



Q3 2019



Report to shareholders

Management's Discussion and Analysis

Q3 2019

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated November 4, 2019 should be read in conjunction with our September 30, 2019 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2018 (the "Annual Consolidated Financial Statements"), our 2018 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2018 dated March 29, 2019 (the "Annual Information Form"). Information contained within the Annual MD&A is not discussed in this MD&A if it remains substantially unchanged.

Unless otherwise noted, all financial information is prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting within the framework of 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 and in Note 2 of the Interim Condensed Consolidated Financial Statements. Effective January 1, 2019, Parkland adopted the new accounting standard, IFRS 16 - Leases ("IFRS 16"), that is discussed in "Accounting policies and critical accounting estimates" in this MD&A. The adoption of IFRS 16 has a significant effect on Parkland's reported results. Due to Parkland's selected transition method, it has not restated its prior year comparative figures. 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.

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 12 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 20 of the Interim Condensed Consolidated Financial Statements and Note 24 of the Annual Consolidated Financial Statements. Refer to Section 12 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, the Annual 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 8 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 13 of this MD&A for further details.

1. PARKLAND OVERVIEW

Parkland Fuel Corporation ("Parkland") is one of the fastest growing independent marketers of fuel and petroleum products in the Americas and a leading convenience store operator. Parkland serves customers through three channels: retail, commercial and wholesale, and optimizes its fuel supply across these channels by operating its refinery located in Burnaby, British Columbia (the "Burnaby Refinery"), as well as leveraging a growing portfolio of supply relationships and storage infrastructure. Parkland provides trusted and locally relevant fuel brands and convenience store offerings in the communities it serves. Parkland creates value for shareholders by focusing on its proven strategy of growing organically, realizing a strong supply advantage, acquiring prudently and integrating successfully. At the core of our strategy are our people as well as our values of safety, integrity, community and respect, which are embraced across our organization.

Our mission

Great people working together to be the partner of choice for our customers and suppliers.

Our four strategic imperatives

Parkland is committed to delivering competitive and sustainable returns to shareholders by being the partner of choice for our suppliers and our customers. Parkland's strategy consists of the following four strategic imperatives:

1. Grow organically

Parkland drives organic growth by leveraging its portfolio of products and services, industry leading brands, expansive network and operational excellence to create a meaningful and differentiated customer value proposition. Parkland effectively deploys growth capital, is committed to operating safely and efficiently, and is a responsible steward of the environment. We believe these capabilities, which continue to evolve, position Parkland to win in the marketplace and deliver on our organic growth commitments. Our annual average Adjusted EBITDA strategic organic growth target for our marketing operations and related direct supply volumes is 3-5%.

2. Strong supply advantage

Parkland achieves a supply advantage by safely and reliably operating the Burnaby Refinery, leveraging market inefficiencies and being a partner of choice for refiners and suppliers. We consistently purchase large volumes of the full range of products produced by refineries in the geographic markets in which we operate. We sell our products through a variety of marketing channels, including Company and Dealer retail gas stations, commercial diesel cardlocks and commercial fuel, propane and lubricant delivery branches, and also supply third parties over and above our own system requirements. We also use our Dealer retail network and wholesale activities to supplement our volumes and to optimize our supply advantage through market insights, logistic expertise, strategic infrastructure and strong supplier relationships.

3. Acquire prudently and integrate

Parkland is a disciplined acquirer that actively seeks complementary scale and scope opportunities. We build and leverage relationships with the objective of being the buyer of choice for vendors, and effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value with support from our strong supply advantage and marketing platform. As the fuel distribution market remains significantly fragmented, we are well-positioned to be a leader in its consolidation given potential supply and cost synergies as well as our experience across all fuel marketing channels. We believe that our combination of acquisitive and organic growth enables us to earn an attractive return for our shareholders.

4. Enable our teams to succeed

People are at the core of our strategic imperatives. We are committed to enabling our teams to succeed by recruiting and developing high-calibre people, fostering engagement, building an industry-leading people culture and investing in technology to support our teams. We champion the Parkland BOLD behaviours by empowering our employees to build, own, lead and deliver on their mandates. Our employees also embrace our Parkland values of safety, integrity, community and respect, which are at the core of everything we do. At Parkland, our employees are our most important resource and by investing in our people, we are directly contributing to the success of our organization.

Parkland is listed on the Toronto Stock Exchange and trades under the symbol PKI. We operate through five operating segments: Canada Retail, Canada Commercial, USA, International, and Supply.

2. PERFORMANCE OVERVIEW

Financial Highlights

During the three and nine months ended September 30, 2019, Parkland advanced its strategy of driving organic growth, realizing a strong supply advantage, acquiring prudently and integrating successfully. Driven by a combination of organic growth, disciplined cost control, synergy capture, increased fuel volumes, strong performance from Supply, the adoption of IFRS 16 and most significantly, the successful integration of the Sol Transaction, Parkland delivered record Adjusted EBITDA of \$302 million and \$963 million for the third quarter of 2019 and for the first nine months of 2019 respectively.

Despite increase to net earnings attributable to Parkland from the Sol Transaction and exceptional results in Supply, net earnings attributable to Parkland decreased \$25 million during the third quarter of 2019 compared to the same period in 2018 due to increase in interest on long-term debt relating to the Sol Transaction and changes in value of the Sol Put Option. Cash generated from operating activities (excluding the net change in non-cash working capital) was used to fund the growth and maintenance capital expenditures and dividends paid to shareholders for the third quarter of 2019 and for the first nine months of 2019 respectively.

(\$ millions, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2019 ⁽⁴⁾	2018 ⁽⁴⁾	2017 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾	2017 ⁽⁴⁾
Financial Summary						
Sales and operating revenue	4,605	3,811	2,580	13,674	10,936	6,131
Adjusted gross profit ⁽¹⁾	679	465	266	2,104	1,408	625
Adjusted EBITDA including non-controlling interest ("NCI")	322	200	96	1,031	602	220
Adjusted EBITDA attributable to NCI	20	—	—	68	—	—
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	302	200	96	963	602	220
Net earnings	26	49	12	228	129	33
Net earnings attributable to:						
Parkland	24	49	12	206	129	33
NCI	2	—	—	22	—	—
Net earnings per share (\$ per share)						
Per share - basic	0.16	0.37	0.10	1.41	0.98	0.30
Per share - diluted	0.16	0.36	0.10	1.38	0.95	0.29
Distributable cash flow ⁽²⁾	122	118	45	415	265	106
Per share ⁽²⁾⁽³⁾	0.82	0.89	0.34	2.82	2.01	0.95
Adjusted distributable cash flow ⁽²⁾	125	144	64	418	393	149
Per share ⁽²⁾⁽³⁾	0.84	1.08	0.49	2.84	2.98	1.33
Dividends	45	39	38	133	118	99
Dividends declared per share outstanding	0.2985	0.2934	0.2886	0.8921	0.8770	0.8624
Dividend payout ratio ⁽²⁾	37%	33%	84%	32%	45%	92%
Adjusted dividend payout ratio ⁽²⁾	36%	27%	59%	32%	30%	66%
Total assets	9,157	5,736	4,830	9,157	5,736	4,830
Total long-term liabilities	5,126	2,544	2,325	5,126	2,544	2,325
Shares outstanding (millions)	148	133	131	148	133	131
Weighted average number of common shares (millions)	148	133	131	147	132	113

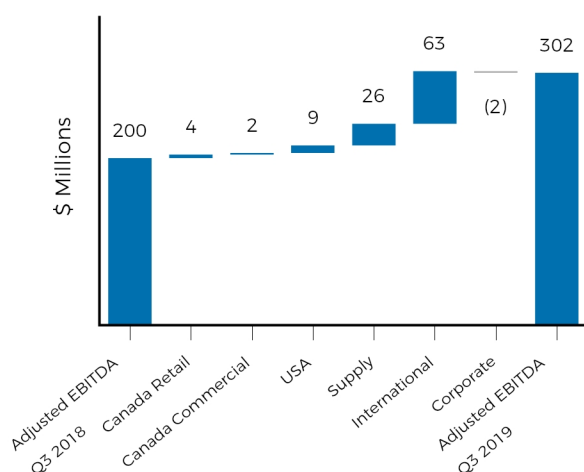
⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

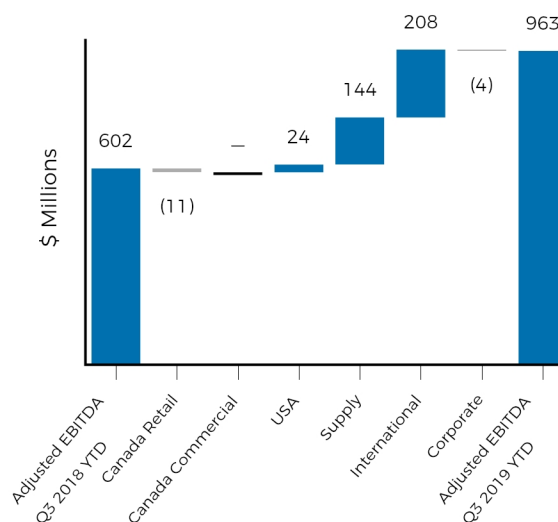
⁽³⁾ Calculated using the weighted average number of common shares.

⁽⁴⁾ 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three and nine months ended September 30, 2019 on page 5 of this MD&A.

Q3 2019 vs. Q3 2018 overall performance



Q3 2019 YTD overall performance



Adjusted EBITDA

Parkland achieved record third quarter and the first nine-month Adjusted EBITDA of \$302 million and \$963 million respectively, representing increases of \$102 million and \$361 million for the respective periods driven mainly by the Sol Transaction, adoption of IFRS 16 and exceptional results in Supply.

- International contributed \$63 million for the third quarter of 2019 and \$208 million for the first nine months of 2019 to Adjusted EBITDA, which was ahead of Parkland's expectation as a result of strong volumes and cost control, partially offset by lower margins experienced during the third quarter.
- Supply's Adjusted EBITDA increased \$26 million for the third quarter of 2019 and \$144 million for the first nine months of 2019 compared to the respective periods in 2018. This significant increase in Adjusted EBITDA was primarily as a result of strong refinery utilization, robust refining crack spreads, the comparative period including the 2018 Turnaround, profitable supply sourcing initiatives, adoption of IFRS 16 as of January 1, 2019 and safe and reliable operation.
- USA's Adjusted EBITDA increased by \$9 million for the third quarter of 2019 and \$24 million for the first nine months of 2019 compared to the respective periods in 2018, primarily due to the acquisitions described in Section 3 together with continued focus on Parkland's strategy to drive new business through organic growth and cost management. USA also benefited from strong diesel margins through leveraging Parkland's Supply strategy by sourcing product from the Canadian market via rail using Parkland's integrated supply network.
- Canada Retail's Adjusted EBITDA increased by \$4 million for the third quarter of 2019 compared to the same period in 2018, primarily due to the adoption of IFRS 16, partially offset by higher operating costs and lower retail fuel margins. Adjusted EBITDA for Canada Retail decreased by \$11 million for the first nine months of 2019 compared to the same period in 2018 primarily due to lower retail fuel margins and higher Marketing, General and Administrative costs attributed to investments in the JOURNIE™ program, which were partially offset by the adoption of IFRS 16.
- Canada Commercial's Adjusted EBITDA increased by \$2 million for the third quarter of 2019 as compared to the prior period due to the adoption of IFRS 16. Adjusted EBITDA remained consistent for the first nine months of 2019 compared to the same period in 2018. This was primarily due to the adoption of IFRS 16 and a margin optimization strategy, which was partially offset by the lower economic activity in western Canada.
- Corporate Adjusted EBITDA expense increased by \$2 million for the third quarter of 2019 and \$4 million for the first nine months of 2019 compared to the respective periods in 2018, primarily due to the anticipated additional corporate costs to support the larger integrated business and execute growth strategies while maintaining a disciplined approach towards cost management.

Sales and operating revenue and volumes

Parkland delivered 5,622 million litres of fuel and petroleum product volume in the third quarter of 2019, and 16,483 million in the first nine months of 2019, compared to 4,211 million litres and 12,624 million litres for the same periods in 2018. The additional volume was primarily driven by incremental business from the Sol Transaction that closed in January 2019. Sales and operating revenue increased from \$3,811 million to \$4,605 million in the third quarter of 2019 and from \$10,936 million to \$13,674 million for the first nine months of 2019 compared to the same periods in 2018, predominantly due to the volume increases described above.

Depreciation and amortization

Depreciation and amortization increased \$83 million and \$213 million for the third quarter of 2019 and for the first nine months of 2019 respectively compared to the same periods in 2018, which was driven by additional property, plant and equipment and intangible assets from the Sol Transaction, the Rhinehart Acquisition and the Other USA Acquisitions in addition to \$36 million pertaining to the adoption of IFRS 16 as of January 1, 2019.

Finance and other costs

Finance and other costs increased \$41 million for the third quarter of 2019 and \$110 million for the first nine months of 2019 compared to the same periods in 2018. This increase resulted from higher interest costs due to additional long-term debt including:

- the November 21, 2018 private placement of the 6.50% Senior Notes;
- the July 10, 2019 private placement of the 5.875% US Senior Notes; and
- an increased Credit Facility balance to partially fund the Sol Transaction.

Furthermore, the change in the redemption value of the Sol Put Option was \$20 million and \$69 million for the third quarter and for the first nine months of 2019 respectively due to a decrease in the discount rate. The adoption of IFRS 16 also increased finance and other costs by \$7 million and \$21 million for the third quarter of 2019 and the first nine months of 2019 respectively.

Impact of adoption of IFRS 16

The adoption of IFRS 16 had a significant effect on Parkland's reported results. The results of the third quarter of 2019 include the impact of the adoption of IFRS 16 on January 1, 2019. Parkland's Adjusted EBITDA for the third quarter of 2019 would have been \$268 million excluding the \$34 million impact of the adoption of IFRS 16, and the Adjusted EBITDA for the first nine months of 2019 would have been \$871 million excluding the \$92 million impact of the adoption of IFRS 16. International was the most significantly impacted segment due to the leases associated with its shipping vessels. Due to Parkland's selected transition method, Parkland did not restate prior year comparative figures as allowed under IFRS 16. For more information on the impact of this new standard, please see the "Accounting policies and critical accounting estimates" section of this MD&A and Note 3 of the Interim Condensed Consolidated Financial Statements. The following table outlines the impact of IFRS 16 on Adjusted EBITDA as reported for the three and nine months ended September 30, 2019:

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Adjusted EBITDA as reported	IFRS 16 Impact	Pre-IFRS 16 Amount ⁽¹⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 Impact	Pre-IFRS 16 Amount ⁽¹⁾	Adjusted EBITDA as reported
Canada Retail	91	(7)	84	87	227	(18)	209	238
Canada Commercial	12	(2)	10	10	66	(5)	61	66
USA	17	(1)	16	8	41	(2)	39	17
Supply	147	(9)	138	121	506	(22)	484	362
International	63	(14)	49	—	208	(42)	166	—
Corporate	(28)	(1)	(29)	(26)	(85)	(3)	(88)	(81)
Consolidated	302	(34)	268	200	963	(92)	871	602

⁽¹⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Net earnings attributable to Parkland

Despite increase to net earnings attributable to Parkland from the Sol Transaction and exceptional results in Supply, net earnings attributable to Parkland decreased \$25 million for the third quarter of 2019 largely due to:

- a \$17 million increase in interest on long-term debt as a result of the Sol Transaction; and
- a \$24 million increase in other finance costs primarily due to change in the value of the Sol Put Option.

Net earnings attributable to Parkland increased \$77 million for the first nine months of 2019, compared to the same periods in 2018 primarily due to \$91 million net earnings from the Sol Transaction and exceptional results in Supply.

Cash flows

- During the third quarter of 2019, the operating activities generated cash of \$166 million (excluding the net change in non-cash working capital), which was utilized to fund the growth and maintenance capital expenditures of \$74 million and \$50 million respectively and dividend payments of \$30 million.
- During the first nine months of 2019, the operating activities generated cash of \$622 million (excluding the net change in non-cash working capital), which was utilized to fund the growth and maintenance capital expenditures of \$157 million and \$153 million respectively and dividend payments of \$86 million. Additionally, the net proceeds of \$1,101 million from the Credit Facility and other long-term debt were primarily used to finance the \$948 million Sol Transaction and other acquisitions of \$27 million.

Synergies

- Acquisition synergy targets continue to pace above the original plan, reinforcing Parkland's ability and commitment to acquire prudently and integrate successfully. As at September 30, 2019, Parkland completed initiatives that are expected to result in Annual Synergies⁽¹⁾ on the Acquisitions with a run rate of approximately \$160 million per year. Parkland expects that Annual Synergies on the Acquisitions will reach a run rate of approximately \$180 million per year by the end of 2020. Parkland continues to implement its comprehensive plan to integrate the acquired businesses to drive synergies and future growth.

Others

- Acquisition, integration and other costs reflected in the Corporate segment increased \$4 million and \$24 million for the third quarter of 2019 and for the first nine months of 2019 respectively as compared to same periods in 2018. This increase is due to higher acquisition costs of \$6 million and \$9 million respectively, relating to the Sol Transaction and other acquisitions. Integration costs remained relatively consistent for the third quarter of 2019 and for the first nine months of 2019 as cost savings from completing the TSA I exit in the second quarter of 2018 and the TSA II exit in the first quarter of 2019 were offset by one-time costs related to the Alberta office consolidation to Calgary during the third quarter of 2019.
- The \$13 million loss on foreign exchange for the third quarter of 2019 was driven by the reclassification of a \$9 million unrealized gain to realized gain in acquisition, integration and other costs due to the repayment of a portion of the Credit Facility and by the translation impact of the USD-denominated Credit Facility not included as a part of the Net Investment Hedge (defined in Section 8 of this MD&A) combined with a weaker Canadian dollar environment. The \$31 million gain on foreign exchange for the first nine months of 2019 was driven primarily by the translation impact of the 6.00% US Senior Notes and USD-denominated credit facility prior to the designation of the Net Investment Hedge (see Sections 7 and 8 of this MD&A).
- Income tax expense increased \$4 million for the third quarter of 2019 and \$59 million for the first nine months of 2019 as compared to same periods in 2018 due to higher taxable earnings.
- For the third quarter of 2019, Parkland achieved an adjusted dividend payout ratio⁽²⁾ of 36% (2018 - 27%) and an adjusted distributable cash flow per share⁽²⁾ of \$0.84 (2018 - \$1.08). For the first nine months of 2019, Parkland achieved an adjusted dividend payout ratio⁽²⁾ of 32% (2018 - 30%) and an adjusted distributable cash flow per share⁽²⁾ of \$2.84 (2018 - \$2.98).

⁽¹⁾ "Annual Synergies" is a forecasted annualized run-rate measure and is considered to be forward-looking information. See Sections 12 and 13 of this MD&A.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

Adjusted EBITDA to net earnings

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019 ⁽⁴⁾	2018 ⁽⁴⁾	Change	%	2019 ⁽⁴⁾	2018 ⁽⁴⁾	Change	%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾								
Canada Retail	91	87	4	5 %	227	238	(11)	(5)%
Canada Commercial	12	10	2	20 %	66	66	—	— %
USA	17	8	9	113 %	41	17	24	141 %
Supply	147	121	26	21 %	506	362	144	40 %
International	63	—	63	100 %	208	—	208	100 %
Corporate	(28)	(26)	(2)	8 %	(85)	(81)	(4)	5 %
Adjusted EBITDA ⁽¹⁾	302	200	102	51 %	963	602	361	60 %
Add: Adjusted EBITDA attributable to NCI	20	—	20	100 %	68	—	68	100 %
Adjusted EBITDA including NCI	322	200	122	61 %	1,031	602	429	71 %
Less:								
Depreciation and amortization	160	77	83	108 %	435	222	213	96 %
Finance and other costs								
Interest on long-term debt	50	33	17	52 %	150	93	57	61 %
Change in fair value of Redemption Options	(31)	(8)	(23)	288 %	(68)	3	(71)	(2,367)%
Change in redemption value of Sol Put Option	20	—	20	100 %	69	—	69	100 %
Other finance costs ⁽²⁾	30	3	27	900 %	68	13	55	423 %
Loss on asset disposals	7	—	7	100 %	7	23	(16)	(70)%
Acquisition, integration and other costs	28	24	4	17 %	77	53	24	45 %
Loss (gain) on risk management and other derivatives - unrealized	1	16	(15)	(94)%	(2)	21	(23)	(110)%
Loss (gain) on foreign exchange - unrealized	17	(19)	36	(189)%	(26)	6	(32)	(533)%
Other adjusting items ⁽³⁾	(6)	9	(15)	(167)%	(1)	4	(5)	(125)%
Income tax expense	20	16	4	25 %	94	35	59	169 %
Net earnings	26	49	(23)	(47)%	228	129	99	77 %
Less: Net earnings attributable to NCI	2	—	2	100 %	22	—	22	100 %
Net earnings attributable to Parkland	24	49	(25)	(51)%	206	129	77	60 %

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Includes interest income, amortization, accretion and other finance costs. See Note 18 of the Interim Condensed Consolidated Financial Statements.

⁽³⁾ Other adjusting items include a \$5 million unrealized gain and a \$6 million unrealized loss for the three and nine months ended September 30, 2019 (2018 – \$3 million unrealized loss and \$2 million unrealized gain) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

⁽⁴⁾ 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. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three and nine months ended September 30, 2019 on page 5 of this MD&A.

Operating Highlights

Parkland continues to focus on its strategy to grow organically, provide a strong supply advantage, acquire prudently and integrate and enable our teams to succeed as reflected below:

(\$ millions, unless otherwise noted)	Three months ended September 30,			Nine months ended September 30,		
	2019 ⁽⁵⁾	2018 ⁽⁵⁾	2017 ⁽⁵⁾	2019 ⁽⁵⁾	2018 ⁽⁵⁾	2017 ⁽⁵⁾
Operating Summary						
Fuel and petroleum product volume (million litres) ⁽¹⁾	5,622	4,211	3,557	16,483	12,624	8,901
Fuel and petroleum product adjusted gross profit ⁽²⁾ (cpl) ⁽³⁾⁽⁴⁾						
Canada Retail	7.65	7.78	7.10	7.33	7.88	6.28
Canada Commercial	7.50	6.86	6.95	8.74	8.40	9.48
USA	4.84	3.27	2.97	4.83	3.51	3.27
International	10.22	—	—	10.91	—	—
Refinery utilization ⁽⁴⁾	96.2%	97.7%	—%	94.4%	74.1%	—%

⁽¹⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada Retail and Canada Commercial segments, are excluded from this reported volume.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽³⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 12 of this MD&A.

⁽⁴⁾ Key performance indicator. See Sections 3 and 12 of this MD&A.

⁽⁵⁾ 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three and nine months ended September 30, 2019 on page 5 of this MD&A.

Canada Retail

Organic growth continues to be experienced in the Canadian Retail area where the third quarter Company C-Store SSSG⁽¹⁾ was 0.9% (2018 – 5.6%) in the third quarter of 2019, achieving the 15th consecutive quarter of positive growth at Parkland, albeit at a slower pace of growth. The Company Volume SSSG⁽¹⁾ also increased by 0.6 percentage points ("p.p.") in the third quarter of 2019 compared to the same period in 2018. This positive trend in Company C-Store SSSG⁽¹⁾ was driven by ongoing marketing and promotional programs, rollout of our proprietary private label brand (59th Street Food Co.), On the Run / Marché Express conversions and new sites, along with continued focus on operational execution and customer service. Canada Retail continued to experience growth benefits from its successful rollout of the national refreshed On the Run/ Marché Express store concepts and has "Retrofit" 93 sites to date and completed 23 "Flagship" sites in 2019. Canada Retail has mostly completed the CORO Conversion with all Ultramar sites expected to be converted by the end of 2019.

Parkland recently announced the national launch of JOURNIE™ rewards with CIBC as its strategic banking partner. JOURNIE™ is designed to expand a loyal customer base, attract new customers and build recurring fuel and merchandise sales. The partnership with CIBC, one of Canada's largest financial institutions, allows customers to collect fuel savings, JOURNIE™ rewards and CIBC rewards when using their CIBC credit card. National rollout will begin in the fourth quarter of 2019 with launches into select Ontario, British Columbia and Quebec markets. Full national rollout is scheduled to be completed in early 2020.

Canada Commercial

Canada Commercial is seeing positive results as it focuses on a margin optimization strategy to drive strategic growth in Adjusted EBITDA, despite the impact of the decline in the Alberta oil and gas sector and weather conditions in western Canada impacting volumes in the agricultural, forestry, and construction sectors. Parkland has been focused on the transition to Regional Operations Centres ("ROC"), which are providing insights on updating business practices and improving back office functionality. Canada Commercial is also placing a more strategic focus on continued growth in other industrial and Commercial Road Transport ("CRT") market segments to augment its portfolio and integrating with Supply to achieve benefits from Parkland's integrated supply network. Canada Commercial growth initiatives focus on building a national fuelling network that integrates both its cardlock and delivery capabilities, expanding our industrial propane offer, and implementing best-in-class sales processes centred on organic growth.

⁽¹⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

USA

USA is continuing to operationally and administratively integrate its recent acquisitions by moving to one ERP platform while focusing on product and geographical diversification to drive organic growth. In the third quarter of 2019, USA saw significant improvements in the TTM operating ratio⁽¹⁾, improving 3.0 p.p. as it continued to integrate existing acquisitions described in Section 3 and implement cost control measures. USA completed the acquisition of Tropic Oil Company, Inc. as well as equity interests and the assets of certain of its affiliates (collectively, "Tropic Oil"). This acquisition complements our integrated supply network and increases the scope and scale of our operations by providing an opportunity to serve a new customer base in a new geographic market. For further details, see Note 21 of the Interim Condensed Consolidated Financial Statements. The Tropic Oil Acquisition closed on October 1, 2019, and the results as at September 30, 2019 do not include Tropic Oil.

Supply

Supply enabled Parkland's other segments to continue to benefit from the integrated supply network by providing product and helping meet internal demands. Parkland's Burnaby Refinery achieved robust utilization rates of 96.2% for the third quarter of 2019, which was relatively consistent with the same period in 2018. Refinery utilization for the first nine months of 2019 was 94.4%, an improvement of 20.3 p.p. over the same period in 2018, due to the 2018 Turnaround. During the first nine months of 2019, preparation and set-up commenced for the 2020 Turnaround, which is planned for the first quarter of 2020, to ensure safe and reliable operations of this facility. Supply continues to identify additional opportunities to efficiently supply other segments across the entire portfolio as it opens and continues to staff the US Supply office in Houston. Supply was successful in realizing opportunities to increase crude exports to the United States and higher margin business through effective utilization of market insights and logistic expertise. Parkland continued processing bio-fuels at the Burnaby Refinery in 2019. This allows for increased production of lower-carbon intensity fuels, as part of Parkland's commitment in low-carbon initiatives.

International

The International segment was formed as a result of the successful acquisition of 75% of the outstanding shares of Sol Investments SZEC ("SIL", previously named as Sol Investments Limited, and with its subsidiaries, "Sol") on January 8, 2019 (the "Sol Transaction"). Sol operates in 23 countries and is the largest independent fuel marketer in the Caribbean with an integrated supply chain backed by an extensive distribution network, a premier brand portfolio and an exceptional team.

International is performing ahead of Parkland's expectation and continues to work towards organic growth and the realization of supply optimization and cost management strategies. During the third quarter of 2019, International divested the local operations and physical retail sites in Haiti. However, International continues to serve the Haiti market through wholesale channels into the country. The divestiture reduces operational risk and allows International to focus on other areas of strategic growth within the region. Further, despite several significant storms and hurricanes in the region in which International operates, there was no material impact on its operations in the third quarter of 2019.

Enable our teams to succeed

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. In the third quarter of 2019, Parkland saw a significant reduction in our TTM lost time injury frequency ("LTIF") from 0.28 to 0.16, when compared to the same period in 2018. However, Parkland also experienced an increase in TTM total recordable injury frequency ("TRIF") from 1.54 to 1.81. Parkland is committed to reducing injuries and incidents in our workplaces and at customer sites. Parkland is actively involving our employees in enhancing, tracking and measuring our performance, and training our employees to ensure they have the knowledge and skills necessary to perform their work safely. During 2019, Parkland completed the ERP system conversions for all phases of the Chevron TSA to empower the teams, continue to drive synergies and decrease Corporate integration costs. Parkland has also rolled out our Parkland Values and BOLD behaviours across the USA and International segments to support the cultural integration of our new businesses.

Parkland has continued to build our "One Parkland" culture focused on integrity, respect, safety and community and welcomes the newest members of our high-performing team from Tropic Oil, beginning October 1, 2019.

⁽¹⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

3. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Refer to Note 20 of the Interim Condensed Consolidated Financial Statements for a description of Parkland's segments.

Canada Retail

Overview

Canada Retail (formerly Retail) supplies and supports a coast-to-coast network of 1,860 retail gas stations in Canada. Parkland operates under six key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, Pioneer, and Race Trac. In addition, Parkland operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. Refer to the Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models. Canada Retail results fluctuate based on seasonality and generally experience higher volumes in the second and third quarters of the year during the summer driving season.

Canada Retail segment performance highlights

Canada Retail Adjusted EBITDA increased \$4 million to \$91 million for the third quarter of 2019, primarily due to the adoption of IFRS 16, partially offset by higher operating costs and lower retail fuel margins. Adjusted EBITDA decreased \$11 million to \$227 million for the first nine months of 2019, primarily due to low retail fuel margins and higher Marketing, General and Administrative costs attributed to the development of the JOURNIE™ program, which was offset by the adoption of IFRS 16. The adoption of IFRS 16 increased Canada Retail Adjusted EBITDA by \$7 million for the third quarter of 2019 and \$18 million for the first nine months of 2019.

(\$ millions)	As reported							
	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	Change	%	2019	2018	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,831	1,852	(21)	(1)%	5,172	5,163	9	— %
Sales and operating revenue	1,720	1,923	(203)	(11)%	4,797	5,317	(520)	(10)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	140	144	(4)	(3)%	379	407	(28)	(7)%
Non-fuel adjusted gross profit ⁽²⁾	41	38	3	8 %	113	113	—	— %
Adjusted gross profit ⁽²⁾⁽³⁾	181	182	(1)	(1)%	492	520	(28)	(5)%
Operating Costs	76	80	(4)	(5)%	218	238	(20)	(8)%
Marketing, General and Administrative	14	15	(1)	(7)%	47	44	3	7 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	91	87	4	5 %	227	238	(11)	(5)%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	7.65	7.78	(0.13)	(2)%	7.33	7.88	(0.55)	(7)%
Operating Costs (cpl)	4.15	4.32	(0.17)	(4)%	4.22	4.61	(0.39)	(8)%
Marketing, General and Administrative (cpl)	0.76	0.81	(0.05)	(6)%	0.91	0.85	0.06	7 %
Adjusted EBITDA (cpl)	4.97	4.70	0.27	6 %	4.39	4.61	(0.22)	(5)%
Company Volume SSSG ⁽⁶⁾⁽⁷⁾	(0.3)%	(0.9)%	0.6p.p.		1.0%	(1.5)%	2.5p.p.	
Company C-Store SSSG ⁽⁶⁾	0.9 %	5.6 %	(4.7p.p.)		3.8%	5.3 %	(1.5p.p.)	
TTM net unit operating cost ("NUOC") ⁽⁴⁾⁽⁵⁾ (cpl)	3.01	3.32	(0.31)	(9)%				

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 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⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

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

⁽⁶⁾ SSSG denotes same-store sales growth. See Section 12 of this MD&A for an explanation of this KPI. This includes results of sites acquired under the Ultramar Acquisition for both periods but excludes results of sites acquired under the Chevron Acquisition for both periods, as comparable information is not available.

⁽⁷⁾ Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.

The impact of IFRS 16 on the financial information of the Canada Retail segment for the three and nine months ended September 30, 2019 was as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported
Sales and operating revenue	1,720	–	1,720	1,923	4,797	–	4,797	5,317
Fuel and petroleum product adjusted gross profit	140	–	140	144	379	–	379	407
Non-fuel adjusted gross profit	41	–	41	38	113	–	113	113
Adjusted gross profit	181	–	181	182	492	–	492	520
Operating Costs	76	6	82	80	218	16	234	238
Marketing, General and Administrative	14	1	15	15	47	2	49	44

⁽¹⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported
Canada Retail	91	(7)	84	87	227	(18)	209	238

⁽²⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 and Q3 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume decreased by 21 million litres for the third quarter of 2019, primarily due to lower fuel volumes in the dealer network. Volumes increased by 9 million litres for the first nine months of 2019 primarily due to new-to-industry sites as well as positive Company Volume SSSG.

Sales and operating revenue decreased \$203 million for the third quarter of 2019 and \$520 million for the first nine months of 2019 primarily due to low fuel and petroleum product commodity prices.

Fuel and petroleum product adjusted gross profit decreased \$4 million for the third quarter of 2019 and \$28 million for the first nine months of 2019, primarily due to low retail fuel margins in the market. The Canada Retail team continued to focus on successful efforts in Company C-Store activities such as the implementation of the new On the Run / Marché Express store concepts and rollout of our private label offering. Non-fuel adjusted gross profit increased \$3 million for the third quarter of 2019 as a result of convenience store percentage rents, car wash revenue and sale of merchandise, and remained flat for the first nine months of 2019.

Operating Costs decreased \$4 million for the third quarter of 2019 and \$20 million for the first nine months of 2019, primarily as a result of lower facility rents resulting from the adoption of IFRS 16 and a decrease in store labour costs due to the CORO conversions as well as effective cost control measures.

Marketing, General and Administrative expenses remained relatively consistent for the third quarter of 2019. Marketing, General and Administrative expenses increased \$3 million for the first nine months of 2019 due to one-time costs associated with the investment in key strategic initiatives for the JOURNIE™ program, investment in the On the Run / Marché Express new store concepts, rollout of our private label offering, and other strategic marketing initiatives to optimize contribution from the Canada Retail segment.

KPIs

Operating Costs (cpl), Marketing, General and Administrative (cpl), Adjusted EBITDA (cpl) and TTM net unit operating cost ("NUOC") (cpl) are KPIs for Canada Retail that are impacted by the adoption of IFRS 16 as of January 1, 2019.

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 0.13 cpl and 0.55 cpl for the third quarter of 2019 and for the first nine months of 2019, respectively, primarily due to lower retail margins in the market.

Operating Costs on a cpl basis improved by 0.17 cpl for the third quarter of 2019 and 0.39 cpl for the first nine months of 2019 primarily as a result of the adoption of IFRS 16 as of January 1, 2019, along with lower store labour costs due to the CORO Conversion and effective cost control measures.

Marketing, General and Administrative expenses on a cpl basis decreased by 0.05 for the third quarter of 2019 due to the larger decrease in Marketing, General and Administrative expenses as compared to the decrease in volumes. The increase of 0.06 for the first nine months of 2019 is due to the increase in Marketing, General and Administrative expenses as noted above.

Company Volume SSSG was (0.3)% for the third quarter of 2019 compared to (0.9)% for the same period in 2018, representing an increase of 0.6 p.p. Company Volume SSSG was 1.0% for the first nine months of 2019 compared to (1.5)% for the same period in 2018, representing an increase of 2.5 p.p. The increases are primarily due to ongoing successful marketing initiatives to increase same-store volume at Company sites.

Company C-Store SSSG was 0.9% for the third quarter of 2019, compared to strong growth of 5.6% for the same period in 2018. Similarly, Company C-Store SSSG was 3.8% for the first nine months of 2019 compared to 5.3% for the same period in 2018. This growth marks the 15th consecutive quarter of positive Company C-Store SSSG. This growth trend, experienced in both western and eastern Canada, was attributable to ongoing marketing programs including the new On the Run / Marché Express store concepts and rollout of the proprietary private label brand, 59th Street Food Co. Parkland saw strong performance in Company C-Store SSSG across all merchandise categories.

NUOC improved 9% for both company and dealer sites in the trailing twelve months ended September 30, 2019 compared to the same period in 2018 due to lower facility rents resulting from the adoption of IFRS 16, a decrease in store labour costs due to the CORO conversions as well as effective cost control measures.

Site count by brand and business model

The following table provides site count by brand and business model within Canada Retail:

	Ultramar	Esso	Fas Gas Plus	Chevron	Pioneer	Race Trac	Other	Total
Company sites	167	74	89	168	126	1	11	636
Dealer sites	471	517	95	22	42	58	19	1,224
Site count, as at September 30, 2019	638	591	184	190	168	59	30	1,860
Company sites	160	73	91	161	120	1	11	617
Dealer sites	484	517	98	19	38	63	19	1,238
Site count, as at December 31, 2018	644	590	189	180	158	64	30	1,855
Net change in site count	(6)	1	(5)	10	10	(5)	—	5

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. The site count for the company sites increased in the third quarter of 2019 as Parkland added 25 new sites and closed 6 sites. In 2019, Parkland further strengthened our network with a net addition of 19 new sites.

Canada Commercial

Overview

Canada Commercial (formerly "Commercial") delivers bulk fuel, bulk and cylinder exchange propane, heating oil, lubricants and other related products and services to commercial, industrial, wholesale and residential customers across Canada through a national delivery network and operates an extensive cardlock network. Parkland uses a variety of regionally relevant brands in the businesses that are considered important and valuable in marketing its products. The family of brands in this segment includes Bluewave Energy, Ultramar, Pipeline Commercial, Chevron, Columbia Fuels, Sparlings Propane and PNE Propane. Parkland's Canada Commercial customer base is diverse, supplying a broad cross-section of industries across Canada including oil and gas, construction, mining, forestry, fishing and transportation. Parkland also sells propane and heating oil to residential customers.

Canada Commercial is continuing to evolve its brand portfolio in various geographic locations and legacy operations. In eastern Canada, Parkland rebranded Bluewave Energy locations to Ultramar, enabling Parkland to drive future growth and sustained profitability under one aligned customer value proposition.

Canada Commercial results fluctuate based on seasonality and local GDP, which is influenced by factors such as the Alberta oil and gas sector rig count. Average rig count in Alberta decreased by 37%⁽¹⁾ in the third quarter of 2019 and 32%⁽¹⁾ in the first nine months of 2019 as compared to the same periods in 2018. This segment generally experiences higher volumes and Adjusted EBITDA in the first and fourth quarters of the year as a result of higher demand for heating oil and propane in the winter.

Canada Commercial segment performance highlights

Adjusted EBITDA increased \$2 million for the third quarter of 2019 as compared to the same period in 2018 due to the adoption of IFRS 16. Adjusted EBITDA remained consistent for the first nine months of 2019 compared to the same period in 2018 primarily due to the adoption of IFRS 16 and a margin optimization strategy, which was partially offset by the lower economic activity in western Canada.

(\$ millions, unless otherwise noted)	As reported							
	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	Change	%	2019	2018	Change	%
Gas and diesel volume (million litres)	593	635	(42)	(7)%	1,951	2,061	(110)	(5)%
Propane volume (million litres)	60	65	(5)	(8)%	281	297	(16)	(5)%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	653	700	(47)	(7)%	2,232	2,358	(126)	(5)%
Sales and operating revenue	552	666	(114)	(17)%	1,922	2,166	(244)	(11)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	49	48	1	2 %	195	198	(3)	(2)%
Non-fuel adjusted gross profit ⁽²⁾	14	14	—	— %	41	42	(1)	(2)%
Adjusted gross profit ⁽²⁾	63	62	1	2 %	236	240	(4)	(2)%
Operating Costs	40	41	(1)	(2)%	138	143	(5)	(3)%
Marketing, General and Administrative	12	11	1	9 %	34	31	3	10 %
Other income	(1)	—	(1)	100 %	(2)	—	(2)	100 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	12	10	2	20 %	66	66	—	— %
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	7.50	6.86	0.64	9 %	8.74	8.40	0.34	4 %
Operating Costs (cpl)	6.13	5.86	0.27	5 %	6.18	6.06	0.12	2 %
Marketing, General and Administrative (cpl)	1.84	1.57	0.27	17 %	1.52	1.31	0.21	16 %
Adjusted EBITDA (cpl)	1.84	1.43	0.41	29 %	2.96	2.80	0.16	6 %
TTM operating ratio ⁽³⁾⁽⁴⁾	71.8%	71.5%	0.3p.p.					

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

⁽¹⁾ Source: boereport.com.

The impact of IFRS 16 on the financial information of the Canada Commercial segment for the three and nine months ended September 30, 2019 was as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported
Sales and operating revenue	552	–	552	666	1,922	–	1,922	2,166
Fuel and petroleum product adjusted gross profit	49	–	49	48	195	–	195	198
Non-fuel adjusted gross profit	14	–	14	14	41	–	41	42
Adjusted gross profit	63	–	63	62	236	–	236	240
Operating Costs	40	1	41	41	138	4	142	143
Marketing, General and Administrative	12	1	13	11	34	1	35	31
Other income	(1)	–	(1)	–	(2)	–	(2)	–

⁽¹⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported
Canada Commercial	12	(2)	10	10	66	(5)	61	66

⁽²⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 and Q3 YTD Performance - 2019 vs. 2018

Fuel and petroleum product volume decreased 47 million litres for the third quarter of 2019 and 126 million litres for the first nine months of 2019 primarily due to a margin optimization strategy, volume declines in the Alberta oil and gas sector as well as unfavourable weather conditions in western Canada impacting volumes in the agricultural, forestry, and construction sectors. Curtailment of new well starts combined with an extended winter break-up period impacted active well volumes in the third quarter of 2019.

Sales and operating revenue decreased \$114 million for the third quarter of 2019 and \$244 million for the first nine months of 2019 primarily due to lower volumes.

Adjusted gross profit remained consistent in the third quarter of 2019 compared to the same period in 2018, mainly due to a margin optimization strategy, and despite the volume decline noted above. Adjusted gross profit decreased \$4 million for the first nine months of 2019 primarily due to lower volume, which was partially offset by higher margins.

Operating Costs include driving and administrative labour, fleet maintenance and operating costs, third-party delivery expenses, and costs associated with owning and maintaining land, buildings and equipment, such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating Costs remained consistent for the third quarter of 2019 and decreased slightly for the first nine months of 2019 primarily due to Parkland's continued efforts to maintain a strong emphasis on cost management across the Canada Commercial segment.

Marketing, General and Administrative expenses remained consistent for the third quarter of 2019 and for the first nine months of 2019. Parkland continues to maintain a strong emphasis on cost management across the Canada Commercial segment.

KPIs

KPIs in the Canada Commercial segment were negligibly impacted by the adoption of IFRS 16 as of January 1, 2019.

Adjusted EBITDA on a cpl basis was 1.84 for the third quarter of 2019 and 2.96 for the first nine months of 2019 due to the impact of IFRS 16 and higher margins, which were partially offset by lower volumes as previously mentioned.

Fuel and petroleum product adjusted gross profit on a cpl basis increased 9% for the third quarter of 2019 and 4% for the first nine months of 2019 due to a change in the product mix.

Operating Costs were well managed and on a cpl basis increased by 0.27 cpl for the third quarter of 2019 and 0.12 cpl for the first nine months of 2019 primarily due to lower volumes in the third quarter of 2019.

Marketing, General and Administrative expenses on a cpl basis increased 17% for the third quarter of 2019 and 16% for the first nine months of 2019 due to lower volumes.

The TTM operating ratio, which is the ratio of Operating Costs and Marketing, General and Administrative expenses to adjusted gross profit, remained relatively constant compared to the prior period due to cost control initiatives, offset by brand optimization and consolidation costs.

USA

Overview

The USA segment (formerly "Parkland USA") supports a network of gas stations and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland export opportunities for products from western Canada. Brands in this segment include Farstad Oil, Rhinehart Oil, Superpumper, and Harts. Please refer to the Annual MD&A for a detailed overview of the USA business models.

USA results fluctuate based on seasonality. The demand for fuel and petroleum product 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. Due to the increase in fuel and petroleum product volume, Adjusted EBITDA is generally higher in the second and third quarters.

Rhinehart Acquisition and operating model

The Rhinehart Acquisition, which closed on August 27, 2018, added ten distribution facilities, nine retail sites, and four cardlock facilities. Unlike the USA's pre-acquisition business (the "Base Business"), Rhinehart does not have significant bulk fuel operations, which are high volume and low margin in nature. In addition, Rhinehart's operating model focuses heavily on lubricants, which are not included in fuel and petroleum product volume and fuel and petroleum adjusted gross profit. As a result, the introduction of the Rhinehart business increases overall non-fuel adjusted gross profit due to higher lubricant sales. It also increases Operating Costs and Marketing, General and Administrative expenses on a cpl basis due to the nature of the lubricants business.

MVP, Bradco, and KB Oil Acquisitions ("Other USA Acquisitions")

MVP Acquisition

The acquisition of Missouri Valley Petroleum, Inc. and J5 Transport, Co. ("MVP Acquisition"), which closed on November 1, 2018, added six retail stores, two cardlocks, and three distribution facilities. The MVP business primarily provides commercial fuel and propane to agriculture and oil field services. This business operates at a higher margin than the current wholesale business while also requiring a higher cost to serve due to small drops sizes for residential and agriculture accounts and higher service levels in the oil field business. J5 is primarily a common carrier business for both the company and dealer stores. The MVP Acquisition increased fuel and petroleum product adjusted gross profit, Operating Costs and Marketing, General and Administrative expenses but did not materially change the business sales mix on a cpl basis.

Bradco Acquisition

The acquisition of assets of Bradco Inc. ("Bradco Acquisition"), which closed on November 26, 2018, added one bulk plant, four cardlocks and a fuel and lubricant distribution business.

KB Oil Acquisition

The acquisition of assets of Ken Bettridge Distributing Inc. ("KB Oil Acquisition"), which closed on June 1, 2019, added two bulk plants with cardlocks, fuel distribution through 23 trucks, nine retail stores and a small lubricant business.

USA segment performance highlights

USA's Adjusted EBITDA increased by \$9 million for the third quarter of 2019 and \$24 million for the first nine months of 2019 compared to the respective periods in 2018 primarily due to the Rhinehart Acquisition and Other USA Acquisitions as well as Parkland's continued focus on its strategy to drive new business, grow organically and manage costs. USA also benefited from strong diesel margins by sourcing product from the Canadian market via rail using Parkland's integrated supply network for the first nine months of 2019. The adoption of IFRS 16 had a negligible impact on the USA Adjusted EBITDA for the third quarter of 2019 and for the first nine months of 2019.

(\$ millions, unless otherwise noted)	As reported							
	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	Change	%	2019	2018	Change	%
Retail volume (million litres)	76	40	36	90%	191	110	81	74%
Wholesale volume (million litres)	379	235	144	61%	989	630	359	57%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	455	275	180	65%	1,180	740	440	59%
Sales and operating revenue	409	286	123	43%	1,110	694	416	60%
Fuel and petroleum product adjusted gross profit ⁽²⁾	22	9	13	144%	57	26	31	119%
Non-fuel adjusted gross profit ⁽²⁾	26	15	11	73%	73	32	41	128%
Adjusted gross profit ⁽²⁾	48	24	24	100%	130	58	72	124%
Operating Costs	26	13	13	100%	70	34	36	106%
Marketing, General and Administrative	5	3	2	67%	19	7	12	171%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	17	8	9	113%	41	17	24	141%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	4.84	3.27	1.57	48%	4.83	3.51	1.32	38%
Operating Costs (cpl)	5.71	4.73	0.98	21%	5.93	4.59	1.34	29%
Marketing, General and Administrative (cpl)	1.10	1.09	0.01	1%	1.61	0.95	0.66	69%
Adjusted EBITDA (cpl)	3.74	2.91	0.83	29%	3.47	2.30	1.17	51%
TTM operating ratio ⁽³⁾⁽⁴⁾	69.0%	72.0%	(3.0p.p.)					

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

⁽⁴⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

The impact of IFRS 16 on the financial information of the USA segment for the three and nine months ended September 30, 2019 was as follows:

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽¹⁾	As reported
Sales and operating revenue	409	–	409	286	1,110	–	1,110	694
Fuel and petroleum product adjusted gross profit	22	–	22	9	57	–	57	26
Non-fuel adjusted gross profit	26	–	26	15	73	–	73	32
Adjusted gross profit	48	–	48	24	130	–	130	58
Operating Costs	26	1	27	13	70	2	72	34
Marketing, General and Administrative	5	–	5	3	19	–	19	7

⁽¹⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
(\$ millions)	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	Adjusted EBITDA as reported
USA	17	(1)	16	8	41	(2)	39	17

⁽²⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 and Q3 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume increased 180 million litres for the third quarter of 2019 and 440 million litres for the first nine months of 2019 compared to the respective periods in 2018 primarily due to the Rhinehart Acquisition and Other USA Acquisitions as well as organic growth.

The increase in volumes drove a \$123 million increase in sales and operating revenue for the third quarter of 2019 and \$416 million increase in sales and operating revenue for the first nine months of 2019.

Adjusted gross profit increased \$24 million for the third quarter of 2019 and \$72 million for the first nine months of 2019 primarily due to the Rhinehart Acquisition and Other USA Acquisitions as well as organic growth in diesel products resulting from access to additional volume sourced by railcars. Adjusted gross profit for the third quarter of 2019 and for the first nine months of 2019 also benefited from strong lubricant margins, which had a favourable impact given the sales product mix as a result of the Rhinehart Acquisition.

Operating Costs are expenses incurred primarily at company-owned wholesale or lubricant branches and the 50 retail sites. Operating Costs increased \$13 million for the third quarter of 2019 and \$36 million for the first nine months of 2019 primarily due to the Rhinehart Acquisition and Other USA Acquisitions.

Marketing, General and Administrative expenses increased \$2 million for the third quarter of 2019 and \$12 million for the first nine months of 2019 primarily due to the increased costs to support the larger business resulting from the Rhinehart Acquisition and Other USA Acquisitions and build an infrastructure for growth.

KPIs

KPIs in the USA segment were negligibly impacted by the adoption of IFRS 16 as of January 1, 2019. However, KPIs for USA have significantly changed for the third quarter of 2019 and for the first nine months of 2019 as compared to the comparative periods, primarily due to the Rhinehart Acquisition, which has a different business sales mix as discussed in the "Rhinehart Acquisition and operating model" section above.

Fuel and petroleum product adjusted gross profit on a cpl basis increased 48% for the third quarter of 2019 and 38% for the first nine months of 2019 primarily due to the Rhinehart Acquisition, which has a different business sales mix as discussed in the "Rhinehart Acquisition and operating model" section above.

Operating Costs on a cpl basis increased 21% for the third quarter of 2019 and 29% for the first nine months of 2019, while Marketing, General and Administrative expenses on a cpl basis increased 1% for the third quarter of 2019 and 69% for the first nine months of 2019 primarily due to the Rhinehart Acquisition, which has a higher cost operating model, in addition to the building of the infrastructure needed to support continuing growth as discussed above.

The TTM operating ratio improved significantly from 72.0% to 69.0% reflecting our commitment to successfully implementing cost control measures while driving strategic business growth.

Supply

Parkland's Supply segment consists of three business units: the Burnaby Refinery, Elbow River Marketing and Supply and Distribution. Supply optimizes fuel supply by operating the Burnaby Refinery, contracting and purchasing fuel from other refiners and suppliers, distributing through ships, rail and highway carriers, storing fuel in owned and leased facilities, serving wholesale and reseller customers in North America, and producing and selling aviation fuel to airlines operating out of the Vancouver International Airport. Supply serves Canada Retail, Canada Commercial, USA and International as well as external customers and markets products via the Parkland, Les Pétroles Parkland, Elbow River Marketing and Chevron brands. Refer to the Annual MD&A for a detailed overview of Supply's sales categories and operations.

Parkland leveraged its strategic position in eastern Canada, which includes market insights, logistic expertise, strategic infrastructure and strong supplier relationships. In addition, Parkland continues to execute cost synergy initiatives which include refinery efficiencies, infrastructure optimization, economies of scale benefits and supply initiatives.

Burnaby Refinery

Parkland owns and operates the Burnaby Refinery, a 55,000 bpd light/sweet crude refinery in Burnaby, British Columbia, which is ideally located to serve the key lower mainland of British Columbia market. The Burnaby Refinery, the only one in the lower mainland, and the largest of two BC refineries, primarily sources Canadian light crude by way of pipeline from Edmonton, Alberta. The Burnaby Refinery also has direct access to truck, rail, and marine terminals from which it can import or export crude and finished products. Approximately 85% of the Burnaby Refinery output supplies internal demands (Canada Retail and Canada Commercial operations in British Columbia), with the remaining 15% serving third parties.

Elbow River Marketing

Parkland owns Elbow River Marketing, a fuel marketing, logistics and transportation operating entity. Elbow River Marketing buys crude, finished products and natural gas liquids from producers and other marketers and sells these products to large consumers. Typically, the suppliers and buyers are separated by distances that require the transportation and logistics capabilities of Elbow River Marketing, who makes a "spread" between the purchase and selling prices for its unique marketing, transportation and logistics services. Elbow River Marketing helps supply Canada Retail, Canada Commercial and Supply and Distribution within Supply with crude, finished products and propane as part of its day-to-day operations. Elbow River Marketing operates in Canada, the US and Mexico.

Wholesale, Supply and Distribution

Parkland's Wholesale, Supply and Distribution operations effectively source fuels from third party refineries and the Burnaby Refinery, and organize the pick-up and delivery of products to Canada Retail, Canada Commercial, USA and International as well as third parties, wholesale and reseller customers in North America. Parkland's recently-opened supply and distribution office in Houston enables Parkland to strategically participate in and optimize access to global markets to support our International and USA business and is integral to our supply advantage strategy.

Supply segment performance highlights

Supply's Adjusted EBITDA was \$147 million for the third quarter of 2019 and \$506 million for the first nine months of 2019. The adoption of IFRS 16 increased Supply Adjusted EBITDA by \$9 million for the third quarter of 2019 and \$22 million for the first nine months of 2019. Supply's Adjusted EBITDA was driven by strong refinery utilization, safe and reliable operations, lower average crude transportation costs, profitable supply sourcing initiatives and strong refining crack spreads.

(\$ millions, unless otherwise noted)	As reported							
	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	Change	%	2019	2018	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,479	1,384	95	7 %	4,362	4,363	(1)	— %
Sales and operating revenue	767	936	(169)	(18)%	2,343	2,759	(416)	(15)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	230	192	38	20 %	767	577	190	33 %
Non-fuel adjusted gross profit ⁽²⁾	5	5	—	— %	9	15	(6)	(40)%
Adjusted gross profit ⁽²⁾	235	197	38	19 %	776	592	184	31 %
Operating Costs	64	62	2	3 %	211	182	29	16 %
Marketing, General and Administrative	24	14	10	71 %	59	48	11	23 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	147	121	26	21 %	506	362	144	40 %
KPIs:								
Refinery utilization ⁽³⁾	96.2%	97.7%	(1.5p.p.)		94.4%	74.1%	20.3p.p.	
Crude throughput ⁽³⁾ (000's bpd)	52.9	53.7	(0.80)	(1)%	51.9	40.8	11.1	27 %

⁽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 Commercial segment are excluded from these reported volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ See Section 12 of this MD&A for a description of this KPI.

The impact of IFRS 16 on the financial information of the Supply segment for the three and nine months ended September 30, 2019 was as follows:

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁴⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁴⁾	As reported
Sales and operating revenue	767	—	767	936	2,343	—	2,343	2,759
Fuel and petroleum product adjusted gross profit	230	(3)	227	192	767	(4)	763	577
Non-fuel adjusted gross profit	5	—	5	5	9	—	9	15
Adjusted gross profit	235	(3)	232	197	776	(4)	772	592
Operating Costs	64	6	70	62	211	18	229	182
Marketing, General and Administrative	24	—	24	14	59	—	59	48

⁽⁴⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁵⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁵⁾	Adjusted EBITDA as reported
Supply	147	(9)	138	121	506	(22)	484	362

⁽⁵⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 and Q3 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume increased by 95 million litres for the third quarter of 2019, primarily due to increased demand for propane and butane and the volumes from Parkland's new US Supply office. Volumes remained consistent for the first nine months of 2019.

Sales and operating revenue decreased \$169 million for the third quarter of 2019 and \$416 million for the first nine months of 2019 due to lower commodity prices and finished product market conditions.

Adjusted gross profit increased \$38 million for the third quarter of 2019 and \$184 million for the first nine months of 2019. The strong performance for the refinery operations was driven by strong refinery utilization rates for the third quarter of 2019 and for the first nine months of 2019. The significant increase in refining utilization for the first nine months as compared to the same period in 2018 is primarily a result of the 2018 Turnaround, which began in early February 2018 and was completed in the first week of April 2018. Safe reliable operations, lower average crude transportation costs, profitable supply sourcing initiatives and strong refining crack spreads also contributed to the increase in the adjusted gross profit. In addition, Supply was successful in realizing opportunities to increase crude exports to the United States and higher margin business through effective utilization of market insights and logistic expertise.

Operating Costs remained relatively consistent for the third quarter of 2019. However, Operating Costs increased by \$29 million for the first nine months of 2019 in part due to increased natural gas costs to run the Burnaby Refinery resulting from a natural gas pipeline interruption in British Columbia during the second quarter of 2019, higher maintenance and other operational costs in early 2019, initial costs incurred for the 2020 Turnaround, which include set-up costs and site preparation costs, and the 2018 Turnaround, which reduced refining operations in the first quarter of that year. During the first nine months of 2018, \$88 million of Turnaround costs were incurred of which \$75 million was capitalized within maintenance capital expenditures and \$13 million was expensed within Operating Costs. Parkland continues to drive ongoing cost improvements in our storage and distribution operations as part of our supply advantage strategy.

Marketing, General and Administrative expenses increased by \$10 million for the third quarter of 2019 and increased by \$11 million for the first nine months of 2019 due to higher employee costs to support continued business growth in Supply.

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 at the Burnaby Refinery. The Burnaby Refinery achieved strong utilization of 96.2% for the third quarter of 2019, which was relatively consistent with 97.7% utilization for the respective period in 2018. Refinery utilization was 94.4% for the first nine months of 2019 compared to 74.1% for the first nine months of 2018, primarily as a result of the 2018 Turnaround, which began in early February 2018 and was completed in the first week of April 2018.

Crude throughput is a key performance indicator that measures the amount of crude oil processed and converted to products in the Burnaby Refinery. Average crude throughput for the third quarter of 2019 at the Burnaby Refinery was approximately 52,900 bpd which was relatively consistent to 53,700 bpd for the same period in 2018. Average crude throughput for the first nine months of 2019 at the Burnaby Refinery was approximately 51,900 bpd, an increase from 40,800 bpd for the same periods in 2018 as the 2018 Turnaround was performed primarily in the first quarter of 2018.

International

Overview

Parkland successfully completed the acquisition of 75% of the outstanding shares of SIL on January 8, 2019. With sales and operations in 23 countries, Sol is the largest independent fuel marketer in the Caribbean and was a privately held company owned by the Simpson Group through Sol Limited prior to closing.

Sol has an integrated supply chain backed by an extensive distribution network, a premier brand portfolio and an exceptional team. The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and north eastern coast of South America and consist of: (i) Sol's retail businesses, which include 268 company-owned or company-leased sites and 239 dealer-owned and dealer-operated sites under brands such as Esso, Shell and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including import terminals, pipelines, marine berths and charter ships; (iii) Sol's commercial

and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) Sol's aviation operations. The Sol Transaction, which extends Parkland's supply to reach globally and builds on Parkland's supply advantage strategy, will provide Parkland with a significant North American and Caribbean growth platform for future strategic initiatives, as well as access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and north eastern coast of South America.

Parkland closed the Sol Transaction for a preliminary purchase consideration of \$1,350 million, consisting of cash consideration of \$960 million net of estimated cash assumed, preliminary working capital adjustments of \$21 million, gain on a US dollar currency hedge of \$12 million and fair value of share consideration of \$423 million (representing 12.2 million common shares calculated using the trading price of \$34.56 per share) pursuant to the Sol Business Combination Agreement (the "Sol Agreement"). The preliminary purchase price is subject to change as a result of customary post-closing activities and will be finalized no later than one year from the acquisition date.

The Sol Transaction includes a non-expiring call right for Parkland to acquire (the "Sol Call Option") and a non-expiring put right for the non-controlling shareholders of SIL to sell (the "Sol Put Option") the remaining outstanding shares of Sol at a proportionate purchase price based on Sol's contractually-defined trailing-twelve-month Adjusted EBITDA multiplied by 8.5, and including other adjustments as defined in the Sol Agreement. Parkland will have the non-expiring right to refuse the exercise of the Sol Put Option on up to two occasions. The Sol Put Option is first exercisable after the release of Parkland's audited consolidated financial statements for the year ended December 31, 2021. The Sol Call Option has no separate value as it is exercisable at Parkland's discretion.

International operates and generates profits from the following channels:

- **Retail** - International's retail business includes Company and Dealer sites under the Esso, Shell and Sol brands. Sol is also the owner of the Sol Shop convenience store brand.
- **Commercial** - International's commercial business delivers and supplies gasoline, diesel, fuel oil, propane and lubricants to customers in various geographies and sectors, from power companies to natural resource development sectors. Furthermore, International's aviation business operates at airports in 13 countries, supplying aviation fuel and services to airlines in the region.
- **Supply and Distribution** - International's supply and distribution business includes owned or leased infrastructure assets, including import terminals, pipelines, marine berths and a fleet of charter ships.

The Sol Transaction, which extends Parkland's supply reach and builds on Parkland's supply advantage strategy, provides Parkland with a significant North American and Caribbean growth platform for future strategic initiatives as well as access to key markets in 23 countries and a comprehensive supply infrastructure in the Caribbean and north eastern coast of South America.

Business models

International Retail operates under two main business models:

Company-owned or company-leased sites: These 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, and sells the fuel at the pump. In COCO sites, International owns the convenience store and fuel inventory, and sells the fuel at the pump.

Dealer-owned and dealer-operated sites: These sites, also known as "DODO", 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 and sells the fuel at the pump. 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.

International operating model

International Adjusted EBITDA consists of results from retail, commercial, supply and distribution operations across 23 countries. The 23 countries are organized into five regions as follows:

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

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 and decreased TTM operating ratio compared to other segments. Additionally, the geographical environments in which the businesses operate are substantively different from operations in Canada and the USA.

International results and seasonality

International results are expected to be influenced by a variety of 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 natural resource 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 and crude supply to the Société Anonyme de la Raffinerie des Antilles ("SARA Refinery").

International segment performance highlights

International saw strong performance in its third quarter of operations after the acquisition, achieving an Adjusted EBITDA of \$63 million for the third quarter of 2019 and \$208 million for the first nine months of 2019, representing Parkland's 75% share of International. The Sol Transaction closed on January 8, 2019. However, had it closed on January 1, 2019, Parkland's share of Adjusted EBITDA would be approximately \$211 million for the first nine months of 2019. The adoption of IFRS 16 resulted in an increase in International's Adjusted EBITDA by \$14 million for the third quarter of 2019 and \$42 million for the first nine months of 2019 largely due to the shipping vessel contracts. Regional performance was ahead of Parkland's expectations as a result of strong volumes and cost control, partially offset by lower margins experienced during the third quarter. There were no material impacts from hurricanes during the third quarter of 2019 on International operations.

During the third quarter of 2019, International divested the local operations and physical retail sites in Haiti. However, International continues to serve the Haiti market through wholesale channels into the country. The divestiture reduces operational risk and allows International to focus on other areas of growth within the region.

(\$ millions, unless otherwise noted)	As reported					
	Three months ended September 30,			Nine months ended September 30,		
	2019	2018	Change	2019	2018	Change
Retail volume ⁽¹⁾⁽⁵⁾ (million litres)	458	—	458	1,351	—	1,351
Commercial and other volume ⁽⁵⁾ (million litres)	746	—	746	2,186	—	2,186
Fuel and petroleum product volume ⁽¹⁾⁽⁵⁾ (million litres)	1,204	—	1,204	3,537	—	3,537
Sales and operating revenue ⁽⁵⁾	1,157	—	1,157	3,502	—	3,502
Fuel and petroleum product adjusted gross profit ⁽²⁾⁽³⁾	123	—	123	386	—	386
Non-fuel adjusted gross profit ⁽²⁾⁽³⁾	28	—	28	84	—	84
Adjusted gross profit ⁽²⁾⁽⁵⁾	151	—	151	470	—	470
Operating Costs ⁽³⁾	43	—	43	129	—	129
Marketing, General and Administrative ⁽⁵⁾	27	—	27	74	—	74
Other income ⁽⁵⁾	(3)	—	(3)	(16)	—	(16)
Other adjusting items ⁽³⁾	1	—	1	7	—	7
Adjusted EBITDA including NCI ⁽³⁾	83	—	83	276	—	276
Less: Adjusted EBITDA attributable to NCI	20	—	20	68	—	68
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	63	—	63	208	—	208
KPIs:						
Fuel and petroleum product adjusted gross profit (cpl)	10.22	—	10.22	10.91	—	10.91
Operating Costs (cpl)	3.57	—	3.57	3.65	—	3.65
Marketing, General and Administrative (cpl)	2.24	—	2.24	2.09	—	2.09
Adjusted EBITDA (cpl)	5.23	—	5.23	5.88	—	5.88

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽³⁾ At 100% Sol interest.

The impact of IFRS 16 on the financial information of International for the three and nine months ended September 30, 2019 was as follows:

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁴⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽⁴⁾	As reported
Sales and operating revenue	1,157	—	1,157	—	3,502	—	3,502	—
Fuel and petroleum product adjusted gross profit	123	(15)	108	—	386	(44)	342	—
Non-fuel adjusted gross profit	28	—	28	—	84	—	84	—
Adjusted gross profit	151	(15)	136	—	470	(44)	426	—
Operating Costs	43	4	47	—	129	10	139	—
Marketing, General and Administrative	27	—	27	—	74	2	76	—
Other income	(3)	—	(3)	—	(16)	—	(16)	—

⁽⁴⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	Adjusted EBITDA as reported	IFRS 16 impact	Pre IFRS 16 ⁽⁵⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre IFRS 16 ⁽⁵⁾	Adjusted EBITDA as reported
International	63	(14)	49	—	208	(42)	166	—

⁽⁵⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 2019 and Q3 2019 YTD

International results for the third quarter of 2019 and for the first nine months of 2019 were ahead of Parkland's expectations for the Sol Transaction.

Fuel and petroleum product volume was 1,204 million litres for the third quarter of 2019, primarily consisting of 458 million litres sold through retail channels and 746 million litres sold through commercial and other channels. Fuel and petroleum product volume for the first nine months of 2019 was 3,537 million litres, consisting of 1,351 million litres sold through retail channels and 2,186 million litres sold through commercial and other channels. The third quarter saw stronger volumes in numerous markets as a result of initiatives to drive growth.

Sales and operating revenue were \$1,157 million for the third quarter of 2019 and \$3,502 million for the first nine months of 2019, with higher revenue generated in the Spanish Caribbean and Eastern Caribbean regions as compared to other regions due to their size of operations. Fuel and petroleum product revenue and non-fuel product revenue were \$1,111 million and \$46 million, respectively, for the third quarter of 2019. Fuel and petroleum product revenue and non-fuel product revenue were \$3,359 million and \$143 million, respectively, for the first nine months of 2019.

Adjusted gross profit from fuel and petroleum products and non-fuel products was \$123 million and \$28 million, respectively for the third quarter of 2019. Adjusted gross profit from fuel and petroleum products and non-fuel products was \$386 million and \$84 million, respectively for the first nine months of 2019. Fuel and petroleum product adjusted gross profit was primarily generated from sales of gasoline, diesel and aviation fuel. Non-fuel adjusted gross profit was primarily generated from service revenue, lubricants, rental revenue and convenience store royalties. Although lower margins were experienced during the third quarter of 2019, adjusted gross profit was positively impacted for the third quarter of 2019 and nine months ended September 30, 2019 from strong volumes.

Operating Costs were \$43 million for the third quarter of 2019 and \$129 million for the first nine months of 2019, primarily consisting of employee costs, transportation costs, depot throughput fees, repairs and maintenance, and other operating expenses.

Marketing, General and Administrative expenses were \$27 million for the third quarter of 2019 and \$74 million for the first nine months of 2019, primarily consisting of employee costs, marketing costs, IT, professional fees and general administrative expenses.

Operating Costs and Marketing, General and Administrative expenses were lower than anticipated during the third quarter of 2019 and the first nine months of 2019 due to effective cost control strategies.

Other income included in Adjusted EBITDA primarily consists of a \$2 million and \$7 million share in earnings from Sol's 29% interests in the SARA Refinery, located in Martinique, for the third quarter and the first nine months of 2019 respectively.

Parkland's proportionate share of Adjusted EBITDA from Sol's 29% interest in SARA Refinery amounts to \$3 million and \$12 million for the third quarter and the first nine months of 2019 respectively, which is excluded from Parkland's consolidated Adjusted EBITDA (see Note 9 of the Interim Condensed Consolidated Financial Statements).

KPIs

Fuel and petroleum product adjusted gross profit (cpl), Operating Costs (cpl), Marketing, General and Administrative (cpl), and Adjusted EBITDA (cpl) were impacted by the adoption of IFRS 16 as of January 1, 2019.

Fuel and petroleum product adjusted gross profit on a cpl basis was 10.22 for the third quarter of 2019 and 10.91 for the first nine months of 2019. The lower fuel and petroleum product adjusted gross profit on a cpl basis for the third quarter of 2019 was driven by lower margins as a result of market volatility.

Operating Costs on a cpl basis was 3.57 for the third quarter of 2019 and 3.65 for the first nine months of 2019. Operating Costs were lower during the third quarter on a cpl basis as compared to the first six months of 2019 primarily as a result of cost control initiatives.

Marketing, General and Administrative expenses on a cpl basis were 2.24 for the third quarter of 2019 and 2.09 for the first nine months of 2019. Although the metric was up slightly for the third quarter of 2019, overall Marketing, General and Administrative costs were lower than expected as a result of cost control initiatives.

International's KPIs and metrics are not comparable to other Parkland segments as they include margins earned by its own supply and logistic capabilities, have several distribution channels and the geographical environment in which the businesses operate are substantively different from operations in Canada and USA. Over the remainder of 2019, the International team will maintain a strong emphasis on cost control and work to realize synergies while optimizing service delivery for customers.

Retail site count by brand and business model

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

	Sol	Esso	Shell	Other	Total
Company-owned or company-leased	42	97	116	2	257
Dealer-owned and dealer-operated	26	58	94	59	237
Site count, as at September 30, 2019	68	155	210	61	494

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.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	As reported							
	Three months ended September 30,				Nine months ended September 30,			
	2019	2018	Change	%	2019	2018	Change	%
Marketing, General and Administrative	29	26	3	12 %	85	79	6	8%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	(28)	(26)	(2)	8 %	(85)	(81)	(4)	5%
Acquisition, integration and other costs								
Acquisition costs	12	6	6	100 %	19	10	9	90%
Integration costs	16	17	(1)	(6)%	43	40	3	8%
Other costs	—	1	(1)	(100)%	15	3	12	400%
	28	24	4	17 %	77	53	24	45%
KPI:								
Corporate Marketing, General and Administrative expenses as a % of total adjusted gross profit	4.3%	5.6%	(1.3p.p.)		4.0%	5.6%	(1.6p.p.)	

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

The following table outlines the impact of IFRS 16 on Adjusted EBITDA as reported for the three and nine months ended September 30, 2019:

(\$ millions)	Three months ended September 30,				Nine months ended September 30,			
	2019		2018		2019		2018	
	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	As reported	As reported	IFRS 16 impact	Pre-IFRS 16 ⁽²⁾	As reported
Marketing, General and Administrative	29	1	30	26	85	3	88	79
Acquisition, integration and other costs	28	—	28	24	77	—	77	53

⁽²⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

	Three months ended September 30,				Nine months ended September 30,			
	2019			2018	2019			2018
	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽ⁿ⁾	Adjusted EBITDA as reported	Adjusted EBITDA as reported	IFRS 16 impact	Pre-IFRS 16 ⁽ⁿ⁾	Adjusted EBITDA as reported
(\$ millions)								
Corporate	(28)	(1)	(29)	(26)	(85)	(3)	(88)	(81)

⁽¹⁾ Pre-IFRS 16 amounts are comparable to the reported information for the respective prior periods, which were calculated under IAS 17.

Q3 and Q3 YTD Performance - 2019 vs. 2018

Corporate Adjusted EBITDA expense remained relatively flat and increased \$2 million for the third quarter of 2019 and \$4 million for the first nine months of 2019 as compared to the same periods in 2018.

Compared to the equivalent periods in the prior year, Marketing, General and Administrative expenses increased \$3 million for the third quarter of 2019 and \$6 million for the first nine months of 2019 primarily due to additional corporate costs to support the larger integrated business and execute growth strategies as expected.

The adoption of IFRS 16 decreased Corporate Adjusted EBITDA expense by \$1 million for the third quarter of 2019 and \$3 million for the first nine months of 2019.

Acquisition, integration and other costs reflected in the Corporate segment increased \$4 million and \$24 million for the third quarter of 2019 and for the first nine months of 2019 respectively as compared to the same periods in 2018. This increase is due to the higher acquisition costs of \$6 million and \$9 million respectively relating to the Sol Transaction and other acquisitions. Integration costs remained relatively consistent for the third quarter of 2019 and for the first nine months of 2019 as cost savings from completing the TSA I exit in the second quarter of 2018 and the TSA II exit in the first quarter of 2019 were offset by one-time costs related to the Alberta office consolidation to Calgary during the third quarter of 2019.

On a consolidated basis, Corporate Marketing, General and Administrative expenses as a percentage of total adjusted gross profit favourably decreased by 1.3 p.p. for the third quarter of 2019 and 1.6 p.p. for the first nine months of 2019 primarily due to a disciplined approach to cost management that has resulted in these costs increasing at slower pace than total adjusted gross profit.

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

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. 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 safety incidents at Parkland down to zero.

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 Acquisitions and the Sol Transaction since the dates of their respective acquisition.

	September 30, 2019	September 30, 2018
TTM LTIF ⁽²⁾	0.16	0.28
TTM TRIF ⁽²⁾	1.81	1.54

⁽²⁾ Key performance indicator. See Section 12 of this MD&A.

4. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted) For the three months ended	Pre-IFRS 16							
	2019 ⁽⁷⁾			2018 ⁽⁷⁾				2017 ⁽⁷⁾
	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Financial Summary								
Sales and operating revenue	4,605	4,854	4,215	3,468	3,811	3,783	3,342	3,429
Adjusted gross profit ⁽¹⁾	679	728	697	587	465	513	430	469
Adjusted EBITDA including NCI ⁽¹⁾	322	370	339	285	200	249	153	198
Adjusted EBITDA attributable to NCI	20	24	24	—	—	—	—	—
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	302	346	315	285	200	249	153	198
Canada Retail	91	63	73	78	87	82	69	94
Canada Commercial	12	10	44	27	10	18	38	28
USA	17	13	11	11	8	5	4	4
Supply	147	216	143	199	121	170	71	94
International	63	74	71	—	—	—	—	—
Corporate	(28)	(30)	(27)	(30)	(26)	(26)	(29)	(22)
Net earnings	26	111	91	77	49	60	20	49
Net earnings attributable to:								
Parkland	24	105	77	77	49	60	20	49
NCI	2	6	14	—	—	—	—	—
Net earnings per share (\$ per share)								
Per share - basic	0.16	0.72	0.53	0.58	0.37	0.45	0.15	0.37
Per share - diluted	0.16	0.70	0.52	0.57	0.36	0.45	0.15	0.37
Distributable cash flow ⁽²⁾	122	168	125	151	118	118	29	45
Per share ⁽²⁾⁽³⁾	0.82	1.14	0.84	1.14	0.89	0.89	0.22	0.33
Adjusted distributable cash flow ⁽²⁾	125	156	137	175	144	139	110	102
Per share ⁽²⁾⁽³⁾	0.84	1.06	0.93	1.32	1.08	1.05	0.84	0.78
Dividends	45	45	43	41	39	41	38	39
Dividends declared per share outstanding	0.2985	0.2985	0.2951	0.2934	0.2934	0.2934	0.2902	0.2886
Dividend payout ratio ⁽²⁾	37%	27%	35%	27%	33%	35%	131%	89%
Adjusted dividend payout ratio ⁽²⁾	36%	29%	32%	23%	27%	29%	35%	38%
Total assets	9,157	9,104	8,998	5,661	5,736	5,592	5,492	5,412
Shares outstanding (millions)	148	147	146	134	133	132	132	131
Weighted average number of common shares (millions)	148	147	145	133	133	132	131	131
Operating Summary								
Fuel and petroleum product volume (million litres) ⁽⁴⁾	5,622	5,525	5,336	4,354	4,211	4,202	4,211	4,432
Fuel and petroleum product adjusted gross profit (cpl) ⁽⁵⁾ :								
Canada Retail	7.65	6.75	7.59	7.69	7.78	8.00	7.88	8.95
Canada Commercial	7.50	7.29	10.75	9.02	6.86	8.08	9.84	8.59
USA	4.84	5.08	4.53	4.97	3.27	3.66	3.65	3.48
International	10.22	10.71	11.95	—	—	—	—	—
Refinery Utilization ⁽⁶⁾	96.2%	94.9%	92.0%	87.8%	97.7%	90.9%	33.2%	94.4%

⁽¹⁾ Measure of segment profit. See Section 12 of this MD&A.

⁽²⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

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

⁽⁴⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada Retail and Canada Commercial segments, are excluded from this reported volume.

⁽⁵⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 12 of this MD&A.

⁽⁶⁾ Key performance indicator. See Sections 3 and 12 of this MD&A.

⁽⁷⁾ 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, those periods are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three months ended September 30, 2019 on page 5 of this MD&A.

Over the last eight quarters, Parkland's quarterly results were primarily impacted by the Acquisitions and the Sol Transaction. In particular:

- Sales and operating revenue increased significantly over the last three quarters due to the Sol Transaction on January 8, 2019. Higher fuel and petroleum product volumes and commodity prices over time also contributed to the increase. Sales and operating revenue is generally sensitive to fluctuations in commodity prices and energy markets.
- Adjusted EBITDA of \$302 million for the third quarter of 2019 was primarily due to contributions from the Sol Transaction, integration synergies, continued significant progress made in optimizing supply economics, and the adoption of IFRS 16 as of January 1, 2019. Adjusted EBITDA in the last four quarters was higher than the remaining quarters in 2018 and 2017 due to the Sol Transaction, Rhinehart Acquisition and Other USA Acquisitions, strong results in Supply, and the adoption of IFRS 16, which drove higher Adjusted EBITDA in the three most recent quarters. Supply Adjusted EBITDA was lower in the remaining prior periods due to lower crack spreads, which are inherently volatile, and which generated lower refining margins.
- Net earnings grew consistently during 2018 and first two quarters of 2019 due to the Sol Transaction and the Rhinehart Acquisition, and a commitment to organic growth. The third quarter of 2019 was an exception due to increased finance and other costs. As well, the first and third quarters of 2018 were an exception, with lower net earnings due to the 2018 Turnaround in the first quarter of 2018 and due to lower refining crack spreads in the third quarter of 2018 respectively, as compared to other quarters.
- Total assets increased significantly in the last eight quarters due to the debt and equity financing raised for the Sol Transaction and the Rhinehart Acquisition, which closed on January 8, 2019, and August 27, 2018, respectively.
- Over the last eight quarters, there were significant changes to the fuel and petroleum product adjusted gross profit for USA and International, primarily due to the Sol Transaction and the Rhinehart Acquisition, which have different operating models and operating model mixes, as further described in Section 3 of this MD&A.

5. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, unless otherwise noted)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Cash generated from operating activities	47	77	694	261
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(18)	—	(61)	—
	29	77	633	261
Reverse: Change in other liabilities and other assets	13	(13)	(29)	—
Exclude: Change in other liabilities	—	3	14	(2)
Reverse: Net change in non-cash working capital	119	78	(72)	139
Include: Maintenance capital expenditures attributable to Parkland	(46)	(28)	(141)	(135)
Include: Proceeds on asset disposals	7	1	10	2
Distributable cash flow ⁽¹⁾	122	118	415	265
Reverse: Acquisition, integration and other costs	28	24	77	53
Reverse: Payments on principal amount on leases	(30)	—	(88)	—
Exclude: Payments on principal amount on leases attributable to NCI	5	—	14	—
Reverse: 2018 Turnaround maintenance capital expenditures	—	2	—	75
Adjusted distributable cash flow ⁽¹⁾	125	144	418	393
Weighted average number of common shares (millions)	148	133	147	132
Distributable cash flow per share ⁽¹⁾⁽²⁾	0.82	0.89	2.82	2.01
Reverse: Acquisition, integration and other costs	0.19	0.17	0.52	0.40
Reverse: Payments on principal amount on leases	(0.20)	—	(0.60)	—
Reverse: Payments on principal amount on leases attributable to NCI	0.03	—	0.10	—
Reverse: 2018 Turnaround maintenance capital expenditures	—	0.02	—	0.57
Adjusted distributable cash flow per share ⁽¹⁾⁽²⁾	0.84	1.08	2.84	2.98
Dividends	45	39	133	118
Dividend payout ratio ⁽¹⁾	37 %	33 %	32 %	45 %
Reverse: Acquisition, integration and other costs	(7)%	(6)%	(5)%	(7)%
Reverse: Payments on principal amount on leases	8 %	— %	6 %	— %
Exclude: Payments on principal amount on leases attributable to NCI	(2)%	— %	(1)%	— %
Reverse: 2018 Turnaround maintenance capital expenditures	— %	— %	— %	(8)%
Adjusted dividend payout ratio ⁽¹⁾	36 %	27 %	32 %	30 %
Dividends paid to shareholders, net of dividend reinvestment plan	30	26	86	78

⁽¹⁾ Non-GAAP financial measure. See Section 12 of this MD&A.

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

Dividends

Dividends paid to shareholders increased for the third quarter of 2019 and for the first nine months of 2019, primarily due to an increase in the number of common shares outstanding, driven by shares issued in connection with the closing of the Sol Transaction, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. Furthermore, there was a \$0.02 increase in annual dividend to \$1.194 per share, effective March 22, 2019. The dividend reinvestment plan participation rate as at the dividend record date of September 20, 2019 was 33.7% (September 21, 2018 - 35.4%).

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

Q3 and Q3 YTD Performance - 2019 vs. 2018

The dividend payout ratio increased by 4 p.p. to 37% for the third quarter of 2019 due to lower cash flow available for distribution. This was driven by higher maintenance capital expenditures and income tax payments in addition to higher interest payments stemming from the Sol Transaction, which was partially offset by the increase in Adjusted EBITDA resulting from the Sol Transaction. For the first nine months of 2019, the dividend payout ratio improved by 13 p.p. to 32% due to higher cash flow available for distribution resulting from higher Adjusted EBITDA largely driven by acquisitions in proportion to higher dividends declared. Distributable cash flow remained relatively stable for the third quarter of 2019 and increased \$150 million for the first nine months of 2019 compared to the same periods in 2018. This was primarily due to payment on the principal amount of leases presented as financing activities as a result of the adoption of IFRS 16 and an increase in Adjusted EBITDA. This was offset by higher maintenance capital expenditures, increased income tax, and higher interest payments driven by the Sol Transaction and the Rhinehart Acquisition.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the 2018 Turnaround, and the payments on principal amount on leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow decreased \$19 million for the third quarter of 2019 and increased \$25 million for the first nine months of 2019. The adjusted dividend payout ratio increased by 9 p.p. to 36% for the third quarter of 2019 and by 2 p.p. to 32% for the first nine months of 2019 compared to the same periods in 2018, primarily due to the higher maintenance capital expenditures, income tax and interest payments partially offset by an increase in Adjusted EBITDA driven by the Sol Transaction, the Rhinehart Acquisition and continued success in Supply.

6. LIQUIDITY

Cash flows

2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, those periods are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three and nine months ended September 30, 2019 on page 5 of this MD&A.

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

	Three months ended September 30,			Nine months ended September 30,		
(\$ millions)	2019	2018	2017	2019	2018	2017
Cash generated from operating activities	47	77	95	694	261	167
Cash used in investing activities	(119)	(231)	(627)	(1,302)	(359)	(2,768)
Net cash used before financing activities	(72)	(154)	(532)	(608)	(98)	(2,601)
Cash generated from financing activities	28	100	553	880	95	2,592
(Decrease) increase in net cash	(44)	(54)	21	272	(3)	(9)
Impact of foreign currency translation on cash	3	—	—	(6)	—	—
Net cash, beginning of period	347	74	(4)	40	23	26
Net cash, end of period	306	20	17	306	20	17

Operating activities

Cash flows from operating activities are used to fund maintenance capital expenditures, interest, and dividends. Excess cash flows from operating activities are also used to fund growth capital expenditures, debt repayment, or acquisition of businesses as appropriate. Parkland anticipates meeting payment obligations as they come due.

Q3 2019 vs. Q3 2018

Cash generated from operating activities was \$47 million for the third quarter of 2019, primarily due to Adjusted EBITDA of \$302 million. This was partially offset by:

- a net change in non-cash working capital outflow of \$119 million largely attributable to lower accounts payable and accrued liabilities driven by timing on cash payments;
- \$55 million of interest paid on long-term debt primarily relating to Senior Notes and the credit facility balance due to the Sol Transaction and Other USA Acquisitions;
- a \$59 million payment for income taxes largely attributable to Q2 and Q3 instalments paid in Q3; and
- \$28 million in acquisition, integration and other costs incurred primarily in connection with the Sol Transaction, restructuring costs related to the Alberta office consolidation to Calgary and other consolidation initiatives.

In contrast, operating activities generated \$77 million of cash for the third quarter of 2018 primarily due to \$200 million of Adjusted EBITDA, partially offset by net change in non-cash working capital outflow of \$78 million primarily due to lower accounts payable and higher accounts receivable, prepayments and inventory balances, \$10 million of interest paid on long-term debt due to a lower level of debt in 2018 and \$24 million of acquisition, integration and other costs relating to the closing and integration activities for the Acquisitions.

Q3 2019 YTD vs. Q3 2018 YTD

Cash generated from operating activities was \$694 million for the first nine months of 2019 primarily due to Adjusted EBITDA of \$963 million and net change in non-cash working capital inflow of \$72 million primarily due to higher accounts payable and accrued liabilities driven by larger fuel volumes. This was partially offset by:

- \$160 million of interest paid on long-term debt primarily relating to the Senior Notes issued in 2019 and credit facility balance due to the Sol Transaction and Other USA Acquisitions;
- \$125 million in income tax payments; and
- \$77 million in acquisition, integration and other costs, which were incurred primarily in connection with the Sol Transaction, restructuring costs related to the Alberta office consolidation to Calgary, one-time costs related to Phase II of the Chevron TSA, which was successfully completed on April 1, 2019, and other consolidation initiatives.

In contrast, operating activities generated \$261 million of cash for the first nine months of 2018 primarily due to \$602 million of Adjusted EBITDA, partially offset by net change in non-cash working capital outflow of \$139 million driven by higher accounts receivable and inventory balances, \$47 million for payments of income taxes, \$60 million of interest paid on long-term debt and \$53 million of acquisition, integration and other costs relating to the closing and integration activities for the Acquisitions.

Investing activities

Parkland's investing activities primarily consist of business acquisitions and additions to property, plant and equipment and intangible assets through maintenance and growth capital expenditures. Parkland will continue to acquire prudently as attractive investment opportunities arise. Moreover, investments in growth and maintenance capital expenditures are expected to support our ability to grow our existing businesses organically over the coming years.

Q3 2019 vs. Q3 2018

During the third quarter of 2019, investing activities used \$119 million of cash primarily due to \$126 million capital expenditures largely for growth and maintenance projects in the Canada Retail segment and maintenance projects at the Burnaby Refinery and Sol. In contrast, the \$231 million used in investing activities for the same period in 2018 was primarily due to \$176 million for the Rhinehart Acquisition, and \$56 million of capital expenditures to support growth and operations.

Q3 2019 YTD vs. Q3 2018 YTD

During the nine months ended September 30, 2019, investing activities used \$1,302 million of cash primarily due to \$948 million for the Sol Transaction and \$333 million capital expenditures to support growth and operations. In comparison, investing activities

during the same period in 2018 used \$359 million of cash mainly due to \$195 million spent on growth and maintenance capital expenditures and \$176 million used for the Rhinehart Acquisition.

Financing activities

Parkland has a disciplined approach to capital allocation decisions that prioritizes the use of cash flow first to committed capital investment, debt repayment, and then to growth opportunities, while paying sustainable dividends to shareholders. Although Parkland's cash flow typically has seasonal fluctuations, Parkland's Board of Directors currently intends to pay consistent regular monthly dividends throughout the year based on estimated annual cash flow. In its dividend review, the Board of Directors considers current financial performance, historical and future trends in the business, expected sustainability of those trends, and capital levels required to sustain Parkland's financial performance. The declaration and payment of dividends is at the discretion of Parkland's Board of Directors.

Distributable cash is not assured and the actual amount received by shareholders depends on, among other things, Parkland's financial performance, debt covenants and obligations, working capital requirements, future capital requirements, and the deductibility of items for income tax purposes, all of which are susceptible to a number of risks.

Q3 2019 vs. Q3 2018

During the third quarter of 2019, financing activities generated \$28 million of cash, primarily attributable to net long-term debt proceeds of \$69 million and a \$31 million increase in the Intermediation Facility liability due to higher inventory balances, offset by cash dividends paid of \$30 million, and \$30 million of payments made on principal amount on leases as a result of the adoption of IFRS 16. In contrast, the \$100 million of cash generated during the third quarter of 2018 was primarily attributable to net long-term debt proceeds of \$120 million and a \$6 million increase in the Intermediation Facility liability due to rising commodity prices, partially offset by cash dividends paid of \$26 million.

Cash dividends paid, net of the dividend reinvestment plan, increased by \$4 million to \$30 million compared to the same period in 2018 due to an increase in outstanding common shares and dividends paid per share offset by increased Dividend reinvestment plan ("DRIP") participation. During the third quarter of 2019, Parkland paid a monthly dividend of \$0.0995 per share (2018 - \$0.0978 per share).

Q3 2019 YTD vs. Q3 2018 YTD

During the nine months ended September 30, 2019, financing activities generated \$880 million, primarily attributable to \$1,101 million net long-term debt proceeds primarily due to the new credit facility and proceeds from the issuance of the 5.875% US Senior Notes. This was partially offset by a net change in non-cash working capital outflow of \$84 million, \$88 million of payments made on principal amount on leases as a result of the adoption of IFRS 16 and dividend payments of \$86 million. During the first nine months of 2018, Parkland generated \$95 million cash for financing activities primarily from the \$139 million net long-term debt proceeds related to the credit facility and \$34 million increase in other liabilities, offset by \$78 million payment of cash dividends.

Cash dividends paid, net of the dividend reinvestment plan, increased by \$8 million to \$86 million due to an increase in outstanding common shares and dividends paid per share offset by increased DRIP participation. During the nine months ended September 30, 2019, Parkland paid a monthly dividend ranging from \$0.0978 per share to \$0.0995 per share (2018 - \$0.0962 per share to \$0.0978 per share).

Contractual commitments

Parkland has contracted obligations under various debt agreements, leases, capital expenditures and other contractual commitments exceeding a five-year period. Parkland's commitments increased from \$4,678 million as at December 31, 2018 to \$6,890 million as at September 30, 2019. This increase is primarily attributable to an increase in the Credit Facility debt to partially fund the Sol Transaction and the new 5.875% US Senior Notes issued in 2019.

In addition, Parkland entered into various purchase agreements that require minimum amounts or quantities of fuel and petroleum products, which vary based on volumes and other factors, to be purchased over certain time periods. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future.

7. CAPITAL RESOURCES

Available sources of liquidity

Parkland's sources of liquidity as at September 30, 2019 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 targeted dividends. Growth capital expenditures in the next twelve months will be funded by cash flows from operations, proceeds from debt and equity offerings, and available borrowing capacity under the Credit Facility. For additional information concerning Parkland's available sources of liquidity, see the "Capital Resources" section of the Annual MD&A. Any future acquisitions will be funded by cash flows from operations, the Credit Facility, and issuance of new debt or new shares. Any additional debt incurred will be serviced by the anticipated increases in cash flows and will only be borrowed within Parkland's debt covenant limits.

Parkland manages its capital structure and makes adjustments to it for market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending or dividends paid to shareholders, issue new shares, issue new debt, repay existing debt, adjust the Credit Facility, enter into an Intermediation Facility, or enter into other credit arrangements.

On January 8, 2019, in connection with the Sol Transaction, the Credit Facility was amended and restated to expand the available facility and extend the maturity date (the "Credit Facility"). The Credit Facility includes a combined revolving facility amount of US\$780 million and \$400 million with a maturity date of January 8, 2023, a term loan facility of US\$250 million with a maturity date of January 8, 2021, which was repaid in full during the third quarter of 2019 and a short-term commitment facility of US\$100 million, which matured on September 30, 2019. 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.

On July 10, 2019, Parkland completed a private offering of US\$500 million aggregate principal amount of senior unsecured notes due in 2027. The 5.875% US Senior Notes were priced at par and bear interest at a rate of 5.875% per annum, payable semi-annually in arrears beginning January 15, 2020. Parkland used the net proceeds from the offering to: (i) repay in full its US\$250 million Term Loan Facility due 2021; and (ii) repay certain outstanding amounts borrowed under its existing revolving credit facilities.

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

(\$ millions)	September 30, 2019	December 31, 2018
Cash and cash equivalents	290	40
Unused credit facilities	866	449
	1,156	489

Financial covenants and metrics

As at September 30, 2019, 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	Covenant restriction	Management long-term target	Actual debt covenant ratios as at September 30, 2019	December 31, 2018
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	0.26	0.09
2. Total Funded Debt to Credit Facility EBITDA ratio	< 5.00	2.00 - 3.50	2.58	2.47
3. Interest coverage ratio	> 3.00	> 3.00	5.97	6.52

The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios are well below the covenant restrictions of 3.50 and 5.00, respectively. Refer to Section 12 of this MD&A for the calculation of Parkland's debt covenants.

Maintenance and growth capital expenditures

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

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Growth capital expenditures				
Canada Retail	27	20	60	38
Canada Commercial	6	4	22	9
USA	—	—	1	—
Supply	18	1	28	1
International	10	—	21	—
Corporate	13	4	25	4
Growth capital expenditures	74	29	157	52
Maintenance capital expenditures				
Canada Retail	6	5	15	14
Canada Commercial	4	5	16	11
USA	4	2	8	3
Supply	19	16	66	106
International	16	—	46	—
Corporate	1	—	2	1
Maintenance capital expenditures	50	28	153	135
Additions to property, plant and equipment and intangible assets	124	57	310	187
Growth capital expenditures attributable to Parkland	71	29	152	52
Maintenance capital expenditures attributable to Parkland	46	28	141	135
Additions to property, plant and equipment and intangible assets attributable to Parkland	117	57	293	187

During the third quarter of 2019 and the first nine months of 2019, Parkland's combined growth and maintenance capital expenditures increased \$67 million and \$123 million, respectively, compared to the same periods in 2018. The increase in growth capital expenditures is due to the Sol Transaction and construction of new-to-industry retail sites, retail acquisitions, as well as retail station rebrands and refreshes including investments in the new On the Run / Marché Express store concepts in Canada Retail. Additionally, growth capital supported continued focus on the national propane growth strategy in Canada Commercial. Some maintenance expenditures were incurred by Supply in preparation for the upcoming turnaround in 2020. However, during the first nine months of 2018, \$88 million of Turnaround costs were incurred, of which \$75 million was capitalized within maintenance capital expenditures and \$13 million was expensed within Operating Costs. Further, the 2018 Turnaround costs were not repeated for the same periods in 2019, resulting in lower maintenance capital expenditures for Supply. This was partially offset by an increase in maintenance capital expenditures due to the Sol Transaction. Other major capital expenditure activities in 2019 include equipment purchases to support the integration of the acquisitions as well as fleet and equipment purchases to support new and existing customer contracts. See guidance on 2019 maintenance and growth capital expenditures in Section 9.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at September 30, 2019 were \$125 million (December 31, 2018 - \$65 million). These contractual commitments are expected to be incurred primarily over the next 12 months, and relate mainly to ongoing maintenance projects at the Burnaby Refinery, and building new and upgrading existing retail service stations, including projects to retrofit and rebrand the On the Run / Marché Express brand. We plan to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

Parkland believes that the current capital programs based on the present state of its assets, opportunities, the outlook for fuel supply and demand as well as industry conditions are sufficient to maintain productive capacity in the medium term. Due to the risks inherent in the industry, particularly the reliance on external parties to supply fuel and propane, general economic conditions, and weather that affects customer demand, there can be no assurance that the capital programs will be sufficient to maintain or increase production levels or cash flows from operating activities.

8. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of strategic objectives and the nature of our operations, which are outlined in the "Risk Factors" sections of the Annual MD&A and Annual Information Form. These risk factors have not changed materially since the dates of their publication.

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, US dollar forward contracts, Intermediation Facility Derivatives, emission credits and allowances, the Sol Put Option and Redemption Options.

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, foreign currency swaps, and foreign currency forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices, foreign currency exchange rates and emission credits and allowances. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under hedge accounting in accordance with IFRS, with the exception of the Sol Transaction Hedge and Net Investment Hedge described below. The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options are accounted for as embedded derivative financial instruments under IFRS. The Sol Put Option is accounted for as a financial instrument under IFRS. For more information on Parkland's financial instruments and related financial risk factors, see Note 11 of the Interim Condensed Consolidated Financial Statements, Note 13 of the Annual Consolidated Financial Statements and Section 9 of Parkland's Annual MD&A.

Sol Put Option

The Sol Put Option is classified as a financial instrument at fair value through profit or loss, with changes in value recorded within finance and other costs on the consolidated statements of income. See Note 11 of the Interim Condensed Consolidated Financial Statements for further details on the Sol Put Option.

Sol Transaction Hedge

On January 8, 2019, the Sol Transaction Hedge contract was exercised in connection with the closing of the Sol Transaction. The effective portion of the hedge is recognized in other comprehensive income (loss).

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 10 of the Interim Condensed Consolidated Financial Statements for further details on the Net Investment Hedge.

Fair value measurement hierarchy and impact on the consolidated balance sheets and statements of income

The following table presents information about the financial assets and liabilities measured at fair value on a recurring basis on the consolidated balance sheets and the fair value hierarchy of the valuation techniques used. See Note 11 of the Interim Condensed Consolidated Financial Statements for further details:

Fair value as at September 30, 2019				
Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Risk management derivatives				
Commodities swaps, forward and future contracts	—	4	—	4
Other derivatives				
Emission credits and allowances	—	44	—	44
Risk management and other derivatives - assets	—	48	—	48
Risk management derivatives				
Commodities swaps, forward and future contracts	—	(7)	—	(7)
US dollar forward exchange contract	—	(1)	—	(1)
Other derivatives				
Emission credits and allowances	—	(4)	—	(4)
Risk management and other derivatives - liabilities	—	(12)	—	(12)
Other items included in other long-term assets				
Redemption Options	9	—	—	87
Others	9	—	13	13
Other items included in other long-term assets	—	87	13	100
Other derivatives included in provisions and other liabilities				
Sol Put Option	13	—	(560)	(560)
Other derivatives included in prepaid expenses and other				
Intermediation Facility Derivatives	13	—	1	1

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

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Loss on risk management and other derivatives - realized ⁽¹⁾	(6)	(16)	(4)	(7)
(Loss) gain on risk management and other derivatives - unrealized ⁽¹⁾	(1)	(16)	2	(21)
Loss on risk management and other derivatives	(7)	(32)	(2)	(28)
Change in fair value of Redemption Options ⁽²⁾	31	8	68	(3)
Change in redemption value of Sol Put Option ⁽²⁾	(20)	—	(69)	—
Loss on Intermediation Facility Derivatives - realized ⁽³⁾	(5)	—	(23)	(29)
Gain (loss) on Intermediation Facility Derivatives - unrealized ⁽³⁾	5	(3)	(6)	2
Impact on consolidated statements of income	4	(27)	(32)	(58)

⁽¹⁾ Gains and losses on risk management and other derivatives are primarily driven by commodities swaps, forward contracts, and changes in relative strength of the Canadian dollar relative to the US dollar on swap contracts.

⁽²⁾ Recognized in finance and other costs.

⁽³⁾ Recognized in cost of purchases.

9. OUTLOOK

Grow organically

Parkland will continue to build and expand its convenience store offering, which will provide a strong platform for Canada Retail growth across Canada. This includes continued implementation of our refreshed On the Run / Marché Express store designs and expansion of our 59th Street Food Co. private label brand offerings. Parkland is piloting its new customer loyalty program, JOURNIE™, in two markets. JOURNIE™ is designed to expand a loyal customer base, attract new customers and build recurring fuel and merchandise sales. National rollout will begin in the fourth quarter of 2019 with launches into select Ontario, British Columbia and Quebec Markets. Full national rollout is scheduled for early 2020. Our Canadian JOURNIE™ program includes a nationwide partnership with CIBC, one of Canada's largest financial institutions.

Canada Commercial will continue to evolve its operating platform to position the business for long-term growth and performance. Canada Commercial cost reduction initiatives include rationalising non-core business lines including service businesses, employing our ROC model to reduce Operating Costs while enhancing alignment to better serve our customer base. In doing so, our ROC model will improve our ability to scale and service the oil and gas sector as demand requires while maintaining profitability. Canada Commercial growth initiatives focus on building a national fuelling network that integrates both its cardlock and delivery capabilities, expand our industrial propane offer, and implement best-in-class sales processes focused on organic growth. We anticipate that our TTM Operating Ratio will continue to improve as we progress in our execution of these initiatives and gain momentum in organic growth.

USA will continue to see benefits from an increasingly diversified business model and geographic representation. Further, USA will continue to optimize its operations based on recent acquisitions and leverage its expanded scale through cost optimization plays including consolidating retail supply contracts with primary vendors to leverage buying power across multiple regions.

International has established and is executing on organic growth initiatives. Select initiatives include the enhancement of supply and trading capabilities through investments in strategic infrastructure and logistics optimization, roll-out of a loyalty and fleet card program across the network that combines all segments, and operating model refinements to optimize margins in the business. International also sees opportunity for expansion in existing markets in key business lines such as LPG, supply, aviation and lubricants, as well as growth into new markets across the Caribbean and the Americas over time.

Overall, Parkland will continue to deploy growth capital effectively to maintain ongoing focus on retaining existing customers and winning new customers across all segments by delivering great customer experiences, building loyalty and expanding the reach of our private label offerings.

Strong supply advantage

As part of our strategy to enhance our supply advantage, Parkland will focus on the safe and reliable operation of the Burnaby Refinery and improve supply costs across North America. Plans for the 2020 Turnaround are in place for the first quarter of 2020 and certain initial set-up activities have been performed. Parkland will also continue processing bio-fuels at the Burnaby Refinery to allow for increased production of lower-carbon intensity fuels, as part of Parkland's commitment in low-carbon initiatives. We will also continue to work to be the partner of choice for all refiners and suppliers. Parkland intends to broaden its import and export capability as well as expand distribution and supply points. Parkland will also implement its supply advantage strategy at Sol to realize growth synergies. The recently opened Supply and Distribution office in Houston, Texas will continue to optimize International and USA product sourcing and logistics to deliver organizational value.

Acquire prudently and integrate

In 2019, Parkland will remain focused on realizing synergy opportunities from the Sol Transaction and Other USA Acquisitions in USA, which include implementing supply optimization strategies and making operational improvements. Moreover, Parkland continues to further integrate earlier acquisitions such as the Ultramar Acquisition and Chevron Acquisition to build a robust and scalable back office that will serve as a foundation for future growth, and drive synergies to create shareholder value. Parkland completed initiatives that are expected to deliver a run rate of Annual Synergies⁽¹⁾ on the Acquisitions of \$160 million per year with a run rate of \$180 million per year of expected Annual Synergies on the Acquisitions by the end of 2020.

With all phases of the Chevron TSA exit now complete, there will be lower integration costs related to the Chevron acquisition going forward. In line with our disciplined strategy of acquiring prudently, Parkland will continue to review its acquisition pipeline for potential targets and initiate acquisitions as strategic opportunities arise and continue to invest in the back office to support growth and integration. Parkland sees significant expansion opportunities across its portfolio in regions where we can establish a supply advantage such as the USA.

Enable our teams to succeed

At the core of our strategic imperatives are our people. We welcome the newest members of our high-performing team from Tropic Oil to Parkland. For the remainder of 2019, we will continue to focus on building One Parkland under the Parkland BOLD behaviours by leveraging and integrating our team members across the organization and building on our performance-driven culture. We will enable our teams to succeed by recruiting high-calibre team members, fostering engagement, building an industry-leading people culture, driving efficient processes, and investing in technology. Parkland's teams are working to ensure the critical element of safety remains a key focus for Parkland. At Parkland, our employees are our most important resource and by investing in our people and building One Parkland, we are directly contributing to the success of our organization and driving shareholder value.

2019 Guidance Range

As a result of the performance experienced in 2019 to date, we have raised our post-IFRS 16 Adjusted EBITDA guidance to approximately \$1,240 million with an anticipated variance of up to 5% (the "Revised 2019 Post-IFRS 16 Guidance Range"). This represents an increase of \$75 million from the previous guidance of \$1,165 million with an anticipated variance of up to 5%, which reflects strong performance to date, and a positive outlook for US and International, offset by a conservative view on Canada Retail fuel margins and Canada Commercial. The Revised 2019 Post-IFRS 16 Guidance Range include 75% of Sol's Adjusted EBITDA. Further, Parkland continues to expect approximately \$200 million of maintenance capital expenditures in 2019. We expect the 2019 growth capital expenditures to increase by \$20 million to \$220 million.

The Revised 2019 Post-IFRS 16 Guidance Range includes growth plans and initiatives that build off the 2018 Adjusted EBITDA of \$887 million and the assumption that the performance of the businesses purchased through Other USA Acquisitions and the Sol Transaction as well as general market conditions, including, but not limited to, fuel margins and weather, will remain substantially consistent in 2019. Additionally, the low end of our 2019 Guidance Range accounts for potential adverse market conditions across our areas of operation as well as lower refining crack spreads, while the high end of our Revised 2019 Post-IFRS 16 Guidance Range accounts for contributions from additional synergies relating to prior acquisitions (including the Sol Transaction), and higher refining crack spreads. The Revised 2019 Post-IFRS 16 Guidance Range is based on certain assumptions, including, but not limited to, estimates of future performance of the Sol Transaction, with such estimates being based on prior performance.

Other than as disclosed above, the factors and assumptions that contribute to Parkland's assessment of the Revised 2019 Post-IFRS 16 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 8 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 February 28, 2019 on SEDAR at www.sedar.com for more information.

⁽¹⁾ "Annual Synergies" is a forecasted annualized run-rate measure and is considered to be forward-looking information. See Sections 12 and 13 of this MD&A.

10. OTHER

Controls environment

Internal controls over financial reporting

Based on the evaluation of the design 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 effectively as at September 30, 2019.

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 September 30, 2019 as Parkland closed the Sol Transaction on January 8, 2019, and acquired individually immaterial businesses in the fourth quarter of 2018, and the second quarter of 2019. 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 September 30, 2019	(\$ millions)	Nine months ended September 30, 2019
Current assets	809	Sales and operating revenue	3,626
Non-current assets	2,045	Net earnings	92
Current liabilities	365		
Non-current liabilities	494		

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the nine months ended September 30, 2019 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 September 30, 2019, Parkland provided \$1,981 million (December 31, 2018 - \$866 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 September 30, 2019, these guarantees amount to \$266 million (December 31, 2018 - \$233 million) and are not recognized in the Interim Condensed Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including November 18, 2020.

Shares outstanding

As at September 30, 2019, Parkland had approximately 148 million common shares, 4 million share options and 1 million restricted share units outstanding. The share options consist of approximately 2 million share options that are currently exercisable into common shares.

11. 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 Notes 2 and 3 of the Annual Consolidated Financial Statements and Note 2 of the Interim Condensed Consolidated Financial Statements for a summary of significant accounting policies or references to notes where such policies are contained.

Recently adopted accounting pronouncements

IFRS 16 – Leases

On January 1, 2019, Parkland adopted IFRS 16 - Leases ("IFRS 16") using the modified retrospective approach. The cumulative effect of initially adopting IFRS 16 increased Parkland's assets and liabilities, depreciation and amortization, and finance and other costs, while reducing Operating Costs. Cash payments associated with operating leases were previously presented under operating activities. On adoption of IFRS 16, the cash flows associated with lease payments are allocated between financing activities for the repayment of the principal liability, and operating activities for the interest component. The overall impact to cash flow for Parkland remains unchanged. Comparative information is not restated and continues to be reported under the previous lease standard in effect during those periods. See Note 3 of the Interim Condensed Consolidated Financial Statements for further information.

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments that affect the reported amounts of revenue, expenses, assets, liabilities, accompanying disclosures and the disclosure of contingent liabilities. These estimates and judgments are subject to change based on experience and new information. Refer to "Significant accounting estimates, assumptions and judgments" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgments. Since the date of our Annual MD&A, there were no material changes to the significant accounting estimates, assumptions and judgments.

12. 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 20 - Segment Information of the Interim Condensed 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 20 of the Interim Condensed 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. Adjusted EBITDA 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, and (v) realized foreign exchange gains and losses as a result of refinancing activities. Note that Adjusted EBITDA for Q1 2019 and periods thereafter includes the adoption of IFRS 16 as of January 1, 2019. Prior periods' Adjusted EBITDA have not been restated to reflect the adoption of IFRS 16.

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

	Three months ended September 30,		Nine months ended September 30,	
(\$ millions)	2019	2018	2019	2018
Net earnings	26	49	228	129
Add:				
Depreciation and amortization	160	77	435	222
Finance and other costs	69	28	219	109
Loss on asset disposals	7	—	7	23
Acquisition, integration and other costs	28	24	77	53
Loss (gain) on risk management and other derivatives - unrealized	1	16	(2)	21
Loss (gain) on foreign exchange - unrealized	17	(19)	(26)	6
Other adjusting items ⁽¹⁾	(6)	9	(1)	4
Income tax expense	20	16	94	35
Adjusted EBITDA including NCI	322	200	1,031	602
Less:				
Attributable to NCI	20	—	68	—
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	302	200	963	602

⁽¹⁾ Other adjusting items include unrealized (gain) loss on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

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:

	Three months ended September 30,		Nine months ended September 30,	
(\$ millions)	2019	2018	2019	2018
Sales and operating revenue	4,605	3,811	13,674	10,936
Cost of purchases	(3,919)	(3,334)	(11,577)	(9,526)
Loss on risk management and other derivatives - realized	(6)	(16)	(4)	(7)
Gain (loss) on foreign exchange - realized	4	(5)	5	1
Other adjusting items ⁽²⁾	(5)	9	6	4
Adjusted gross profit	679	465	2,104	1,408
Fuel and petroleum product adjusted gross profit	565	393	1,784	1,206
Non-fuel adjusted gross profit	114	72	320	202
Adjusted gross profit	679	465	2,104	1,408

⁽²⁾ Other adjusting items include unrealized (gain) loss on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

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 + share incentive compensation + acquisition pro-forma EBITDA adjustment ⁽²⁾ + acquisition, integration and other costs adjustment ⁽²⁾ - IFRS 16 impact on Adjusted EBITDA	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 = [current portion of long-term debt + bank indebtedness + non-current portion of long-term debt (excluding Senior Notes) - long-term debt attributable to NCI + letters of credit - letters of credit attributable to NCI] - cash and cash equivalents and restricted cash + cash and cash equivalents and restricted cash attributable to NCI	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 used to monitor and guide Parkland's overall financial strength and capital structure flexibility.
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 = Senior Funded Debt + Senior Notes	
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.
Net unit operating cost ("NUOC")⁽¹⁾	Retail industry metric that represents adjusted fuel gross profit required per litre for the segment to break even on Operating Costs and Marketing, General and Administrative ("MG&A") expenses	NUOC ⁽¹⁾ = [Operating Costs + MG&A expenses - non-fuel adjusted gross profit] ÷ fuel and petroleum product volume	We use this metric to measure performance of the Canada Retail segment. We believe it provides transparency and predictive value for Operating Costs and MG&A expenses in relation to fuel sales within the segment.
TTM operating ratio⁽¹⁾	Operating metric that represents operating costs and MG&A expenses as a percentage of gross profit	TTM operating ratio ⁽¹⁾ = [Operating Costs + MG&A expenses] ÷ adjusted gross profit	We use this ratio to measure performance of the Canada Commercial, USA and International segments as we believe it provides transparency and predictive value on Operating Costs and MG&A expenses.
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.

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 7 of this MD&A.
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.	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 7 of this MD&A.

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2019
	December 31, 2018	March 31, 2019	June 30, 2019	September 30, 2019	
Adjusted EBITDA	285	315	346	302	1,248
Share incentive compensation	4	4	4	4	16
Reverse: IFRS 16 impact on Adjusted EBITDA	—	(27)	(31)	(34)	(92)
	289	292	319	272	1,172
Acquisition pro-forma adjustment ⁽¹⁾					56
Acquisition, integration and other costs adjustment ⁽²⁾					(11)
Credit Facility EBITDA					1,217

⁽¹⁾ Amounts for the trailing twelve months ended September 30, 2019 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on July 1, 2018 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 \$11 million pursuant to the terms of the Credit Facility dated March 29, 2018. This amount is used for debt covenant calculation purposes only.

(\$ millions)	Three months ended				Trailing twelve months ended December 31, 2018
	March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	
Adjusted EBITDA	153	249	200	285	887
Share incentive compensation	—	4	5	4	13
	153	253	205	289	900
Acquisition pro-forma adjustment ⁽³⁾					14
Acquisition, integration and other costs adjustment ⁽⁴⁾					(1)
Credit Facility EBITDA					913

⁽³⁾ Amounts for the trailing twelve months ended December 31, 2018 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on January 1, 2018 pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽⁴⁾ The adjustment for acquisition, integration and other costs was calculated to be \$1 million pursuant to the terms of the Credit Facility dated March 29, 2018. This amount is used for debt covenant calculation purposes only.

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

(\$ millions)	September 30, 2019	December 31, 2018
Senior Funded Debt:		
Long-term debt - current portion	131	4
Long-term debt - non-current portion (excluding Senior Notes)	883	89
Long term debt - attributable to NCI	(14)	—
Letters of credit ⁽⁵⁾	36	29
Exclude: letters of credit attributable to NCI ⁽⁵⁾	(3)	—
Less: cash and cash equivalents	(290)	(40)
Exclude: cash and cash equivalents attributable to NCI ⁽⁵⁾	49	—
Less: IFRS 16 lease obligations	(470)	—
Senior Funded Debt	322	82
Senior Notes	2,817	2,170
Total Funded Debt	3,139	2,252
Credit Facility EBITDA	1,217	913
Senior Funded Debt to Credit Facility EBITDA ratio	0.26	0.09
Total Funded Debt to Credit Facility EBITDA ratio	2.58	2.47

⁽⁵⁾ Calculated pursuant to the terms of the Credit Facility.

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	September 30, 2019	December 31, 2018
Credit Facility EBITDA	1,217	913
Interest ⁽⁶⁾	204	140
Interest coverage ratio	5.97	6.52

⁽⁶⁾ Calculated pursuant to the terms of the Credit Facility.

NUOC

Canada Retail

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2019
	December 31, 2018 ⁽³⁾	March 31, 2019 ⁽²⁾	June 30, 2019 ⁽²⁾	September 30, 2019 ⁽²⁾	
Operating Costs	76	69	73	76	294
Marketing, General and Administrative	15	16	17	14	62
Less: Non-fuel adjusted gross profit	(35)	(36)	(36)	(41)	(148)
	56	49	54	49	208
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,742	1,608	1,733	1,831	6,914
NUOC	3.21	3.05	3.12	2.68	3.01

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2018
	December 31, 2017 ⁽³⁾	March 31, 2018 ⁽³⁾	June 30, 2018 ⁽³⁾	September 30, 2018 ⁽³⁾	
Operating Costs	81	76	82	80	319
Marketing, General and Administrative	15	15	14	15	59
Less: Non-fuel adjusted gross profit	(36)	(35)	(40)	(38)	(149)
	60	56	56	57	229
Fuel and petroleum product volume ⁽³⁾ (million litres)	1,731	1,586	1,725	1,852	6,894
NUOC	3.49	3.53	3.25	3.08	3.32

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ 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. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

⁽³⁾ 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

TTM operating ratio

Canada Commercial

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2019
	December 31, 2018 ⁽³⁾	March 31, 2019 ⁽⁴⁾	June 30, 2019 ⁽⁴⁾	September 30, 2019 ⁽⁴⁾	
Operating Costs	48	53	45	40	186
Marketing, General and Administrative	12	12	10	12	46
	60	65	55	52	232
Adjusted gross profit	87	108	65	63	323
TTM operating ratio					71.8%

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2018
	December 30, 2017 ⁽³⁾	March 31, 2018 ⁽³⁾	June 30, 2018 ⁽³⁾	September 30, 2018 ⁽³⁾	
Operating Costs	50	57	45	41	193
Marketing, General and Administrative	12	9	11	11	43
	62	66	56	52	236
Adjusted gross profit	90	104	74	62	330
TTM operating ratio					71.5%

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

⁽³⁾ 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

USA

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2019
	December 31, 2018 ⁽²⁾	March 31, 2019 ⁽¹⁾	June 30, 2019 ⁽¹⁾	September 30, 2019 ⁽¹⁾	
Operating Costs	21	21	23	26	91
Marketing, General and Administrative	6	6	8	5	25
	27	27	31	31	116
Adjusted gross profit	38	38	44	48	168
TTM operating ratio					69.0%

(\$ millions)	Three months ended				Trailing twelve months ended September 30, 2018
	December 31, 2017 ⁽²⁾	March 31, 2018 ⁽²⁾	June 30, 2018 ⁽²⁾	September 30, 2018 ⁽²⁾	
Operating Costs	10	10	11	13	44
Marketing, General and Administrative	3	2	2	3	10
	13	12	13	16	54
Adjusted gross profit	17	16	18	24	75
TTM operating ratio					72.0%

⁽¹⁾ 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. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽²⁾ 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

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

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2019 ⁽³⁾	2018 ⁽⁴⁾	2019 ⁽³⁾	2018 ⁽⁴⁾
Corporate Marketing, General and Administrative expenses	29	26	85	79
Parkland's adjusted gross profit	679	465	2,104	1,408
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	4.3%	5.6%	4.0%	5.6%

⁽³⁾ 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. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

⁽⁴⁾ 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

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, expansions and renovations of stores 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. Beginning in Q2 2019, this KPI excludes lottery sales, but includes lottery commissions to be consistent with industry practice. Prior periods comparatives included in this MD&A have been restated to conform with recent presentation.	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, expansions and renovations of stores 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.
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 13 of this MD&A.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
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.	LTIF and TRIF provide meaningful information in evaluating performance in providing a safe working environment. LTIF represents the number of people for every 100 employees injured to an extent that they cannot perform any work for a minimum of one day, post-injury.	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.
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.

13. 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;
- commitment to drive organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies;
- 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 and increasing our import and export capabilities;
- 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 and synergies of completed 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 franchise system and related trademarks in Canada, providing a strong retail platform for Parkland to expand and support its retail offering across Canada, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brand, 59th Street Food Co.;
- national rollout of the JOURNIE™ program and the timing thereof;

- 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;
- strategy to optimize the value of other products that are not sold through its "owned" marketing channels;
- platform for growth in North America and the Caribbean;
- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- 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 Commercial and Canada Retail business segments;
- ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- expectations regarding Annual Synergies, the 2019 Guidance Range and the business outlook contained in this MD&A;
- 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 Acquisitions, and the Sol Transaction.

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:

- the regulatory framework that governs the operation of Parkland's business;
- Parkland's ability to successfully integrate completed acquisitions into Parkland's 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 foreign exchange rates;
- ability to successfully expand Parkland's business into the Caribbean;
- 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;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to capture value in each step of the value chain;
- ability 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 Sol shares;
- 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;
- the 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 Acquisitions and the Sol Transaction;
- 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.

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