Scheduled and unscheduled maintenance reduces Parkland's revenue and increases operating costs during the period of time that the processing units are not operating and, among other things, could reduce our ability to make distributions or pay debt obligations. Furthermore, material unanticipated costs and delays may be incurred in scheduled and unscheduled maintenance, which may negatively impact our results of operations.

Trans Mountain Pipeline integrity

The Burnaby Refinery crude supply is predominantly Alberta light crude transported by the Trans Mountain Pipeline ("TMPL") common carrier, as regulated by the National Energy Board, and operates under published tariffs. Under various market conditions, the Burnaby Refinery could see variability in its crude deliveries from TMPL as the capacity on the pipeline fluctuates, from time to time, based on operating conditions and planned and/or unplanned maintenance.

Severe weather risk

The Sol assets are located in the Caribbean and are therefore subject to the risks associated with severe tropical storms, hurricanes, earthquakes and volcanic eruptions, which may cause downed telephone lines, flooded facilities, power outages, fuel shortages, damaged or destroyed property and equipment, and work interruptions. Such weather conditions and natural disasters may negatively impact operations in the region and Parkland's ability to realize the anticipated growth opportunities and synergies with respect to the Sol Transaction.

Public utility power supply

Parkland does not have full control over the supply of power or water to the Burnaby Refinery. As such, an operational risk for the Burnaby Refinery is the availability of sufficient power, natural gas, and water supplies to support refinery operations. Interruption of power, natural gas, or water could adversely affect operations.

(8) Health, safety and environment

Parkland is subject to hazards and risks inherent in our operations and the industries we service. Such risks include, but are not limited to: equipment failures; vehicle accidents; human error; accidental release of harmful substances including through transportation of petroleum products by road, rail, barge and pipeline and proximity to marine environments; explosions; toxic emissions releases; fires; and natural disasters. These risks expose Parkland to potential liability for personal injury, debilitating injury or 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. A significant environmental incident involving a release of crude oil, liquid petroleum products, chemicals or other hazardous substances into marine or other environments could result in losses in excess of the insurance coverage currently maintained and could have a material adverse impact on Parkland's business, financial condition, reputation and results of operations. Refer to the "Environmental risks relating to refinery operations" subsection of this Risk Factors section for further discussion on environmental risks.

Parkland has a Health, Safety and Environmental ("HS&E") management system in place that establishes safety leadership, employee awareness and training, hazard recognition and mitigation, as well as various controls, systems, processes, and tools to mitigate these risks and to be prepared to respond and remediate 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 has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. Although Parkland has a comprehensive insurance program in effect, there can be no assurance that the potential liabilities will not exceed the applicable coverage limits under our 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 available on an economically feasible basis. Parkland 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 financial condition.

Environmental risks relating to refinery operations

Refinery operations are subject to environmental regulation under federal and provincial legislation, regulations and initiatives, including ones designed to reduce greenhouse gas emissions, which may increase costs and adversely affect Parkland's ability to operate the Burnaby Refinery.

Parkland may be adversely affected by federal and provincial legislation, regulations and initiatives designed to reduce greenhouse gas emissions, which may increase costs and adversely affect our ability to operate the Burnaby Refinery. There are international agreements (e.g. Paris Climate Agreement and Kyoto Protocol), national agreements (e.g. carbon tax, cap-and-

trade or efficiency standards) and provincial legislation (e.g. British Columbia's Greenhouse Gas Industrial Reporting and Control Act) that aim to limit or reduce greenhouse gas emissions and are currently in various stages of implementation.

The ultimate effect of such greenhouse gas legislations, regulations and initiatives on Parkland's operation of the Burnaby Refinery, and the timing of these effects, will depend on a number of factors. Such factors include, among others, the sectors covered, the greenhouse gas emission reductions required, the extent to which Parkland would be entitled to receive emission allowance allocations or would need to purchase compliance instruments on the open market or through auctions, the price and availability of emission allowances and credits, and the extent to which Parkland is able to recover the costs incurred through the pricing of its products in the competitive marketplace.

Commodity storage, refining and transportation activities involve numerous risks that may result in environmental damage or otherwise adversely affect Parkland's operations. Environmental risks inherent in the storage, refining and transportation of crude oil and other petroleum products include, but are not limited to, accidental spills or releases of crude oil, liquid petroleum products, chemicals or other hazardous substances. The occurrence or continuance of such risks could result in significant environmental pollution; damage to local property, wildlife populations and natural resources; impairment or suspension of operations at the Burnaby Refinery; curtailment of offshore shipping activity; modifications to or revocation of existing regulatory approvals; fines; and serious reputational damage to Parkland, any of which could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition. The consequences of an accidental spill or release at or near any marine terminal used in connection with the Burnaby Refinery's operations could be even more significant, given the complexities of addressing releases occurring in marine environments and along populated coastlines. Although Parkland does not own or operate the vessels used to transport crude oil, liquid petroleum products, chemicals or other hazardous substances to and from such marine terminals, releases or other incidents involving such vessels could result in significant disruptions to offshore shipping activities and may impede Parkland's ability to operate in any affected areas.

(9) Regulatory risk and (10) Sustainability and climate change risk

Parkland operates in highly regulated jurisdictions. 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. Inability to comply with these laws and regulations can have a material adverse effect on our operating results and financial condition. Furthermore, transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Material increases in taxes, changes to environmental regulations, or changes in tax legislation are possible and could have a material effect on our profitability.

Parkland has put in place mitigation efforts by hiring qualified personnel who are members of professional and industry associations and experienced in overseeing compliance requirements. Parkland will continue to strengthen in-house expertise through ongoing hiring and training. However, 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.

Climate change regulation

The ultimate effects of climate change legislation, regulations, and initiatives on the operations of Parkland, and the timing of these effects, will depend on several factors. Such factors include, among others, the greenhouse gas emission reductions required for industrial sectors, the extent to which Parkland can adapt its fuel offerings or take advantage of incentive programs including by purchasing compliance instruments on the open market or through auctions, the price and availability of credits, the extent to which Parkland is able to recover the costs incurred through the pricing of Parkland's products in the competitive marketplace, and the increasing penetration of electric vehicles. Additionally, government efforts to steer the public toward non-petroleum-based fuel dependent modes of transportation may foster a negative perception toward motor fuel or increase costs for our product, thus affecting the public's attitude toward petroleum-based fuel, and affect our ability to market and sell such product. Any changes to climate change laws, regulations, and initiatives could materially and adversely affect Parkland's business, prospects, results of operations and/or financial condition.

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

Parkland's financial instruments recorded at fair value through profit or loss include commodities swaps, forwards and futures contracts, currency forward exchange contracts, Intermediation Facility Derivatives, emission credits and allowances, Redemption Options, the Sol Put Option and certain other items.

Commodities swaps, forwards and futures contracts and currency forward exchange contracts

Commodities swaps, forwards and futures contracts and US dollar forward contracts are recorded within risk management and other derivatives on the consolidated balance sheets. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices and foreign exchange rates.

Intermediation Facility Derivatives

In 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery that includes a daily settlement feature, which is accounted for as a derivative financial instrument carried at fair value (the "Intermediation Facility Derivatives"). On December 14, 2019, the Intermediation Facility was amended to extend the expiry to December 31, 2021. See Note 15 of the Annual Consolidated Financial Statements for discussion of the Intermediation Facility.

Emission credits and allowances

Emission credits and allowances that are held for trading and meet the definition of a derivative are accounted for using the fair value method of accounting.

Redemption Options

The Senior Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options are accounted for as an embedded derivative financial instrument. For more information on Parkland's financial instruments and related financial risk factors, see Note 12 of the Annual Consolidated Financial Statements.

Sol Put Option

The Sol Put Option is classified as a non-derivative financial liability at fair value through profit or loss, with changes in redemption value recorded within other (gains) and losses on the consolidated statements of income (loss). The proportionate redemption value of the Sol Put Option is calculated by discounting Sol's contractually defined trailing-twelve-month adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Business Combination Agreement ("Sol Agreement").

Net Investment Hedge

Parkland has designated certain USD-denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive income (loss). See Note 11 of the Annual Consolidated Financial Statements for further details on the Net Investment Hedge.

Fair value measurement

Parkland's financial assets and liabilities measured at fair value through profit or loss are categorized into a three-level hierarchy depending on the degree to which the inputs are observable as follows:

- Level 1 - Quoted (unadjusted) prices 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 (as prices) or indirectly (derived from prices); and
- Level 3 - Inputs that are not based on observable market data (unobservable inputs).

The fair values of Parkland's recurring measurements of risk management and other derivatives are determined based on Level 2 inputs. Parkland used the following techniques to value financial instruments categorized in Level 2:

- fair values of the outstanding heating oil, gasoline and refined products put and call option contracts are determined using external counterparty information, which is compared to observable data;
- fair values of commodities forward contracts, futures contracts, emission credits and allowances and US currency forward exchange contracts are determined using independent price publications, third-party pricing services, market exchanges and investment dealer quotes;
- fair values 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; and
- fair values of the Intermediation Facility Derivatives are determined using independent price publications, third-party pricing services and market exchanges.

The fair value of the Sol Put Option is determined based on Level 3 by discounting Sol's contractually defined trailing-twelve-month adjusted EBITDA, multiplied by 8.5, and including other adjustments as defined in the Sol Agreement.

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.

The following table presents the impact of the financial assets and liabilities measured at fair value on the consolidated statements of income (loss):

(\$ millions)	Year ended December 31,	
	2020	2019
Gain (loss) on risk management and other derivatives - realized ⁽¹⁾	31	(4)
Gain (loss) on risk management and other derivatives - unrealized ⁽¹⁾	10	(1)
Gain (loss) on risk management and other derivatives	41	(5)
Change in fair value of Redemption Options ⁽²⁾	34	91
Change in redemption value of Sol Put Option ⁽²⁾	(23)	(6)
Gain (loss) on Intermediation Facility Derivatives - realized ⁽³⁾	20	(24)
Gain (loss) on Intermediation Facility Derivatives - unrealized ⁽³⁾	9	(15)
Impact on consolidated statements of income (loss)	81	41

⁽¹⁾ Gains and losses on risk management and other derivatives are primarily driven by commodities swaps, forward and futures contracts and currency forward exchange contracts.

⁽²⁾ Recognized in other (gains) and losses. See above for a description of the Redemption Options and the Sol Put Option.

⁽³⁾ Recognized in cost of purchases. See above for a description of the Intermediation Facility.

Credit risk

Parkland is exposed to credit risk from operating activities and certain financing activities. Parkland's exposure to concentrations of significant credit risk to any individual customer is limited. Credit risk is minimized by Parkland's broad and geographically diverse customer base, spread across several countries and currencies. Parkland manages its exposure to credit risk through a variety of means, including, but not limited to: (i) rigorous credit granting procedures, including review of each new customer's credit history before extending credit, and imposing short payment terms or security interests where applicable; (ii) ongoing customer credit evaluations, including review of customer financial conditions and credit performance; (iii) ongoing close monitoring of outstanding amounts; and (iv) use of standby and commercial letters of credit for certain customers, where applicable. Parkland's allowances for receivables are maintained at levels considered adequate to provide for future credit losses.

Counterparties for all risk management and other derivatives transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

Foreign currency risk

Parkland is exposed to foreign currency risk primarily due to fluctuations in the US dollar to Canadian dollar ("USD/CAD") exchange rate relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars, and the use of the Intermediation Facility, Credit Facility and Senior Notes. Parkland may mitigate foreign currency risk through a variety of means, including entering into currency forward contracts or foreign currency options, as appropriate. For the year ended December 31, 2020, a \$0.10 increase in the USD/CAD exchange rate on financial instruments denominated in US dollars, with all other variables held constant, would have caused a \$6 million decrease in net earnings (loss) (2019 - \$19 million decrease) and a \$93 million decrease in other comprehensive income (loss) (2019 - \$97 million decrease). The impact on Parkland's net earnings (loss) is driven by changes in the fair value of monetary assets and liabilities and outstanding US dollar forward contracts. The decrease in sensitivity to total comprehensive income (loss) and net earnings (loss) is due to reduction in US dollar debt subject to foreign currency risk and lower borrowings under the Intermediation Facility as a result of changes in the intermediation agreement, which provides Parkland additional flexibility on the amount of financing.

Interest rate risk

Interest rate risk arises from the impact of fluctuating interest rates on net earnings, cash flows and valuations. Parkland is exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes 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, as

appropriate. As at December 31, 2020, a 100-basis point change in these interest rates, with all other variables held constant, would have caused an increase or decrease to net earnings of approximately \$7 million (2019 - \$7 million).

Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland's process for managing liquidity risk includes forecasting spending and cash flow requirements, considering seasonality of working capital needs and 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, access to various credit products at competitive rates and the market offering of common shares, preferred shares, subscription receipts, warrants, debentures, notes and convertible securities.

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

	Standard & Poor's	Dominion Bond Rating Service	Moody's	Fitch
Corporate	BB	BB	Not rated	BB
5.75% Senior Notes, due 2024	BB	BB	Not rated	BB
5.625% Senior Notes, due 2025	BB	BB	Not rated	BB
6.00% US Senior Notes, due 2026	BB	BB	Ba3	BB
6.50% Senior Notes, due 2027	BB	BB	Not rated	BB
5.875% US Senior Notes, due 2027	BB	BB	Ba3	BB
6.00% Senior Notes, due 2028	BB	BB	Not rated	BB

Refer to Section 7 of this MD&A for further discussion on Parkland's liquidity and capital resources.

Commodity price risk

Commodity price risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in an impact on net earnings and cash flows, including impact from movements in crude oil, heavy oil, LPGs and refined products. Parkland enters into derivative instruments including the Intermediation Facility Derivatives and commodities swaps, forwards and futures contracts 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.

Risk management derivatives and Intermediation Facility Derivatives are recorded at fair value and are sensitive to commodity price movements. As at December 31, 2020, a 5% change in commodity prices, including crude oil, heavy oil, LPGs and refined products, with all other variables held constant, would change net earnings by approximately \$10 million (2019 - \$5 million) due to the change in the fair values of risk management derivatives and Intermediation Facility Derivatives.

Other risks

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

10. OUTLOOK

Parkland is pleased to announce our 2021 guidance metrics that account for near-term COVID-19 uncertainty but assume an economic recovery in the second half of the year. Highlights of our 2021 outlook include:

- Adjusted EBITDA attributable to Parkland of \$1,200 million +/- 5 percent (the "2021 Guidance Range");
- Growth capital expenditures attributable to Parkland of \$175 million to \$275 million and maintenance capital expenditures attributable to Parkland of \$225 million to \$275 million (the "2021 Capital Program"); and
- Burnaby refinery utilization of approximately 85 percent.

The 2021 Guidance Range reflects the key assumptions for refining, fuel and non-fuel margin forecasts based on our view of future market conditions including the impact of COVID-19. Additionally, the low end of our 2021 Guidance Range accounts for potential adverse market conditions including the impact of COVID-19 or interruptions to our operations as well as the potential for lower margins than currently observable, while the high end of our 2021 Guidance Range accounts for greater than expected contributions from acquisition synergies, organic growth, faster recovery from the impacts of COVID-19 and higher margins than currently observable.

The 2021 Capital Program supports our Adjusted EBITDA growth targets in the current economic environment and is focused on targeted network development, expanding digital capabilities to further improve customer value proposition, enhancing our supply and logistics capability and investing in our low-carbon advantage together with some other ongoing maintenance projects. Growth capital expenditures include construction and acquisition of new-to-industry retail sites, On The Run / Marché Express conversions and site upgrades, supply infrastructure, commercial bulk fuel and propane expansion and low-carbon initiatives at the Burnaby Refinery. Parkland will continue to exercise strict financial discipline when evaluating organic growth initiatives and depending on market conditions, will continue to have significant flexibility in the level and timing of investments. Maintenance capital expenditures include retail and commercial site system upgrades, fleet maintenance, infrastructure improvements and projects to maintain operational excellence at the Burnaby Refinery.

Other than as disclosed above, the factors and assumptions that contribute to Parkland's assessment of the 2021 Guidance Range are consistent with existing Parkland disclosure and such guidance range is subject to risks and uncertainties inherent in Parkland's business. Readers are directed to Section 9 of this MD&A and Parkland's Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on March 4, 2021 on SEDAR at www.sedar.com for more information.

11. OTHER

Controls environment

Internal controls over financial reporting

Based on the evaluation of Parkland's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument ("NI") 52-109, the Chief Executive Officer and Chief Financial Officer have concluded that Parkland's DC&P and ICFR were designed and operating effectively as at December 31, 2020.

In accordance with the provisions of NI 52-109, Parkland has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before December 31, 2020, as Parkland completed the Kellerstrass Acquisition on February 14, 2020. This scope limitation is primarily due to the time required for Parkland's management to assess DC&P and ICFR in a manner consistent with Parkland's other operations.

The following tables summarize the financial information related to these acquisitions under the NI 52-109 scope limitation:

(\$ millions)	As at December 31, 2020	(\$ millions)	Year ended December 31, 2020
Current assets	8	Sales and operating revenue	217
Non-current assets	71	Net earnings (loss)	–
Current liabilities	12		
Non-current liabilities	8		

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the year ended December 31, 2020 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

In the normal course of business, Parkland is obligated to make future payments, including contractual obligations and guarantees. Parkland believes all relationships or arrangements with entities that are likely to have a material effect on its liquidity or the availability of capital resources are consolidated into the financial statements. 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.

Guarantees

As at December 31, 2020, Parkland provided \$2,601 million (December 31, 2019 - \$2,314 million) of unsecured guarantees to counterparties of commodities swaps and purchase and supply agreements of crude oil, fuel and other petroleum products.

Letters of credit and surety bonds

Parkland provides guarantees in the form of letters of credit and surety bonds in the ordinary course of business. As at December 31, 2020, these guarantees amount to \$261 million (December 31, 2019 - \$272 million) and are not recognized in the Annual Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including June 29, 2022.

Shares outstanding

As at December 31, 2020, Parkland had approximately 150.1 million common shares, 3.7 million share options, 1.5 million restricted share units, and 0.3 million deferred share units outstanding. The share options consist of approximately 2.4 million share options that are currently exercisable into common shares.

Related party transactions

See Note 23 of the Annual Consolidated Financial Statements for details on related party relationships and transactions.

12. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Note 2 of the Annual Consolidated Financial Statements for a summary of significant accounting 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 (including those affected by and related to the future effects of the COVID-19 pandemic) that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. The following provides a summary of Parkland's most critical accounting estimates in determining the value of items recognized in the Annual Consolidated Financial Statements and most critical judgements in applying accounting policies. Refer to Note 2 of the Annual Consolidated Financial Statements for detailed discussion of these items.

Asset retirement and other obligations

ARO represents the present value estimates of Parkland's cost to remediate sites and perform other environmental activities. Parkland applies judgment in assessing the existence, extent and expected method of remediation, decommissioning and other environmental activities required at the end of each reporting period. Parkland also uses judgment to determine whether the nature of the activities performed relate to decommissioning and remediation activities or normal operating activities. In addition, the provisions are based on estimated costs, which consider the anticipated method and extent of remediation, technological advances, possible future uses of the site, and regulatory, environmental 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 technologies, operating experience, prices and closure plans. The estimated timing of future decommissioning and remediation may change due to factors such as closure plans and regulatory considerations. Changes to estimates relating to future expected costs, discount rates and timing may have a material impact on the amounts presented.

Contingencies and legal matters

Contingencies are subject to measurement uncertainty as the financial impact will only be confirmed by the outcome of a future event. The assessment of contingencies and legal matters involves a significant amount of judgment, including assessing whether a present obligation exists, assessing factors that may mitigate or reduce the obligation, and determining 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 and whether the loss can be reasonably estimated. The uncertainty involved with the time and amount at which a contingency may 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 values placed on the acquired assets and liabilities assumed affect the amount of goodwill recorded on an acquisition.

Asset impairment

Asset impairment tests require the allocation of assets to CGUs or CGU groups, which requires significant judgment and interpretation 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.

The assessment of whether there is any indication of impairment is performed at the end of each reporting period, and requires the application of judgment, historical experience, and use of external and internal sources of information.

Asset impairment tests may also require the estimation of the recoverable amount of the non-financial asset or the CGU group, 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 an earnings multiple approach, available data from binding sales transactions conducted at arm's length for similar assets, valuation appraisals, 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. Parkland references adjusted EBITDA forecasts and implied earnings multiples and appropriate discount rates for the recoverable amount calculations. The forecasts do not include restructuring activities that Parkland is not yet committed to, or significant future investments that will enhance the performance of the asset or CGU being tested. The implied multiples are determined by utilizing multiples of comparable public companies and recently completed transactions by operating segment. The recoverable amount is sensitive to adjusted EBITDA forecasts, implied earnings multiples, the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for cash flow forecasts. These estimates are most relevant to goodwill, property, plant and equipment, and intangible assets recognized by Parkland.

Depreciation and amortization

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

Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, Parkland uses third-party models, independent price publications, market exchanges, investment dealer quotes, and valuation methodologies that utilize observable data. Actual values may significantly differ from these estimates.

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 on existing tax laws and estimates of future taxable income. In case uncertain tax positions were to arise, Parkland would calculate provisions for them using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors and review the adequacy of these provisions at the end of each reporting period.

New and amended standards adopted and not yet adopted by Parkland

Amendments to IFRS 3 (Definition of a Business)

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3). The amendments narrowed and clarified the definition of a business. The amendments include an election to use a concentration test, a simplified assessment that results in treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. One important distinction is that "goodwill" can only be recognized as a result of acquiring a business, but not as a result of an asset acquisition. Parkland adopted the amendments prospectively on the effective date of January 1, 2020, and there was no impact to Parkland's consolidated financial statements as a result of the initial application.

Amendment to IFRS 7, IFRS 9, and IFRS 16 (Interest Rate Benchmark Reform)

In response to the interest rate benchmark (IBOR) reform (Phase 2), in August 2020, the IASB issued new guidance effective for annual periods beginning on or after January 1, 2021. The new guidance provides the use of a practical expedient to account for the change in the basis for determining the contractual cash flows as a result of the cessation of the London Interbank Offered Rate (LIBOR) benchmark. Parkland is continually monitoring the situation and assessing for any potential impacts from this amendment.

13. SEGMENT DESCRIPTIONS

Canada

Overview

Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

Canada operates and supports a coast-to-coast network of 1,832 convenience and fuel stores, 162 cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers.

Canada operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer, and a leading convenience store brand, On the Run / Marché Express. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments. Canada Retail's convenience store offerings include private label brands 59th Street Food Co.™ and Cargo™, as well as SkipTheDishes delivery, Amazon Hub Lockers and M&M Frozen Foods introduced at specific locations. Canada also serves its commercial customer base through a family of brands including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane.

Business models

Canada operates and generates profit from the following two main channels:

- **Retail** - Canada's retail operations are carried out under two main business models:

- **Company**

The Company business model includes sites that are owned or leased by Parkland and are operated and managed by either Parkland or independent retailers on its behalf. Parkland owns the fuel inventory and maintains control of the retail selling price at the pumps. Convenience store inventory may be owned by the retailer or Parkland. If the site is operated by a retailer, Parkland pays the retailer a commission and collects from the retailer percentage rent on the convenience store sales or gross margin. Sites operating under industry models such as "company-owned, retailer-operated" ("CORO") and "company-owned, company-operated" ("COCO") are included under the Company business model.

- **Dealer**

The Dealer business model includes sites owned or leased by an independent dealer or Parkland, and are operated and managed by the independent dealer. Parkland secures long-term fuel supply contracts with the dealer, usually between 5 and 20 years in length, and supplies fuel to the dealer based on independently published rack prices. The dealer owns the fuel inventory and maintains control of the retail price selling at the pumps, unless the inventory was sold to the dealer by Parkland on consignment, in which case Parkland owns the fuel inventory and maintains control of the retail price selling at the pumps. Convenience store inventory is owned by the dealer. Sites operating under industry models such as "dealer-owned, dealer-operated" ("DODO"), "company-owned, dealer-operated" ("CODO"), or consignment dealer-operated fall under the Dealer business model.

- **Commercial** - Canada's commercial operations deliver bulk fuel, bulk and cylinder exchange propane, heating oil, lubricants and other related products and services to commercial, industrial and residential customers across Canada through an extensive delivery network. In addition, commercial operations include an extensive cardlock network across the country. Parkland uses a variety of regionally relevant trade names, service marks and trademarks in the businesses that are considered important and valuable in marketing its products.

Seasonality

Generally, results of Canada's retail operations fluctuate based on seasonality and experience higher volumes and Adjusted EBITDA in the second and third quarters of the year during the summer driving season. In contrast, Canada's commercial operations generally experience higher volumes and Adjusted EBITDA in the first and fourth quarters of the year as a result of higher demand for diesel, propane and heating oil in the winter. The results of the commercial operations also fluctuate based on seasonality, degree days in its residential home heat business and local GDP, which is influenced by factors such as the Alberta oil and gas sector.

International

Overview

International, which trades as Sol, is the largest independent fuel marketer in the Caribbean and has sales and operations in 23 countries and territories. International has an integrated supply chain backed by an extensive distribution network, a premier brand portfolio and an exceptional team. International's businesses and assets are predominantly located in the Caribbean and north eastern coast of South America and consist of: (i) retail businesses, which include 256 company-owned or company-leased sites and 238 dealer-owned and dealer-operated sites under the Esso, Shell and Sol brands; (ii) supply and distribution operations, comprised of owned or leased infrastructure assets, including import terminals, storage facilities, pipelines, marine berths and charter ships; (iii) commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) aviation fuel operations at 12 airports in the region. International extends Parkland's supply reach internationally and builds on Parkland's supply advantage strategy, providing Parkland with a strategic growth platform and access to key markets and comprehensive supply infrastructure in the Caribbean and north eastern coast of South America.

Business model

International operates and generates profit from the following two main channels:

- **Retail** - International's retail business operates under the Esso, Shell and Sol brands. International is also the owner of the Sol Shop convenience store brand. The new Sol convenience stores take advantage of the newest technology to minimize the time from order to serve and have proprietary food and drink offers, including made-to-order hot food, bakery, cold food, and hot and chilled beverages. International's retail business operates under one of the two main business models:
 - **Company-owned or company-leased sites** - Sites are owned or leased by International and operated by a dealer or employees of the International segment. Sites operating under industry models such as "company-owned, dealer-operated" ("CODO"), "company-leased, dealer-operated" ("CLDO") and "company-owned, company-operated" ("COCO") are included in this model. In CODO and CLDO sites, the dealer owns the convenience store and fuel inventory. In COCO sites, International owns the convenience store and fuel inventory.
 - **Dealer-owned and dealer-operated sites** - Also known as "DODO", these sites are owned, managed and operated by the dealer. International secures long-term fuel supply contracts with the dealer and supplies fuel to the dealer. The dealer owns the fuel inventory. Convenience store inventory is usually owned by the dealer. Other operating model variants where the site is not owned or leased by International are also included in this category.
- **Commercial** - International's commercial business delivers and supplies gasoline, diesel, fuel oil, propane and lubricants to customers in various geographies and sectors, including power, oil and gas and mining companies. In addition, International's aviation business operates at 12 airports in the region, supplying aviation fuel and services to airlines.

International has sales and operations in 23 countries and territories in the Caribbean. International also maintains offices in 21 countries and territories, which are organized into five regions as follows:

Eastern Caribbean	Western Caribbean	Spanish Caribbean	French Caribbean	South America
Anguilla	Bahamas	Belize	French Guiana	Guyana
Barbados	Bermuda	Dominican Republic	Guadeloupe	Suriname
British Virgin Islands	Cayman Islands	Puerto Rico	Martinique	
Dominica	Jamaica			
Grenada				
St. Kitts & Nevis				
St. Lucia				
St. Maarten				
St. Vincent & Grenadines				

International KPIs and metrics are not comparable to other Parkland segments as they include margins earned by supply and distribution as well as results from retail, commercial and wholesale channels. As a result, this segment has increased fuel and petroleum product adjusted gross profit compared to other Parkland segments. Additionally, the geographical environments in which the businesses operate are substantively different from operations in Canada and the USA.

Seasonality

International results are influenced by a variety of inherent business factors. The volumes and Adjusted EBITDA of the Eastern, Western, Spanish and French Caribbean are expected to be higher in the first and fourth quarters of the year during tourism high season as compared to the second and third quarters of the year during tourism low season. South America's volumes and Adjusted EBITDA are expected to be influenced by volume of activity in the oil and gas, and mining industries. In addition to the regional variations, International's Adjusted EBITDA is also influenced by fluctuations in quantity and timing of volumes related to third-party supply contracts for spot sales as well as the crude supply to the Société Anonyme de la Raffinerie des Antilles ("SARA Refinery") and other wholesale customers.

USA

Overview

USA supports a network of convenience and fuel stores and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming. USA is a platform for growth in the United States and provides Parkland export opportunities for products from Western Canada. USA operates under several brands including Farstad Oil, Superpumper, Tropic Oil, Rhinehart Oil, Harts and On the Run.

Business model

USA operates and generates profits from the following channels:

- **Wholesale & Commercial** - USA manages fuel supply contracts, purchases fuel from suppliers, distributes through rail and highway carriers, and serves wholesale customers, retailers, small resellers, commercial operators, and marine customers. USA operates a large fleet of trucks that deliver wholesale fuels and commercial lubricants to customers. Further, it includes retail sites under the Dealer models. USA supplies to 324 Dealer sites, which include a number of multi-site dealer chains with both branded and unbranded relationships. Refer to the "Canada" section above for a description of Dealer sites.
- **Retail** - USA operates and services a network of retail service stations under the Company model. USA has 67 Company sites, often co-branded with a major brand in the forecourt. Refer to the "Canada" section above for a description of Company sites. USA offers a diverse product mix through various brands at its convenience stores.
- **Lubricants** - USA delivers ExxonMobil and Ridgeline lubricants, chemicals, ancillary automotive products, and equipment to commercial, industrial, marine and wholesale customers through an extensive delivery network in the regions in which Parkland operates.

Seasonality

USA results fluctuate based on seasonality. The demand for fuel and petroleum products increases during the second and third quarters because of the construction season and increased consumer travel. This seasonality trend is partially offset by methanol sales, which increase significantly in the first and fourth quarters because of the cold weather, and higher marine fuel demand during the first and fourth quarters due to increased cruise ship operations. Due to the increase in fuel and petroleum product volume, Adjusted EBITDA is generally higher in the second and third quarters.

Supply

Overview

Supply serves Canada, USA and International as well as external customers. Supply consists of logistics, marketing, supply, distribution and a refinery located in Burnaby, British Columbia. This segment manufactures transportation fuels, procures feedstocks and fuels from third parties, transports (via ship, rail, truck and pipeline), stores and markets fuels, crude oil and LPGs to serve a wide range of customers across North America and the Caribbean, and manufactures and sells aviation fuel to airlines operating out of the Vancouver International Airport. Major sales categories are:

- gasoline and diesel;
- LPG, which includes propane and butane; and
- other fuel and petroleum products, which include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.

Business model

Supply operates and generates profits from the following channels:

- **Contracts** - Supply maintains fuel supply contracts with multiple oil refiners, and wholesale and trading suppliers. This diversity of supply contracts, combined with strategic storage and logistics infrastructure, allows Parkland to obtain fuel at competitive prices and enhances fuel supply security for Parkland-owned sites and for all Parkland customers.
- **Purchases** - Supply sources fuel from third-party suppliers and sells, at an arm's length transfer price, to Parkland's Canada, USA and International segments as well as external wholesaler customers. Supply also provides transportation services to Parkland segments. Parkland utilizes its leased rail car fleet and leverages its network of North American relationships with a view to match purchase and sales contracts and execute on a strategy of geographic arbitrage.

- **Infrastructure** - Supply uses its supply network to access selective terminal infrastructure investments that are uniquely situated across North America to enable Parkland's supply optionality and competitive advantage.

Burnaby Refinery

Parkland owns and operates a 55,000-bpd light / sweet crude refinery in Burnaby, British Columbia, which is ideally located to serve the British Columbia market with pipeline access to Canadian light crude. It is the only refinery in the Vancouver area and the largest of only two refineries in the province. Additionally, the Burnaby Refinery is highly integrated with the Canada and Supply wholesale businesses, where the majority of its production is sold to these operating segments.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they increase at a slower pace than Parkland's adjusted gross profit.

14. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 24 - Segment Information of the Annual Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 24 of the Annual Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure for the underlying core operating performance of business segment activities at an operational level. Adjusted EBITDA is used by management to set targets for Parkland (including annual guidance and variable compensation targets) and is used to determine Parkland's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. In addition to finance costs, depreciation, amortization and income tax expense (recovery), Adjusted EBITDA also excludes costs that are not considered representative of Parkland's underlying core operating performance, including, among other items: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, (iv) changes in the fair value of share-based compensation liabilities, (v) unrealized gains and losses on foreign exchange, risk management and other derivatives and Intermediation Facility Derivatives, (vi) realized foreign exchange gains and losses as a result of refinancing activities and cash pooling arrangements, (vii) other gains and losses, including changes in values of the Sol Put Option, Redemption Options, environmental liabilities and asset retirement obligations (viii) loss on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains, (ix) impairments of non-current assets, and (x) other adjusting items. Note that Adjusted EBITDA for Q1 2019 and periods thereafter includes the adoption of IFRS 16 as of January 1, 2019.

Adjusted EBITDA is calculated and reconciled from net earnings (loss) as follows:

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net earnings (loss)	64	186	112	414
Add:				
Acquisition, integration and other costs	14	14	52	91
Depreciation and amortization	144	145	609	580
Finance costs				
Interest on leases	9	8	33	29
Interest on long-term debt	47	50	200	197
Amortization, accretion and other finance costs	2	7	17	34
(Gain) loss on foreign exchange - unrealized	-	(21)	(2)	(47)
(Gain) loss on asset disposals	1	(4)	2	3
(Gain) loss on risk management and other derivatives - unrealized	(11)	3	(10)	1
Other (gains) and losses				
Change in redemption value of Sol Put Option	34	(63)	23	6
Change in fair value of Redemption Options	(72)	(23)	(34)	(91)
Change in estimates of environmental provision	8	(25)	17	(2)
Share in earnings from investment in associate	(1)	(1)	(8)	(8)
Other	1	(3)	(10)	(14)
Other adjusting items ⁽¹⁾	1	15	14	32
Income tax expense (recovery)	30	39	42	133
Adjusted EBITDA including NCI	271	327	1,057	1,358
Less: Attributable to NCI	24	25	90	93
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	247	302	967	1,265

⁽¹⁾ Other adjusting items include the following for the three months ended December 31, 2020: (i) International: income from equity investments of \$4 million (2019 - \$6 million), (ii) Supply: a nil (2019 - \$9 million) unrealized loss on the Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, and (iii) Corporate: \$3 million (2019 - nil) gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized. For the year ended December 31, 2020, other adjusting items include: (i) Canada: \$4 million (2019 - nil) in fuel discount provided to frontline workers within fuel and petroleum product cost of purchases and customer finance income of \$1 million (2019 - \$2 million), (ii) International: income from equity investments of \$13 million (2019 - \$15 million), and (iii) Supply: an unrealized gain of \$9 million (2019 - unrealized loss of \$15 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, offset by a \$5 million (2019 - nil) loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized.

Adjusted gross profit

Parkland uses adjusted gross profit as a measure of segment profit and loss to analyze the performance of sale and purchase transactions and performance on margin. Adjusted gross profit is calculated and reconciled as follows:

(\$ millions)	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Sales and operating revenue	3,474	4,779	14,011	18,453
Cost of purchases	(2,858)	(4,040)	(11,675)	(15,617)
Gain (loss) on risk management and other derivatives - realized	(12)	-	31	(4)
Gain (loss) on foreign exchange - realized	5	(20)	(7)	(15)
Other adjusting items to Adjusted gross profit ⁽¹⁾	(3)	9	-	15
Adjusted gross profit	606	728	2,360	2,832
Fuel and petroleum product adjusted gross profit	499	616	1,943	2,400
Non-fuel adjusted gross profit	107	112	417	432
Adjusted gross profit	606	728	2,360	2,832

⁽¹⁾ Other adjusting items to Adjusted gross profit include the following for the three months ended December 31, 2020: (i) Supply: a nil (2019 - \$9 million) unrealized loss on the Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, and (ii) Corporate: \$3 million (2019 - nil) gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized. For the year ended December 31, 2020, other adjusting items to Adjusted gross profit include: (i) Canada: \$4 million (2019 - nil) in fuel discount provided to frontline workers within fuel and petroleum product cost of purchases, and (ii) Supply: an unrealized gain of \$9 million (2019 - unrealized loss of \$15 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, offset by a \$5 million (2019 - nil) loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized.

Non-fuel adjusted gross profit

	Canada		International		USA		Supply ⁽³⁾		Consolidated	
For the three months ended December 31,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Convenience store ⁽¹⁾	29	26	3	3	10	8	—	—	42	37
Lubricants and other non-fuel ⁽²⁾	17	19	20	26	21	20	7	10	65	75
Non-fuel adjusted gross profit	46	45	23	29	31	28	7	10	107	112

	Canada		International		USA		Supply ⁽³⁾		Consolidated	
For the year ended December 31,	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Convenience store ⁽¹⁾	115	119	11	13	36	34	—	—	162	166
Lubricants and other non-fuel ⁽²⁾	72	84	85	100	89	67	9	15	255	266
Non-fuel adjusted gross profit	187	203	96	113	125	101	9	15	417	432

⁽¹⁾ Convenience store revenue generated from Canada, International, and USA depends on the business model operated by each segment.

⁽²⁾ Lubricants and other non-fuel include rent, freight, tanks and parts installation, cylinder exchanges, royalties, emission allowances and other products and services.

⁽³⁾ For comparative purposes, information for the year ended December 31, 2019 was restated due to changes in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.

Non-GAAP financial measures

Certain financial measures in this MD&A are not prescribed by GAAP. These non-GAAP financial measures are included because management uses the information to analyze operating performance, leverage and liquidity. These non-GAAP financial measures do not have any standardized meaning and are therefore unlikely to be comparable to similar measures presented by other companies. Except as otherwise indicated, these non-GAAP measures are calculated and disclosed on a consistent basis from period to period.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Credit Facility earnings before interest, taxes, depreciation and amortization ("Credit Facility EBITDA")⁽¹⁾	Debt covenant earnings metric defined in Parkland's Credit Facility	Credit Facility EBITDA ⁽¹⁾ = Adjusted EBITDA + Adjusted EBITDA attributable to NCI ⁽⁵⁾ + share incentive compensation + acquisition pro-forma EBITDA adjustment ⁽²⁾ + acquisition, integration and other costs adjustment ⁽³⁾ + Turnaround adjustment ⁽⁴⁾ - IFRS 16 impact on Adjusted EBITDA - IFRS 16 impact on Adjusted EBITDA attributable to NCI ⁽⁵⁾	We use this metric to monitor Parkland's ability to service debt and meet current and future commitments.
Senior Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant ratio metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Senior Funded Debt as a ratio	Senior Funded Debt to Credit Facility EBITDA ⁽¹⁾ = Senior Funded Debt ÷ Credit Facility EBITDA Senior Funded Debt ⁽⁶⁾ = current portion of long-term debt + redemption of Senior Notes + bank indebtedness + non-current portion of long-term debt (excluding Senior Notes) + letters of credit + third-party guarantees - cash and cash equivalents	We use these ratios to demonstrate compliance with debt covenants and provide users with an indication of Parkland's ability to repay debt. To manage Parkland's financing requirements, we may adjust capital spending or dividends paid to shareholders, or issue new shares or new debt. These metrics are also
Total Funded Debt to Credit Facility EBITDA ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Total Funded Debt as a ratio	Total Funded Debt to Credit Facility EBITDA ⁽¹⁾ = Total Funded Debt ÷ Credit Facility EBITDA Total Funded Debt ⁽⁶⁾ = Senior Funded Debt + Senior Notes	used to monitor and guide Parkland's overall financial strength and capital structure flexibility.
Interest coverage ratio⁽¹⁾	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to interest ⁽²⁾ as a ratio	Interest coverage ratio ⁽¹⁾ = Credit Facility EBITDA ÷ interest ⁽²⁾	We use this ratio to provide us with an indication of Parkland's ability to pay interest on its outstanding debt, in addition to demonstrating compliance with debt covenants.
Corporate Marketing, General and Administrative expenses as a % of adjusted gross profit	Ratio that measures percentage of corporate expenses in relation to Parkland's adjusted gross profit	Corporate MG&A as a % of adjusted gross profit = corporate MG&A expenses ÷ consolidated adjusted gross profit	We use this metric to measure the effectiveness of Parkland's corporate operations in relation to Parkland's overall business. We believe this metric provides transparency and predictive value for corporate MG&A in relation to Parkland's entire adjusted gross profit.

⁽¹⁾ Calculated on a trailing-twelve-month basis.

⁽²⁾ Determined pursuant to the terms of the Credit Facility.

⁽³⁾ Beginning in Q2 2020, the adjustment for acquisition, integration and other costs was calculated pursuant to the terms of the Credit Facility, as amended on June 9, 2020. This amount is used for debt covenant calculation purposes only.

⁽⁴⁾ The Turnaround adjustment is a normalization of Adjusted EBITDA for the effect of the Turnaround, pursuant to the terms of the Credit Facility.

⁽⁵⁾ Beginning in Q1 2020, Parkland includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

⁽⁶⁾ Beginning in Q1 2020, Parkland includes long-term debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI in Senior Funded Debt and Total Funded Debt.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Distributable cash flow	Cash flow metric that adjusts for the impact of seasonality in Parkland's business by removing non-cash working capital items	Distributable cash flow = cash flow from operating activities – Adjusted EBITDA attributable to NCI, net of tax – change in other liabilities and other assets + change in other liabilities – net change in non-cash working capital – maintenance capital expenditures attributable to Parkland + proceeds on asset disposals	We use this metric to monitor normalized cash flows of the business by eliminating the impact of Parkland's working capital fluctuations, which can vary significantly from quarter to quarter.
Adjusted distributable cash flow	Distributable cash flow metric that excludes acquisition, integration and other costs	Adjusted distributable cash flow = distributable cash flow – acquisition, integration and other costs – turnaround maintenance capital expenditures – payments on principal amount on leases + payments on principal amount on leases attributable to NCI	We use this metric to monitor core distributable cash flows of the business without the impact of expenditures used in acquisitions, integration and other activities, which fluctuate significantly.
Distributable cash flow per share	Distributable cash flow presented on a per share basis	Distributable cash flow per share = distributable cash flow ÷ weighted average number of common shares	We believe these per share metrics provide useful information to individual shareholders.
Adjusted distributable cash flow per share	Adjusted distributable cash flow presented on a per share basis	Adjusted distributable cash flow per share = adjusted distributable cash flow ÷ weighted average number of common shares	
Dividend payout ratio	Ratio of dividends distributed to distributable cash flow	Dividend payout ratio = dividends ÷ distributable cash flow	We use these ratios as indicators of Parkland's ability to generate cash flows to sustain monthly dividends, including those issued under the dividend reinvestment plan.
Adjusted dividend payout ratio	Ratio of dividends distributed to adjusted distributable cash flow	Adjusted dividend payout ratio = dividends ÷ adjusted distributable cash flow	
Maintenance capital expenditures	Capital expenditure metric for activities that are maintenance in nature	Additions to property, plant and equipment and intangible assets that are considered to be maintenance in nature, including but not limited to: • turnaround and other maintenance projects at the Burnaby Refinery; • upgrades of service stations, including primarily aesthetic major renovations (also known as "refreshes") of retail service stations; • rebrand or refresh of service stations, including securing a supply agreement with a new independent retailer; • replacement of existing concrete structures, paving, roofing, furniture and equipment; • upgrade or replacement of trucking fleets; and • upgrade of software systems or point-of-sale systems.	Parkland uses maintenance capital expenditures as a financial measure to monitor expenditures on property, plant and equipment and intangible assets to sustain the current level of economic activity and maintain cash flows from operating activities at a constant level of productive capacity. Parkland considers the volume of fuel and propane sales, volume of convenience store sales, volume of lubricant sales, agricultural inputs, and delivery to be productive capacity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 8 of this MD&A.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Growth capital expenditures	Capital expenditure metric for activities that are growth in nature	Additions to property, plant and equipment and intangible assets that are considered to be growth in nature, including but not limited to: • new retail site builds under the "new-to-industry" program; • construction of a new building on an existing site; • IT capital expenditures related to integration of acquired businesses; • acquisition of new real estate; • addition of new trucks and trailers to increase the size of the fleet; • addition of new equipment to increase the size and capacity of a retail fuel service station; and • addition of new infrastructure and tanks to support large new customer contracts. However, acquisitions of businesses and licenses are not included as part of growth capital expenditures.	Parkland uses growth capital expenditures as a measure to monitor expenditures on property, plant and equipment and intangible assets that 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. A reconciliation of this measure is presented in Section 8 of this MD&A.

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2020
	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	
Adjusted EBITDA	191	191	338	247	967
Adjusted EBITDA attributable to NCI ⁽⁴⁾	23	17	26	24	90
Share incentive compensation ⁽⁵⁾	9	4	5	8	26
Reverse: IFRS 16 impact on Adjusted EBITDA	(39)	(38)	(40)	(40)	(157)
Reverse: IFRS 16 impact on Adjusted EBITDA attributable to NCI ⁽⁴⁾	(6)	(6)	(6)	(6)	(24)
	178	168	323	233	902
Acquisition pro-forma adjustment ⁽¹⁾					20
Acquisition, integration and other costs adjustment ⁽²⁾					(4)
Turnaround adjustment ⁽³⁾					197
Credit Facility EBITDA					1,115

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2020 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2020 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ Beginning in Q2 2020, the adjustment for acquisition, integration and other costs was calculated pursuant to the terms of the Credit Facility, as amended on June 9, 2020. This amount is used for debt covenant calculation purposes only.

⁽³⁾ The Turnaround adjustment is a normalization of Adjusted EBITDA for the effect of the Turnaround, pursuant to the terms of the Credit Facility.

⁽⁴⁾ Beginning in Q1 2020, Credit Facility EBITDA includes Adjusted EBITDA attributable to NCI and excludes IFRS 16 impact attributable to NCI.

⁽⁵⁾ Share incentive compensation excludes gains or losses from revaluations of the DSU liability.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2019
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	
Adjusted EBITDA ⁽³⁾	315	346	302	302	1,265
Share incentive compensation ⁽⁴⁾	4	4	4	11	23
Reverse: IFRS 16 Impact on Adjusted EBITDA	(27)	(31)	(34)	(36)	(128)
	292	319	272	277	1,160
Acquisition pro-forma adjustment ⁽¹⁾					14
Acquisition, integration and other costs adjustment ⁽²⁾					(15)
Credit Facility EBITDA					1,159

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2019 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2019 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ The adjustment for acquisition, integration and other costs was calculated to be \$15 million pursuant to the terms of the Credit Facility dated March 29, 2018. This amount is used for debt covenant calculation purposes only.

⁽³⁾ Up to Q4 2019, Parkland excluded Adjusted EBITDA attributable to NCI and included IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

⁽⁴⁾ Share incentive compensation excludes gains or losses from revaluations of the DSU liability.

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

(\$ millions)	December 31, 2020	December 31, 2019
Senior Funded Debt:		
Long-term debt - current portion (excluding Senior Notes)	114	115
Long-term debt - non-current portion (excluding Senior Notes)	1,087	1,035
Exclude: Long-term debt - attributable to NCI ⁽¹⁾	—	(22)
Letters of credit ⁽¹⁾	37	41
Third-party guarantees	2	—
Exclude: letters of credit attributable to NCI ⁽¹⁾	—	(2)
Less: cash and cash equivalents	(262)	(244)
Exclude: cash and cash equivalents attributable to NCI ⁽¹⁾	—	48
Less: IFRS 16 lease obligations	(506)	(526)
Senior Funded Debt	472	445
Senior Notes	2,774	2,788
Total Funded Debt	3,246	3,233
Credit Facility EBITDA	1,115	1,159
Senior Funded Debt to Credit Facility EBITDA ratio	0.42	0.38
Total Funded Debt to Credit Facility EBITDA ratio	2.91	2.79

⁽¹⁾ Beginning in Q1 2020, Parkland includes long-term debt attributable to NCI, letters of credit attributable to NCI and cash and cash equivalents attributable to NCI in Senior Funded Debt and Total Funded Debt.

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	December 31, 2020	December 31, 2019
Credit Facility EBITDA	1,115	1,159
Interest ⁽¹⁾	209	218
Interest coverage ratio	5.33	5.32

⁽¹⁾ Calculated pursuant to the terms of the Credit Facility.

Corporate Marketing, General and Administrative expenses as a % of adjusted gross profit

	Three months ended		Year ended	
(\$ millions)	December 31, 2020	2019	December 31, 2020	2019
Corporate Marketing, General and Administrative expenses	25	28	91	113
Parkland's adjusted gross profit	606	728	2,360	2,832
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	4.1 %	3.8 %	3.9 %	4.0 %

TTM distributable cash flow, TTM adjusted distributable cash flow, TTM dividends, TTM dividend payout ratio and TTM adjusted dividend payout ratio

	Three months ended				Trailing twelve months ended
(\$ millions, unless otherwise noted)	March 31, 2020	June 30, 2020	September 30, 2020	December 31, 2020	December 31, 2020
Distributable cash flow	(22)	82	270	151	481
Adjusted distributable cash flow	20	76	246	136	478
Weighted average number of common shares (million shares)					149
Distributable cash flow per share					3.23
Adjusted distributable cash flow per share					3.21
Dividends	45	45	47	47	184
TTM dividend payout ratio					38 %
TTM adjusted dividend payout ratio					38 %

(\$ millions, unless otherwise noted)	Three months ended				Trailing twelve months ended
	March 31, 2019 ⁽¹⁾	June 30, 2019 ⁽¹⁾	September 30, 2019 ⁽¹⁾	December 31, 2019 ⁽¹⁾	December 31, 2019
Distributable cash flow	125	168	122	149	564
Adjusted distributable cash flow	137	156	126	142	561
Weighted average number of common shares (million shares)					147
Distributable cash flow per share					3.84
Adjusted distributable cash flow per share					3.82
Dividends	43	45	45	44	177
TTM dividend payout ratio					31 %
TTM adjusted dividend payout ratio					32 %

⁽¹⁾ 2019 results reflect the adoption of IFRS 16 as of January 1, 2019.

Key Performance Indicators ("KPIs")

In addition to non-GAAP financial measures, Parkland uses a number of operational KPIs to measure the success of our strategic objectives and to set variable compensation targets for employees. These KPIs are not accounting measures, do not have comparable IFRS measures, and may not be comparable to similar measures presented by other issuers, as other issuers may calculate these metrics differently.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Company C-Store same-store sales growth ("Company C-Store SSSG")	Company C-Store SSSG refers to sales growth generated by retail convenience stores at Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded to derive a comparable same-store metric.	Company C-Store SSSG is derived from the point-of-sale ("POS", i.e. cash register) value of goods and services sold to retail customers at convenience stores operated by retailers at Company sites. Specifically, current year POS sales of active sites are compared to prior year POS sales of comparable sites. Since Parkland generally collects fixed rent for the facilities plus a percentage rent on convenience store sales from the retailer and typically does not directly own or sell the convenience store inventory, POS amounts used to calculate Company C-Store SSSG are not a Parkland financial measure and do not form part of Parkland's consolidated financial statements.	Same-store sales growth is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Company Volume same-store sales growth ("Company Volume SSSG")	Company Volume SSSG refers to fuel and petroleum product sales growth at active Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded.	Company Volume SSSG is derived by comparing the current year volume of active sites to prior year volume of comparable sites.	Volume SSSG is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Measures calculated on a cents-per-litre ("cpl") basis	Financial measures calculated on a cpl basis (e.g. Operating Costs - cpl) refer to the specific financial metric for a litre of fuel and petroleum product sold in the related segment.	The financial measure (e.g. adjusted gross profit, Operating Costs, etc.) is divided by the relevant fuel and petroleum product volume of the segment to arrive at the cpl basis.	Cpl metrics are used by management to identify trends in financial measures while removing the impact of volume variability, where appropriate.	
Refinery utilization	Refinery utilization refers to the amount of crude oil that is run through the crude distillation units compared to crude throughput.	The amount of crude oil that is run through the crude distillation units expressed as a percentage of the 55,000 barrels per day crude distillation capacity at the Burnaby Refinery.	Refinery utilization provides meaningful information to investors in evaluating the operational performance of the refinery.	A higher utilization generally allows for more efficient operations and lower costs per barrel.
Crude throughput	Crude throughput refers to the amount of crude oil that is processed and converted to products in the refinery.	The amount of crude oil that runs through crude distillation units expressed in thousands of barrels per day.	Crude throughput provides meaningful information to investors in evaluating the operational performance of the refinery.	A higher throughput generally allows for more efficient operations and lower costs per barrel.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Annual Synergies	Annual Synergies is a forward-looking estimate of forecasted improvements in Adjusted EBITDA driven by increases in adjusted gross profit and reductions in Operating Costs and Marketing, General and Administrative expenses expected to be realized from integrating the Acquisitions and other related initiatives.	This estimate is stated as a comparison of the acquisitions' performance before and after acquisition, presented as a forecasted annualized run-rate measure. This forward-looking estimate is based on comparative analysis of organizational structures, level of spending, and contract structures, as well as synergies expectations and cost reductions from implementing integration initiatives, increased purchasing power, and contract renegotiations, among other items.	Annual Synergies is used to measure synergy expectations of acquisitions against their investment business case.	Changes to these assumptions, market conditions, commodity prices, and timing of implementation of initiatives can significantly impact Annual Synergies. See Section 15 of this MD&A.
Lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF")	LTIF and TRIF are industry measures of health and safety that provide the number of lost time incidents and total recordable incidents, respectively, that occurred within a given period relative to a standardized number of hours worked.	LTIF and TRIF are calculated by multiplying the number of incidents by 200,000, divided by the total number of employee hours worked.	Among other important indicators, LTIF and TRIF provide normalized & meaningful information on safety performance. This allows us to help drive improvements and accurately compare ourselves with peers and industry.	A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift.

Glossary of terms

Term	Definition
Backcourt	Terminology used in the retail gas industry that refers to the part of a retail station where convenience store merchandise and services such as car washes are sold.
COCO	Company-owned, company-operated.
CORO	Company-owned, retailer-operated.
Forecourt	Terminology used in the retail gas industry that refers to the part of a retail station where fuel is sold at the pump.
Marketing, General and Administrative expense	Marketing, General and Administrative expenses are typically fixed in nature and do not vary significantly with volume. Activities in this category include sales, marketing, real estate, finance, operations, credit, network development and infrastructure.
Operating Costs	Operating Costs include wages and benefits for employees, driving and administrative labour, fleet maintenance and operating costs, third-party delivery expenses, retailer fuel commission, along with the costs associated with owning and maintaining land, buildings and equipment, such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs.
Refining crack spread	Terminology used in the oil and gas industry that refers to the general price differential between crude oil and petroleum products refined from it.
ROC	Canada's commercial operations are organized into five regional operating centres ("ROCs"), established across Canada, which enable strong local customer relationships and efficient operations. The USA segment includes three ROCs, being the Northern Tier, Rocky Mountain and Southern ROCs.

15. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

This MD&A contains certain forward-looking information. Forward-looking information can generally be identified by words such as "believes", "expects", "expected", "will", "plan", "intends", "target", "would", "seek", "could", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, this MD&A contains forward-looking information including, without limitation, forward-looking 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;
- expectations regarding the 2021 Guidance Range, the 2021 Capital Program, the expected 2021 utilization rates at the Burnaby Refinery, and the business outlook contained in this MD&A;
- commitment to drive consistent organic growth annually by investing in growth opportunities, innovatively pursuing opportunities to increase gross profit and lower costs, and continuously enhancing customer value and loyalty propositions;
- commitment to meet environmental, social and governance and low-carbon targets;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries with which we do business;
- goal to deliver a supply advantage by leveraging market inefficiencies, being a partner of choice for refiners, safely and reliably operating the Burnaby Refinery, optimizing storage and transportation logistics, and increasing our import and export capabilities;
- commitment to make strategic decisions and innovative investments that contribute to a lower-carbon future;
- expected exercise of the Sol Put Option or the Sol Call Option to acquire the remaining outstanding shares of SIL and the terms thereof;
- expectations regarding the anticipated benefits, costs and synergies of completed and future acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions 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;
- anticipation of building on the On the Run / Marché Express convenience store offering in Canada and the United States, providing a strong retail platform for Parkland to expand and support its retail offering across Canada and the United States, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brands, 59th Street Food Co.TM and CargoTM;
- continued expansion of the JOURNIETM program and the timing and benefits to be derived thereof;
- expected launch of the National Fuelling Network;
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- platform for growth in North America and the Caribbean;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Canada, USA and International business segments;
- expected capital resources and its ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- growth and maintenance capital expenditure expectations;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Sol Transaction, the 2019 USA Acquisitions, and the 2020 USA Acquisitions.

The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions. As such, readers are urged to consider the factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements.

The forward-looking statements contained in this MD&A are based upon a number of material factors and assumptions including, without limitation:

- prevailing and expected market conditions;
- the regulatory framework that governs the operation of Parkland's business;
- the effect of COVID-19 on Parkland's business;
- Parkland's ability to successfully integrate completed acquisitions into its operations;
- Parkland's ability to realize synergies and cost reductions from the implementation of integration initiatives, increased purchasing power, and contract renegotiations, among other items;
- commodity prices and volumes for gasoline, diesel, propane, lubricants, heating oil and other high-quality petroleum products;
- refining crack spreads per barrel;
- financial market conditions, including interest rates and US dollar and other foreign exchange rates;
- ability of suppliers to meet commitments;
- ability to retain key management;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

These forward-looking statements involve numerous assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is based upon 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, and general economic conditions and other factors under the heading "Risk Factors" in the Annual Information Form. More specifically, certain material factors and assumptions that could cause actual results to vary materially from those anticipated include, without limitation:

- general market conditions, including the duration and effect of COVID-19;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to meet environmental, social and governance and low-carbon targets;
- ability to realize the benefits from our core capabilities;
- ability to capture value in each step of the value chain;
- ability to identify acquisition targets and to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- ability to secure funding to finance the consideration payable to acquire the remaining portion of the SIL shares under the Sol Put Option;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing, margins and refining crack spreads;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- competitive environment of our industry in North America and the Caribbean;
- environmental impact;
- risk of changes to environmental and regulatory laws;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Sol Transaction, the 2019 USA Acquisitions, and the 2020 USA Acquisitions;

- failure to meet financial, operational and strategic objectives and plans; and
- availability of capital and operating funds.

Additional information on these and other factors that could affect Parkland's operations or financial results is discussed in this MD&A, the Annual Information Form and other continuous disclosure documents (available under Parkland's profile on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or Parkland's website at www.parkland.ca.

The forward-looking statements speak only as of the date of this MD&A and Parkland does not intend, and does not assume any obligation, to update these forward-looking statements except as required by law. The forward-looking statements contained in this MD&A are expressly qualified by these cautionary statements.

16. FOURTH QUARTER SEGMENT INFORMATION

Segment information Three months ended December 31,	Canada ⁽⁶⁾		International		USA ⁽¹⁾		Supply ⁽⁶⁾		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Fuel and petroleum product volume (million litres)⁽¹⁾	2,220	2,522	1,244	1,581	625	546	1,327	1,201	—	—	5,416	5,850
Sales and operating revenue⁽²⁾	1,614	2,251	889	1,444	433	547	538	537	—	—	3,474	4,779
Cost of purchases	1,372	2,003	726	1,274	374	490	386	273	—	—	2,858	4,040
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit, before the following:	196	203	140	141	28	29	145	254	—	—	509	627
Gain (loss) on risk management and other derivatives - realized	—	—	(9)	3	—	—	(3)	(3)	—	—	(12)	—
Gain (loss) on foreign exchange - realized	(1)	—	—	(2)	—	—	4	(19)	2	1	5	(20)
Other adjusting items to Adjusted gross profit ⁽³⁾	—	—	—	—	—	—	—	9	(3)	—	(3)	9
Fuel and petroleum product adjusted gross profit	195	203	131	142	28	29	146	241	(1)	1	499	616
Non-fuel adjusted gross profit	46	45	23	29	31	28	7	10	—	—	107	112
Total adjusted gross profit	241	248	154	171	59	57	153	251	(1)	1	606	728
Operating costs ⁽⁵⁾	107	123	43	49	38	33	66	87	—	—	254	292
Marketing, general and administrative ⁽⁵⁾	22	37	19	30	10	9	9	11	25	28	85	115
Other adjusting items to Adjusted EBITDA ⁽⁴⁾	—	—	(4)	(6)	—	—	—	—	—	—	(4)	(6)
Adjusted EBITDA including NCI	112	88	96	98	11	15	78	153	(26)	(27)	271	327
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	112	88	72	73	11	15	78	153	(26)	(27)	247	302
Attributable to NCI	—	—	24	25	—	—	—	—	—	—	24	25
Adjusted EBITDA including NCI	112	88	96	98	11	15	78	153	(26)	(27)	271	327
Acquisition, integration and other costs											14	14
Depreciation and amortization											144	145
Finance costs											58	65
(Gain) loss on foreign exchange - unrealized											—	(21)
(Gain) loss on asset disposals											1	(4)
(Gain) loss on risk management and other derivatives - unrealized											(11)	3
Other (gains) and losses											(30)	(115)
Other adjusting items ⁽³⁾⁽⁴⁾											1	15
Income tax expense (recovery)											30	39
Net earnings (loss)											64	186
Attributable to Parkland											53	176
Attributable to NCI											11	10
Property, plant and equipment, and intangible asset additions ⁽⁷⁾	41	78	28	29	4	7	12	47	7	6	92	167
Property, plant and equipment, intangible asset and goodwill acquisitions ⁽⁷⁾⁽⁸⁾	8	—	—	—	126	67	—	—	—	—	134	67

⁽¹⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded. USA Volumes for 2019 have been restated to conform with 2020 presentation.

⁽²⁾ See section (a) for further details on sales and operating revenue.

⁽³⁾ Other adjusting items to Adjusted gross profit include the following: (i) Supply: an unrealized loss of nil (2019 - \$9 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, and (ii) Corporate: \$3 million (2019 - nil) in gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized.

⁽⁴⁾ Other adjusting items to Adjusted EBITDA include the following: International income from equity investments of \$4 million (2019 - \$6 million).

⁽⁵⁾ Operating costs and marketing, general and administrative expenses are both presented net of CEWS of \$5 million and \$6 million, respectively (2019 - nil and nil) for the three months ended December 31, 2020, of which \$7 million relates to Canada (operating costs - \$4 million; marketing, general and administrative expenses - \$3 million), \$2 million relates to Supply (operating costs - \$1 million; marketing, general and administrative expenses - \$1 million) and \$2 million relates to Corporate (operating costs - nil; marketing, general and administrative expenses - \$2 million).

⁽⁶⁾ For comparative purposes, information for the fourth quarter of 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020. Additionally, certain expenses within the Supply segment were reclassified from marketing, general and administrative to operating costs.

⁽⁷⁾ Property, plant and equipment additions and acquisitions do not include the right-of-use asset.

⁽⁸⁾ In 2019, Parkland revised the preliminary purchase price allocation of the Sol Transaction. These adjustments were applied retrospectively to the acquisition date, and the revised fair values of property, plant and equipment, intangible asset and goodwill acquisitions from the Sol Transaction are presented in the above table. These amounts were finalized during the year ended December 31, 2020.

(a) Sales and operating revenue

For the three months ended December 31,	Canada ⁽⁵⁾		International		USA		Supply ⁽⁵⁾		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gas and diesel	1,433	2,050	737	1,123	312	414	296	220	2,778	3,807
Liquid petroleum gas ⁽¹⁾	50	64	16	12	3	10	105	159	174	245
Other fuel and petroleum products ⁽²⁾	—	—	105	260	3	2	134	148	242	410
Fuel and petroleum product revenue	1,483	2,114	858	1,395	318	426	535	527	3,194	4,462
Convenience store ⁽³⁾	89	86	3	4	29	28	—	—	121	118
Lubricants and other non-fuel ⁽⁴⁾	42	51	28	45	86	93	3	10	159	199
Non-fuel revenue	131	137	31	49	115	121	3	10	280	317
Sales and operating revenue	1,614	2,251	889	1,444	433	547	538	537	3,474	4,779

⁽¹⁾ Liquid petroleum gas includes propane and butane.

⁽²⁾ Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol and biodiesel.

⁽³⁾ Convenience store revenue generated from Canada, International, and USA depend on the business model operated by each segment.

⁽⁴⁾ Lubricants and other non-fuel include lubricants, rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

⁽⁵⁾ For comparative purposes, information for the three months ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020.