



MANAGEMENT'S DISCUSSION AND ANALYSIS

Q2 2021



Report to shareholders

Management's Discussion and Analysis

Q2 2021

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Corporation ("Parkland", "we", "our" or "us") dated August 5, 2021 should be read in conjunction with our June 30, 2021 interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2020 (the "Annual Consolidated Financial Statements"), our 2020 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2020 dated March 5, 2021 (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. 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.

The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021.

Non-GAAP financial measures and key performance indicators

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

Adjusted EBITDA and Adjusted gross profit

Adjusted EBITDA and Adjusted gross profit, including fuel and petroleum product Adjusted gross profit, are measures of segment profit as reported in Note 13 of the Interim Condensed Consolidated Financial Statements and Note 24 of the Annual Consolidated Financial Statements. Refer to Section 14 of this MD&A for more information on these measures of segment profit and non-GAAP financial measures.

Risks and forward-looking information

Parkland's financial and operational performance is potentially affected by a number of factors including, but not limited to, the factors described 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 10 of this MD&A and the Risk Factors section of the Annual MD&A and Annual Information Form. Readers are cautioned that such forward-looking information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 15 of this MD&A for further details.

1. PARKLAND OVERVIEW

Parkland Corporation ("Parkland" or "the Company") is a leading convenience store operator, independent supplier and marketer of fuel and petroleum products. The Company's operations span 25 countries across the Americas. Through its family of trusted brands, Parkland serves customers through its retail, commercial and wholesale sales channels, and optimizes its fuel supply to each by leveraging a growing portfolio of supply relationships and storage and logistics infrastructure and by operating its refinery in Burnaby, British Columbia (the "Burnaby Refinery").

Parkland captures value across its entire value chain and its proven strategy is centred around growing organically, realizing a strong supply advantage, acquiring prudently and integrating successfully, and enabling our teams to succeed in an agile organizational culture. The Company's diverse geographical reach and product portfolio provides a resilient, stable platform with multiple avenues for growth. The Company is focused on expanding margins across its fuel and non-fuel categories and delivering the essential fuels its customers depend on, with lower carbon intensity. Coupled with its track record of renewable fuel manufacturing and as a natural extension to its commitment to a lower-carbon future and energy transition activities, Parkland has announced an Electric Vehicle ultra-fast charging network in the emerging British Columbia market.

Effective May 15, 2020, Parkland amended its articles to change its name from "Parkland Fuel Corporation" to "Parkland Corporation" and adopted "Corporation Parkland" as its French name.

2. PERFORMANCE OVERVIEW

(\$ millions, unless otherwise noted)	Three months ended June 30,			Six months ended June 30,		
Financial Summary	2021	2020	2019	2021	2020	2019
Sales and operating revenue ⁽¹⁾	5,021	2,691	4,854	9,254	7,007	9,069
Fuel and petroleum product volume (million litres) ⁽¹⁾	5,760	4,730	5,525	11,296	10,638	10,861
Adjusted gross profit ⁽²⁾⁽³⁾	699	487	728	1,364	1,080	1,425
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾⁽³⁾	322	191	346	636	382	661
Canada ⁽⁴⁾	101	93	71	217	195	188
International	66	54	74	133	121	145
USA ⁽⁵⁾	31	27	13	51	43	24
Supply ⁽⁴⁾⁽⁵⁾	154	35	218	290	77	361
Corporate	(30)	(18)	(30)	(55)	(54)	(57)
Net earnings (loss)	(50)	31	111	(12)	(43)	202
Net earnings (loss) attributable to Parkland	(57)	32	105	(26)	(47)	182
Net earnings (loss) per share - basic (\$ per share)	(0.38)	0.22	0.72	(0.17)	(0.32)	1.25
Net earnings (loss) per share - diluted (\$ per share)	(0.38)	0.21	0.70	(0.17)	(0.32)	1.22
Adjusted earnings (loss) attributable to Parkland ("Adjusted earnings (loss)") ⁽³⁾	96	(10)	104	188	(12)	193
Adjusted earnings (loss) per share - basic (\$ per share) ⁽³⁾	0.64	(0.07)	0.71	1.25	(0.08)	1.32
Adjusted earnings (loss) per share - diluted (\$ per share) ⁽³⁾	0.63	(0.07)	0.69	1.24	(0.08)	1.30
Distributable cash flow ⁽³⁾⁽⁶⁾	769	364	612	769	364	612
Distributable cash flow per share ⁽³⁾⁽⁶⁾	5.13	2.46	4.40	5.13	2.46	4.40
Dividends	48	45	45	95	90	88
Per share	0.3087	0.3036	0.2985	0.6123	0.6038	0.5936
Weighted average number of common shares (million shares)	151	149	147	151	149	146
Total assets	9,972	9,702	9,104	9,972	9,702	9,104
Non-current financial liabilities	4,997	4,500	4,166	4,997	4,500	4,166

⁽¹⁾ Certain amounts within sales and operating revenue and fuel and petroleum product volumes were restated and reclassified to conform to the presentation used in the current period.

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

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

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

⁽⁵⁾ For comparative purposes, information for previous periods was restated due to a change in segment presentation. The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021.

⁽⁶⁾ Amounts presented on a trailing-twelve-month basis.

Adjusted EBITDA and Adjusted earnings (loss)

Parkland recorded Adjusted EBITDA of \$322 million for the second quarter of 2021 and \$636 million for the first six months of 2021, representing an increase of \$131 million and \$254 million, respectively, as compared to the same periods in 2020. Overall, the period-over-period variances in Adjusted EBITDA are due to the following:

- Canada achieved a \$8 million increase in Adjusted EBITDA for the second quarter of 2021 and a \$22 million increase for the first six months of 2021, driven by (i) higher fuel volumes during the second quarter of 2021, (ii) stronger unit margins, and (iii) margin optimization initiatives, partially offset by the increase in operating and marketing, general and administrative costs primarily due to (i) reduction in Canada Emergency Wage Subsidy ("CEWS"), (ii) increased variable costs associated with higher fuel volumes, and (iii) normalization of employee and other costs to support the partial return to pre-COVID-19 business activity and growth programs.
- International achieved a \$12 million increase in Adjusted EBITDA for the second quarter and the first six months of 2021 primarily due to (i) stronger unit margins driven by wholesale value chain optimization, and (ii) cost reduction initiatives, partially offset by (i) COVID-19-related impacts including restrictions and low tourism, and (ii) a weakened U.S. Dollar.
- USA achieved a \$4 million increase in Adjusted EBITDA for the second quarter of 2021 and a \$8 million increase for the first six months of 2021, driven by (i) the Acquisitions¹, (ii) increased economic activities in the second quarter of 2021 as a result of continued COVID-19 recovery, (iii) margin optimization initiatives, and (iv) continued focus on organic growth. These increases were partially offset by (i) continued demand weakness in the cruise ship and oil and gas industries, (ii) impact of inflation on labour and other operating costs, and (iii) a weakened U.S. Dollar.
- Supply achieved a \$119 million increase in Adjusted EBITDA for the second quarter of 2021 and a \$213 million increase for the first six months of 2021, driven by (i) safe and reliable operations leading to increased utilization to meet the rebounding product demand, (ii) the planned shutdown of the Burnaby Refinery for the 2020 Turnaround (the "Turnaround"), which was completed in April 2020, and (iii) lower utilization rates in the prior year following start-up after Turnaround to manage the reduced product demand and lower finished product prices driven by COVID-19. These increases were partially offset by (i) reduction in CEWS and (ii) partial return to pre-COVID-19 business activity and its impact on employee-related costs.
- Corporate Adjusted EBITDA expense increased by \$12 million for the second quarter of 2021 and \$1 million for the first six months of 2021, primarily due to (i) reduction in CEWS, (ii) increased administration cost to support the partial return to pre-COVID-19 business activities and growth programs, and (iii) normalization of employee costs after the cost reduction initiatives taken in the second quarter of 2020.

Parkland recorded Adjusted earnings of \$96 million for the second quarter of 2021 and \$188 million for the first six months of 2021, representing an increase of \$106 million and \$200 million for the second quarter and the first six months of 2021 respectively, as compared to the same periods in 2020, primarily due to increases in Adjusted EBITDA as discussed above, partially offset by the increase in income taxes due to higher taxable income.

Net earnings (loss)

Net losses attributable to Parkland were \$57 million for the second quarter of 2021 and \$26 million for the first six months of 2021, representing a decrease of \$89 million and an increase of \$21 million in net earnings respectively as compared to the same periods in 2020. These changes were primarily due to (i) the increase in Adjusted EBITDA as discussed above and (ii) lower acquisition, integration and other costs driven by comprehensive restructuring activities undertaken in the prior year in response to COVID-19, which did not recur in 2021. These increases were offset by the following:

- net changes in non-cash valuation losses within other (gains) and losses related to (i) increase in redemption value of Sol Put Option driven by strong underlying results of International and continued recovery from COVID-19, and (ii) impact of early redemption of the \$300 million 5.75% Senior Notes, US\$500 million 6.00% US Senior Notes and \$500 million 5.625% Senior Notes (collectively the "2021 Redeemed Senior Notes");
- increase in finance costs driven by the early redemption of the 2021 Redeemed Senior Notes; and
- increase in tax expense driven by an increase in taxable income.

¹ Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interests of Kellerstrass Enterprises, LLC as well as equity interests and the assets of certain of its affiliates on February 14, 2020; (ii) certain ConoMart Super Stores on May 13, 2020 (the "ConoMart Acquisition"); (iii) all of the assets of Sevier Valley Oil Company, Inc. on December 7, 2020; and (iv) certain assets of Carter Oil Company, Inc. all of which were accounted for as individually separate business combinations (collectively, the "2020 USA Acquisitions"). Parkland also completed the acquisition of: (i) the assets of Story Distributing Company and its affiliates (collectively, "Story") on February 1, 2021; and (ii) the outstanding shares of Conrad and Bischoff Inc. and its related companies (collectively, "C&B") on April 7, 2021 (the "2021 USA Acquisitions", and together with the 2020 USA Acquisitions, the "Acquisitions").

Cash flows and liquidity

Parkland achieved distributable cash flows² of \$769 million for the trailing twelve months ended June 30, 2021 and cash flow from operations of \$322 million and \$586 million for the second quarter and for the first six months of 2021, respectively. This cash generation is due to strong operational performance and effective cost control measures.

- The cash flow from Parkland's operations for the second quarter and for the first six months of 2021 fully funded our capital expenditures, dividend payments and payments for interest on leases and long-term debt, providing us with continued balance sheet strength and financial flexibility.
- Parkland amended the existing syndicated facility to expand the available facility and extend the maturity date until 2026, increasing financial flexibility and positioning ourselves to take advantage of potential future growth opportunities.
- Parkland completed the private offering of the (i) 4.375% \$600 million Senior Notes, due 2029 on March 25, 2021, (ii) the 4.50% US\$800 million Senior Notes, due 2029 on April 13, 2021, and (iii) the 3.875% \$600 million Senior Notes, due 2026 on June 16, 2021, respectively (collectively, the "2021 Senior Notes Offerings"). The net proceeds from the 2021 Senior Notes Offerings were used to repay (i) the 2021 Redeemed Senior Notes, and (ii) certain amounts outstanding under the Credit Facility. These transactions extend the maturity of Parkland's debt, provide financial flexibility, increase liquidity and reduce financing costs.
- Total Funded Debt to Credit Facility EBITDA² ratio as at June 30, 2021 was 3.00, at similar levels compared to December 31, 2020 despite the 2021 Acquisitions, and well below the covenant restriction of 5.00.
- Liquidity available as at June 30, 2021 was \$1,826 million.

Dividends and dividend payout ratio

- Dividends of \$48 million and \$95 million for the second quarter and the first six months of 2021, respectively, were issued to shareholders. The dividends issued were higher as compared to the respective periods in 2020, primarily due to a \$0.0204 per share increase in the annual dividend effective March 31, 2020 and April 15, 2021, and an increase in the number of common shares outstanding driven by shares issued under the dividend reinvestment and stock option plans, the at-the-market ("ATM") equity program, and vesting of restricted share units.
- The dividend payout ratio² decreased by 24 p.p. for the trailing twelve months ended June 30, 2021, as compared to the same period in 2020. This decrease is primarily attributable to higher distributable cash flows driven by higher Adjusted EBITDA due to partial return to COVID-19 business activity and lower maintenance capital expenditure as a result of the Turnaround completed in the first six months of 2020.
- In 2021, Parkland increased its per-share annual dividend for the 9th consecutive year. Dividends increased by \$0.0204 per share, from \$1.2144 to \$1.2348, effective with the monthly dividend payable on April 15, 2021.

Capital expenditures attributable to Parkland

Parkland maintained a prudent approach to growth and maintenance capital expenditures to sustain financial flexibility and balance sheet strength in the current uncertain economic environment. The decrease in capital expenditures during the second quarter and the first six months of 2021, as compared to the same periods in 2020, is primarily due to higher spending in the prior year because of the Turnaround and continued re-prioritization and deferral of certain capital projects as a result of continued restrictions and safety measures in place due to COVID-19. Some of these capital projects are expected to be completed during 2021. Parkland has reduced the 2021 Capital Program³ range by \$50 million as result of re-prioritization and deferral of certain growth capital projects (see Section 11 of this MD&A).

- Growth capital expenditures attributable to Parkland² were \$18 million for the second quarter of 2021 and \$36 million for the first six months of 2021, primarily focused on (i) selected network and infrastructure development, (ii) site conversions and branding, (iii) low-carbon manufacturing growth initiatives at the Burnaby Refinery, and (iv) improving customer value proposition across our business.
- Maintenance capital expenditures attributable to Parkland² were \$45 million for the second quarter of 2021 and \$65 million for the first six months of 2021, primarily related to infrastructure, safety, equipment and IT maintenance and upgrades across our areas of operations, and other ongoing maintenance projects at the Burnaby Refinery.

² Non-GAAP financial measures. See Section 14 of this MD&A.

³ For additional details regarding the 2021 Capital Program, refer to the Annual MD&A and Parkland's press release dated March 4, 2021.

3. SUSTAINABILITY

Parkland's inaugural Sustainability Report issued on September 30, 2020 outlines our established environmental, social and governance ("ESG") practices and sets the stage for the development of Parkland's enterprise-wide sustainability strategy. While sustainability practices are already deeply embedded across our business, we are developing an enterprise-wide sustainability strategy that will be grounded in meaningful ESG targets, ongoing transparency and regular performance reporting while building on our accomplishments and low-carbon leadership.

The report highlights Parkland's existing sustainability practices coupled with the Company's philosophy and aspirations within each of its five strategic focus areas including: (i) Climate Change, (ii) Safety and Emergency Preparedness, (iii) Product Transportation and Storage, (iv) Diversity and Inclusion, and (v) Governance and Ethics. The following are the key updates for the first six months of 2021 as we continue to advance in our sustainability journey:

- We plan to publish our next Sustainability Report in the fourth quarter of 2021, which will build upon our inaugural report and contain an overview of our enterprise-wide sustainability strategy, including greenhouse gas emissions reduction targets.
- We achieved record volumes of co-processed bio-feedstocks of 25 million liters per quarter, which is a reflection of our commitment to renewable fuel leadership. This increase in co-processing is underpinned by the work completed during the Turnaround. Bio-feedstocks, such as tallow and canola, are considered carbon neutral feedstocks for the Burnaby Refinery and produce lower-carbon refined products. We are on track to achieve our 2021 co-processing target of 100 million litres, which has the equivalent effect of taking over 80,000 passenger vehicles off the road.
- We announced plans to launch the largest network (by site count) of Electric Vehicle ultra-fast chargers in British Columbia as a natural extension to our energy transition activities. Strategically located on major highways and in key cities and towns across our extensive retail portfolio, this network of approximately 25 high-quality sites will stretch from Vancouver Island to Calgary and is expected to open to customers in 2022.
- Further to our commitment to lower-carbon leadership, on March 1, 2021 we launched a "carbon offset" reward option as part of our JOURNIE™ Rewards program to help customers offset their emissions. These carbon offsets will be directed toward a landfill gas capture and utilization project in Niagara, Ontario.
- We are committed to diversity at all levels of the organization. The Board of Directors adopted a written diversity policy that sets a target for women to occupy at least 30 percent of Board seats and executive officer positions by 2023 and 2025, respectively. Women currently occupy 22 percent of Board seats and 20 percent of executive officer positions.
- We continued to celebrate and embed Diversity and Inclusion ("D&I") with our Senior Leadership Team completing 88 hours and employees completing over 1 000 hours of D&I training. We also hosted Pride Month events attended by over 900 employees and our Women's network ran employee events focused on balancing work and life.
- Effective August 5, 2021, and consistent with our commitment to Board renewal, we appointed Board members with extensive global experience in supply, low carbon technologies and in creating value across the entire downstream value chain. We expect the Board, and our shareholders, will benefit greatly from their contributions.

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

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

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 encourages employees to identify hazards and protect themselves, their co-workers, and the communities we operate in while going about their day-to-day work, "Drive to Zero", which aims to reduce at-risk behaviours, and "8 Life Saving Rules", a set of standards that help mitigate risks and reduce injuries and incidents.

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. Despite a small increase compared to the prior year, these strong results are within our annual target and demonstrate Parkland's continued commitment to safety. We are confident that a continual focus on our leading HSE indicators will drive long term sustainable LTIF and TRIF improvements.

	June 30, 2021	June 30, 2020
TTM LTIF ⁽¹⁾	0.26	0.17
TTM TRIF ⁽¹⁾	1.19	1.16

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

4. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Refer to Note 24 of the Annual Consolidated Financial Statements for a description of Parkland's segments and Note 13 of the Interim Condensed Consolidated Financial Statements for any changes during the first six months of 2021.

Canada

	Three months ended June 30,				Six months ended June 30,			
(\$ millions, unless otherwise noted)	2021	2020	Change	%	2021	2020	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	2,110	1,828	282	15%	4,214	4,188	26	1%
Fuel and petroleum product adjusted gross profit ⁽²⁾⁽⁵⁾	183	158	25	16%	380	353	27	8%
Non-fuel adjusted gross profit ⁽²⁾	53	45	8	18%	101	91	10	11%
Adjusted gross profit ⁽²⁾	236	203	33	16%	481	444	37	8%
Operating Costs	109	93	16	17%	216	210	6	3%
Marketing, General and Administrative	26	17	9	53%	48	40	8	20%
Adjusted EBITDA ⁽²⁾	101	93	8	9%	217	195	22	11%
KPIs:								
Company Volume SSSG ⁽³⁾⁽⁴⁾	15.5%	(29.3)%	44.8p.p		(2.3)%	(17.3)%	15.0p.p	
Company C-Store SSSG ⁽³⁾	(3.2)%	12.1%	(15.3)p.p		0.8%	6.7%	(5.9)p.p	

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit and non-GAAP financial measure. See Section 14 of this MD&A.

⁽³⁾ SSSG denotes same-store sales growth. See Section 14 of this MD&A for an explanation of this KPI.

⁽⁴⁾ Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.

⁽⁵⁾ Fuel and petroleum product adjusted gross profit (cpl) was 8.67 for the second quarter of 2021 (2020 - 8.64) and 9.02 for the first six months of 2021 (2020 - 8.43).

Q2 and Q2 YTD Performance - 2021 vs. 2020

Canada delivered strong results with Adjusted EBITDA of \$101 million for the second quarter of 2021 and \$217 million for the first six months of 2021, representing increases of \$8 million and \$22 million, respectively, as compared to the same periods in 2020. The increase in Adjusted EBITDA is primarily due to the following:

- Fuel and petroleum product adjusted gross profit increased \$25 million for the second quarter of 2021 and \$27 million for the first six months of 2021 as compared to the same periods in 2020 driven by higher fuel volumes and stronger unit margins. Higher fuel volumes were due to increased domestic vehicle traffic and economic activity as a result of reduced COVID-19 restrictions during the second quarter of 2021. Stronger unit margins were attributed to favourable market dynamics and the benefits from investments made in our digital and analytics capabilities.
- Non-fuel adjusted gross profit increased by \$8 million for the second quarter of 2021, and \$10 million for the first six months of 2021 as compared to the same periods in 2020, driven by sales increases across several categories, including car wash, Triple O's sales, beverages and alcohol, combined with margin optimization initiatives across most categories. Strong non-fuel performance was also attributed to the advancement of C-Store improvement initiatives, including the JOURNIETM Rewards loyalty program, On The Run / Marché Express conversion program, SkipTheDishes delivery and 59th Street Food Co., which is reflected in Company C-Store SSSG (excluding cigarettes) of 8.6% for the second quarter of 2021 and 9.3% for the first six months of 2021. Including cigarettes, Company C-Store SSSG was (3.2)% for the second quarter of 2021 and 0.8% for the first six months of 2021 due to temporary COVID-19-related closure of competing sales channels and changes in consumer behaviour, which increased cigarette sales in the second quarter of 2020.
- Operating costs increased \$16 million for the second quarter of 2021 and \$6 million for the first six months of 2021 as compared to the same periods in 2020 due to (i) reduction in CEWS, (ii) increased variable costs as a result of increased fuel demand resulting in higher retailer commissions, and credit card fees, (iii) increased costs to support the partial return to pre-COVID-19 business activity and growth programs, and (iv) normalization of employee costs after the cost reduction initiatives in the second quarter of 2020.
- Marketing General and Administrative expenses increased \$9 million for the second quarter of 2021 and \$8 million for the first six months of 2021 as compared to the same periods in 2020 due to (i) reduction in CEWS, (ii) increased costs to support the partial return to pre-COVID-19 business activity and growth programs including activation of marketing and digital programs, and (iii) normalization of employee costs after the cost reduction initiatives in the second quarter of 2020.

International

	Three months ended June 30,				Six months ended June 30,			
(\$ millions, unless otherwise noted)	2021	2020	Change	%	2021	2020	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,202	1,222	(20)	(2)%	2,431	2,618	(187)	(7)%
Fuel and petroleum product adjusted gross profit ⁽¹⁾⁽²⁾⁽³⁾	122	100	22	22%	240	232	8	3%
Non-fuel adjusted gross profit ⁽¹⁾⁽²⁾	17	17	—	—%	39	46	(7)	(15)%
Adjusted gross profit ⁽¹⁾⁽²⁾	139	117	22	19%	279	278	1	—%
Operating Costs ⁽¹⁾	35	34	1	3%	69	81	(12)	(15)%
Marketing, General and Administrative ⁽¹⁾	19	15	4	27%	38	42	(4)	(10)%
Adjusted EBITDA including NCI ⁽¹⁾	88	71	17	24%	178	161	17	11%
Less: Adjusted EBITDA attributable to NCI	22	17	5	29%	45	40	5	13%
Adjusted EBITDA ⁽²⁾	66	54	12	22%	133	121	12	10%

⁽¹⁾ At 100% Sol interest.

⁽²⁾ Measure of segment profit and non-GAAP financial measure. See Section 14 of this MD&A.

⁽³⁾ Fuel and petroleum product adjusted gross profit (cpl) was 10.15 for the second quarter of 2021 (2020 - 8.18) and 9.87 for the first six months of 2021 (2020 - 8.86).

Q2 and Q2 YTD Performance – 2021 vs. 2020

International delivered strong results with Adjusted EBITDA of \$66 million for the second quarter of 2021 and \$133 million for the first six months of 2021, representing an increase of \$12 million as compared to the same periods in 2020. The increase in Adjusted EBITDA in local currencies was offset by the currency translation impact of the stronger Canadian Dollar. The increase in Adjusted EBITDA is primarily due to the following:

- Fuel and petroleum adjusted gross profit increased \$22 million for the second quarter of 2021 and \$8 million for the first six months of 2021 as compared to the same periods in 2020, primarily due to stronger unit margins partially offset by lower volumes and the impact of a weakened U.S. Dollar. Stronger unit margins were driven by continued optimization of the wholesale value chain, which created attractive commercial opportunities. Lower volumes during the second quarter of 2021 were primarily driven by weaker wholesale demand due to full period impact of COVID-19-related restrictions in certain markets. Retail volumes increased compared to the second quarter of 2020 as local restrictions began to lift in the Spanish Caribbean.
- Non-fuel adjusted gross profit remained flat for the second quarter of 2021 and decreased \$7 million for the first six months of 2021 as compared to the same periods in 2020 primarily due to (i) the impact of reduced aviation traffic on non-fuel aviation service fees, (ii) the impact of continued COVID-19 restrictions and shutdowns on convenience stores and other non-fuel sales, and (iii) the impact of a weakened U.S. Dollar.
- Operating Costs and Marketing, General and Administrative expenses increased \$1 million and \$4 million, respectively, in the second quarter of 2021 as compared to the same period in 2020, primarily driven by an increase in marketing activity. Operating Costs and Marketing, General and Administrative expenses decreased \$12 million and \$4 million, respectively, in the first six months of 2021 as compared to the same period in 2020, primarily as a result of cost reduction initiatives improving fixed costs, reduced variable costs from decreased demand attributed to COVID-19, and the impact of a weakened U.S. Dollar.

USA

(\$ millions, unless otherwise noted)	Three months ended June 30,				Six months ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,351	712	639	90%	2,387	1,476	911	62%
Fuel and petroleum product adjusted gross profit ⁽²⁾⁽³⁾	54	45	9	20%	97	79	18	23%
Non-fuel adjusted gross profit ⁽²⁾	42	31	11	35%	73	61	12	20%
Adjusted gross profit ⁽²⁾	96	76	20	26%	170	140	30	21%
Operating Costs	53	38	15	39%	95	73	22	30%
Marketing, General and Administrative	12	11	1	9%	24	24	—	—%
Adjusted EBITDA ⁽²⁾	31	27	4	15%	51	43	8	19%

⁽¹⁾ Includes gasoline, diesel and propane volumes.

⁽²⁾ Measure of segment profit and non-GAAP financial measure. See Section 14 of this MD&A.

⁽³⁾ Fuel and petroleum product adjusted gross profit (cpl) was 4.00 for the second quarter of 2021 (2020 - 6.32) and 4.06 the first six months of 2021 (2020 - 5.35).

Q2 and Q2 YTD Performance - 2021 vs. 2020

USA delivered strong results with Adjusted EBITDA of \$31 million for the second quarter of 2021 and \$51 million for the first six months of 2021, representing increases of \$4 million and \$8 million, as compared to the same periods in 2020, respectively. The increase is primarily due to the following:

- Fuel and petroleum product adjusted gross profit increased \$9 million for the second quarter of 2021 and \$18 million for the first six months of 2021, due to the Acquisitions, increased economic activities driven by COVID-19 recovery, and continued focus on organic growth through national accounts across all ROCs. Furthermore, as the economy recovers, the Rockies ROC saw increased retail volumes due to higher domestic traffic, as well as improved commercial volumes driven by increased activity from existing and new customers. The growth in adjusted gross profit was partially offset by continued demand weakness in the cruise ship industry in the Southeast ROC and the oil and gas industry in the Northern ROC, and the impact of a weakened U.S. Dollar. Although adjusted gross profit increased, unit gross profit declined primarily due to the impact of growth in wholesale supply volumes, which carry a lower margin, as well as increasing rack prices impacting fuel margins.
- Non-fuel adjusted gross profit increased \$11 million for the second quarter of 2021 and \$12 million for the first six months of 2021, driven by the Acquisitions, strong lubricant margins due to margin optimization initiatives, and higher C-Store sales attributed to increased domestic traffic. These were partially offset by the impact of a weakened U.S. Dollar.
- Operating Costs increased \$15 million and \$22 million for the second quarter of 2021 and for the first six months of 2021, respectively, primarily due to the Acquisitions, increased volumes, and the impact of inflation on labour and other operating costs, partially offset by the impact of a weakened U.S. Dollar. Marketing, General and Administrative expenses remained relatively flat for the second quarter of 2021 and for the first six months of 2021, as compared to the same periods in 2020, mainly due to the Acquisitions, offset by the impact of a weakened U.S. Dollar.

Supply

(\$ millions, unless otherwise noted)	Three months ended June 30,				Six months ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,097	968	129	13%	2,264	2,356	(92)	(4)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	226	90	136	151%	429	223	206	92%
Non-fuel adjusted gross profit ⁽²⁾	2	2	—	—%	3	5	(2)	(40)%
Adjusted gross profit ⁽²⁾	228	92	136	148%	432	228	204	89%
Operating Costs	66	53	13	25%	127	138	(11)	(8)%
Marketing, General and Administrative	8	4	4	100%	15	13	2	15%
Adjusted EBITDA ⁽²⁾	154	35	119	340%	290	77	213	277%
KPIs:								
Crude utilization ⁽³⁾	94.2%	64.0%	30.2p.p		91.1%	47.4%	43.7p.p	
Composite utilization ⁽³⁾	97.4%	65.0%	32.4p.p		94.2%	48.1%	46.1p.p	
Crude throughput ⁽³⁾ (000's bpd)	51.8	35.2	16.6	47%	50.1	26.1	24.0	92%
Bio-feedstock throughput ⁽³⁾ (000's bpd)	1.7	0.6	1.1	183%	1.7	0.4	1.3	325%

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

⁽²⁾ Measure of segment profit and non-GAAP financial measure. See Section 14 of this MD&A.

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

Q2 and Q2 YTD Performance - 2021 vs. 2020

Supply delivered strong results with Adjusted EBITDA of \$154 million for the second quarter of 2021 and \$290 million for the first six months of 2021, representing increases of \$119 million and \$213 million, respectively, as compared to the same periods in 2020. The increase in Adjusted EBITDA is primarily due to the following:

- Adjusted gross profit increased \$136 million for the second quarter of 2021 and \$204 million for the first six months of 2021. This was primarily related to increased crude utilization and bio-feedstock throughput in 2021 to meet the rebounding product demand while continuing our safe and reliable operations. This increase compared to 2020 was also due to the planned shutdown of the Refinery for the Turnaround, which began in early February 2020 and was completed in late April 2020. Additionally, the second quarter of 2020 was also impacted by lower Refinery utilization rates following the completion of the Turnaround to manage reduced product demand, and lower finished product prices driven by COVID-19. With the increase in production during the first six months of 2021, the Refinery also incurred a corresponding increase in compliance costs. The compliance costs⁴ were effectively optimized through a significant increase in the co-processing of bio-feedstocks during the first six months of 2021, as compared to the same period in 2020. Supply also continued to realize strong margins in its integrated logistics business driven by the partial rebound in volumes in the second quarter of 2021 as the COVID-19-related restrictions were eased.
- Operating Costs increased \$13 million for the second quarter of 2021 due to higher variable costs associated with the higher refinery utilization and higher labour costs due to reduction in CEWS and to support increased business activity as the impacts of COVID-19 recede. Operating Costs decreased \$11 million for the first six months of 2021, primarily due to higher labour and other costs associated with the execution of the Turnaround in the first six months of 2020.
- Marketing, General and Administrative expenses increased \$4 million for the second quarter of 2021 and \$2 million for the first six months of 2021 primarily due to higher employee-related costs as Supply has increased its staff to support the increased product demand and activity in the second quarter of 2021. This increase is partially offset by cost management initiatives put in place in the second quarter of 2020 following the onset of COVID-19.
- Crude utilization and average refinery crude throughput were 94.2% and 51.8 kbpd for the second quarter of 2021 and 91.1% and 50.1 kbpd for the first six months of 2021, respectively. The Refinery also co-processed an average of 1,700 bpd of bio-feedstocks through its Fluid Catalytic Cracking ("FCC") and Diesel Hydrotreating ("DHT") processing units for the second quarter of 2021 and the first six months of 2021 as compared to approximately 600 bpd and 400 bpd in the same periods in 2020, respectively and achieved composite utilization to 97.4% for the second quarter of 2021 and 94.2% for the first six months of 2021. The Refinery continued with high bio-feedstock throughput in the second quarter of 2021 and increased crude utilization significantly from last quarter as the economy recovers from the COVID-19-related demand destruction. The Refinery's strong utilization was driven from its safe and reliable operations allowing it to optimize its local sales channels and utilize its growing infrastructure position in the U.S. for gasoline and distillates. The significant increase in utilization and throughput KPIs is also impacted by the Turnaround, which fully

⁴ The compliance costs are incurred to meet the Low Carbon Fuel Requirements ("LCFR") in British Columbia to reduce the combined fuels' carbon intensity, which can be met through various pathways from blending Hydrogenation-Derived Renewable Diesel ("HDRD") being the least economic to blending ethanol and bio-diesel and co-processing which are more economic.

shut down the Refinery, and lower utilization rates at the Refinery following start-up after the Turnaround to meet reduced product demand associated with COVID-19.

Corporate

(\$ millions, unless otherwise noted)	Three months ended June 30,				Six months ended June 30,			
	2021	2020	Change	%	2021	2020	Change	%
(Gain) loss on foreign exchange - realized	–	3	(3)	(100)%	(4)	14	(18)	(129)%
Other adjusting items ⁽¹⁾	–	(2)	2	(100)%	2	(4)	6	(150)%
Marketing, General and Administrative	30	17	13	76%	57	44	13	30%
Adjusted EBITDA ⁽²⁾ expense	30	18	12	67%	55	54	1	2%
Acquisition costs	4	1	3	300%	7	3	4	133%
Integration costs	–	–	–	–%	1	2	(1)	(50)%
Restructuring and other costs	7	7	–	–%	8	24	(16)	(67)%
Acquisition, integration and other costs	11	8	3	38%	16	29	(13)	(45)%

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

⁽²⁾ Measure of segment profit and non-GAAP financial measure. See Section 14 of this MD&A.

Corporate Adjusted EBITDA expense increased by \$12 million for the second quarter of 2021 and \$1 million for the first six months of 2021 as compared to the same periods in 2020, primarily due to the following:

- Marketing, General and Administrative expenses increased \$13 million for the second quarter of 2021 and for the first six months of 2021 primarily due to (i) reduction in CEWS, (ii) increased administration costs to support the partial return to pre-COVID-19 business activity and growth programs, and (iii) normalization of employee costs after the cost reduction initiatives, including salary reduction taken by the leadership team in the second quarter of 2020. This led Marketing, General and Administrative expenses as a percentage of Parkland's adjusted gross profit increase from 3.5% to 4.3% for the second quarter of 2021 and from 4.1% to 4.2% for the first six months of 2021.
- The gain on foreign exchange realized with the repayment of Intermediation Facility and USD-denominated liabilities was \$4 million in the first six months of 2021 as compared to the loss of \$14 million in the same period of 2020, primarily due to the stronger Canadian dollar in the first six months of 2021.

Acquisition, integration and other costs increased by \$3 million for the second quarter of 2021 as compared to the same period in 2020 primarily due to higher acquisition costs as a result of increased acquisition activity in USA, and International, and decreased by \$13 million for the first six months of 2021 as compared to the same period in 2020 as the comprehensive restructuring activities undertaken during the first quarter of 2020 in response to COVID-19 did not recur in 2021.

5. QUARTERLY FINANCIAL DATA

(\$ millions, unless otherwise noted)	2021		2020				2019	
For the three months ended	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30
Financial Summary								
Sales and operating revenue ⁽⁵⁾	5,021	4,233	3,506	3,498	2,691	4,316	4,779	4,605
Adjusted gross profit ⁽¹⁾⁽²⁾	699	665	606	674	487	593	728	679
Adjusted EBITDA ⁽¹⁾⁽²⁾	322	314	247	338	191	191	302	302
Canada ⁽³⁾	101	116	112	128	93	102	88	104
International	66	67	72	77	54	67	73	63
USA ⁽⁴⁾	31	20	8	21	27	16	15	17
Supply ⁽³⁾⁽⁴⁾	154	136	81	124	35	42	153	146
Corporate	(30)	(25)	(26)	(12)	(18)	(36)	(27)	(28)
Net earnings (loss)	(50)	38	64	91	31	(74)	186	26
Net earnings (loss) attributable to Parkland	(57)	31	53	76	32	(79)	176	24
Net earnings (loss) per share – basic (\$ per share)	(0.38)	0.21	0.36	0.51	0.22	(0.53)	1.19	0.16
Net earnings (loss) per share – diluted (\$ per share)	(0.38)	0.20	0.35	0.50	0.21	(0.53)	1.17	0.16
Adjusted earnings (loss) ⁽²⁾	96	92	43	93	(10)	(2)	96	65
Adjusted earnings (loss) per share – basic (\$ per share) ⁽²⁾	0.64	0.61	0.29	0.62	(0.07)	(0.02)	0.65	0.44
Adjusted earnings (loss) per share – diluted (\$ per share) ⁽²⁾	0.63	0.61	0.28	0.62	(0.07)	(0.02)	0.64	0.43

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

⁽²⁾ Non-GAAP financial measure. See Section 14 of this MD&A.

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

⁽⁴⁾ For comparative purposes, information for previous periods was restated due to a change in segment presentation. The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021.

⁽⁵⁾ Certain amounts within sales and operating revenue were restated and reclassified to conform to the presentation used in the current period.

Over the last eight quarters, Parkland's quarterly results were primarily impacted by COVID-19, the Turnaround, the 2019 USA Acquisitions, the 2020 USA Acquisitions, and the 2021 USA Acquisitions. In particular:

- Adjusted gross profit, Adjusted EBITDA and Adjusted earnings in 2020 trended lower than in 2019 due to the economic impacts of COVID-19 and the Turnaround, which lasted from February 2020 to April 2020. The third quarter of 2020 realized a temporary recovery after the successful completion of the Turnaround prior to the second wave of COVID-19 in the fourth quarter of 2020. Adjusted gross profit, Adjusted EBITDA and Adjusted earnings in 2021 trended upwards primarily due to the 2020 USA Acquisitions, which were completed in late 2020, the 2021 USA Acquisitions, strong Supply results and continued market recovery from COVID-19. The fluctuations in Supply Adjusted EBITDA are largely driven by the crack spreads, which change based on market conditions and drive refining margins and the timing of the Turnaround.
- Net earnings increased in the fourth quarter of 2019, as compared to the previous quarter, primarily due to a decrease in the redemption value of the Sol Put Option as a result of an increase in the discount rate. In the first half of 2020, net earnings declined, primarily driven by the economic impacts of COVID-19 and the Turnaround. The second half of 2020 showed an increasing trend in net earnings as compared to the first half of the year due to partial market recovery from COVID-19, despite a resurgence in COVID-19 cases in the fourth quarter. Net earnings in the first and second quarter of 2021 declined from the prior quarter primarily due to (i) increased finance costs and net changes in non-cash valuation losses on redemption options within other (gains) and losses driven by the early redemption of the 2021 Redeemed Senior Notes, and (ii) an increase in the redemption value of the Sol Put Option, primarily driven by strong underlying results of International and continued recovery from COVID-19.

6. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

(\$ millions, unless otherwise noted)	Trailing twelve months ended June 30,	
	2021	2020
Cash generated from (used in) operating activities ⁽⁴⁾	799	1,309
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(88)	(75)
	711	1,234
Reverse: Change in other liabilities and other assets	16	(31)
Reverse: Net change in non-cash working capital	452	(363)
Include: Maintenance capital expenditures attributable to Parkland ⁽¹⁾	(122)	(305)
Exclude: Turnaround maintenance capital expenditures	3	75
Include: Proceeds on asset disposals	14	26
Reverse: Acquisition, integration and other costs	39	71
Include: Interest on leases and long-term debt	(223)	(230)
Exclude: Interest on leases and long-term debt attributable to NCI	4	—
Include: Payments of principal amount on leases	(143)	(133)
Exclude: Payments of principal amount on leases attributable to NCI	18	20
Distributable cash flow ⁽¹⁾⁽²⁾	769	364
Distributable cash flow per share ⁽¹⁾⁽²⁾⁽³⁾	5.13	2.46
Dividends	189	179
Dividend payout ratio ⁽¹⁾⁽²⁾	25 %	49 %
Dividends paid to shareholders, net of dividend reinvestment plan ("DRIP")	132	128

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

⁽²⁾ Prior to March 31, 2021, distributable cash flow and the dividend payout ratio were referred to as adjusted distributable cash flow and adjusted dividend payout ratio, respectively.

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

⁽⁴⁾ For comparative purposes, information for previous periods were restated due to a change in presentation of cash flows from operating and financing activities. Interest paid on long-term debt and leases, formerly included in "Cash generated from (used in) operating activities", is now included in "Cash generated from (used in) financing activities", reflecting a more relevant presentation of finance costs payments.

Dividends paid to shareholders increased by \$10 million for the trailing twelve months ended June 30, 2021, primarily due to a \$0.0204 increase in the annual dividend to \$1.2144 per share effective March 20, 2020, and a \$0.0204 increase in the annual dividend to \$1.2348 per share effective March 22, 2021. Furthermore, there was an increase in the number of common shares outstanding, driven by shares issued under the dividend reinvestment and stock option plans, the at-the-market ("ATM") equity program, and vesting of restricted share units. The average DRIP participation rate for the trailing twelve months ended June 30, 2021, was 28.6%, which was higher than the participation rate of 27.2% for the trailing twelve months ended June 30, 2020.

The dividend payout ratio decreased by 24 p.p. for the trailing twelve months ended June 30, 2021 as compared to the same period in 2020. This decrease is primarily attributable to lower distributable cash flow in the comparative period, driven by lower Adjusted EBITDA in the first six months of 2020 and higher maintenance capital expenditures in Supply as a result of the Turnaround at the Burnaby Refinery.

7. CASH FLOWS AND LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Cash generated from (used in) operating activities ⁽¹⁾	322	629	586	957
Cash generated from (used in) financing activities ⁽¹⁾	(131)	99	115	79
Cash generated from (used in) investing activities	(343)	(72)	(471)	(286)
Increase (decrease) in net cash	(152)	656	230	750
Impact of foreign currency translation on cash	(18)	(18)	(24)	15
Net cash, beginning of period	672	384	296	257
Net cash, end of period	502	1,022	502	1,022

⁽¹⁾ For comparative purposes, information for previous periods were restated due to a change in presentation of cash flows from operating and financing activities. Interest paid on long-term debt and leases, formerly included in "Cash generated from (used in) operating activities", is now included in "Cash generated from (used in) financing activities", reflecting a more relevant presentation of finance costs payments.

Operating activities

Q2 2021 vs. Q2 2020

Parkland generated \$322 million cash in operating activities for the second quarter of 2021, primarily due to Adjusted EBITDA including NCI of \$344 million. This was partially offset by (i) the change in net non-cash working capital outflow of \$22 million, largely attributable to higher receivables and inventories balances, partially offset by higher accounts payable due to increased product prices and higher activity levels, and (ii) \$11 million in acquisition, integration and other costs.

In comparison, operating activities generated \$629 million of cash for the second quarter of 2020, primarily due to (i) \$208 million of Adjusted EBITDA including NCI, and (ii) net non-cash working capital inflow of \$425 million, largely attributable to higher accounts payable due to extensions in payment deadlines for certain government duties and taxes due to COVID-19, as well as lower receivables and inventories due to lower product demand and prices. This cash inflow was partially offset by \$8 million in acquisition, integration and other costs primarily related to restructuring costs incurred due to COVID-19.

Q2 2021 YTD vs. Q2 2020 YTD

Parkland generated \$586 million cash in operating activities for the first six months of 2021, primarily due to Adjusted EBITDA including NCI of \$681 million. This was offset by: (i) the change in net non-cash working capital outflow of \$75 million, largely attributable to higher receivables and inventories balances, partially offset by higher accounts payable due to an increase in product prices and higher activity levels, (ii) current income taxes of \$11 million, and (iii) \$16 million in acquisition, integration and other costs primarily driven by the acquisition activity in the U.S. and Caribbean.

In comparison, operating activities generated \$957 million of cash for the first six months of 2020, primarily due to (i) \$422 million of Adjusted EBITDA including NCI, and (ii) net non-cash working capital inflow of \$560 million, largely attributable to higher accounts payable due to extensions in payment deadlines for certain government duties and taxes due to COVID-19, as well as lower receivables and inventories due to lower product demand and prices. This was offset by \$29 million in acquisition, integration and other costs primarily related to restructuring costs incurred due to COVID-19.

Financing activities

Q2 2021 vs. Q2 2020

During the second quarter of 2021, Parkland paid a monthly dividend of \$0.1029 per share (2020 - \$0.1012 per share). However, despite the increase in dividend per share, the cash dividends paid to shareholders for the second quarter of 2021 decreased by \$5 million to \$34 million as compared to the same period in 2020 due to the increase in DRIP participation rate from 24.9% for the three months ended June 30, 2020, to 29.6% for the three months ended June 30, 2021.

During the second quarter of 2021, financing activities used \$131 million of cash, primarily attributable to (i) \$1,428 million related to the repayment of the 2021 Redeemed Senior Notes, (ii) \$128 million of net repayments of the Credit Facility, (iii) \$58 million of payments for interest on leases and long-term debt, (iv) \$51 million related to the premiums paid on redemption of the 2021 Redeemed Senior Notes, (v) \$34 million in cash dividends paid to shareholders, and (vi) \$33 million of

payments made on principal amount on leases under IFRS 16. These payments were partially offset by (i) net proceeds of \$1,580 million from the issuance of the 4.50% US\$800 million Senior Notes, due 2029, and the 3.875% \$600 million Senior Notes, due 2026, and (ii) \$21 million of cash generated from the common shares issued under the ATM equity program.

In comparison, financing activities during the second quarter of 2020 generated \$99 million of cash, primarily attributable to net long-term debt proceeds of \$249 million. These were partially offset by (i) \$65 million of payments for interest on leases and long-term debt, (ii) \$39 million in cash dividends paid to shareholders, and (iii) \$35 million of payments made on the principal amount of leases under IFRS 16.

Q2 2021 YTD vs. Q2 2020 YTD

During the first six months of 2021, Parkland paid a monthly dividend ranging from \$0.1012 per share to \$0.1029 per share (2020 - \$0.0995 per share to \$0.1012 per share). However, despite the increase in dividend per share, the cash dividends paid to shareholders for the first six months of 2021 decreased by \$4 million to \$66 million as compared to the same period in 2020, due to the increase in DRIP participation rate from 21.5% for the six months ended June 30, 2020, to 29.4% for the six months ended June 30, 2021.

During the first six months of 2021, financing activities generated \$115 million of cash, primarily attributable to (i) net proceeds of \$2,174 million from the issuance of the 2021 Senior Notes Offerings and (ii) \$21 million of cash generated from the common shares issued under the ATM equity program. These were partially offset by (i) \$1,430 million related to the 2021 Redeemed Senior Notes repayments, (ii) \$194 million related to the settlement of the Intermediation Facility, (iii) \$156 million of net repayments of the Credit Facility, (iv) \$109 million of payments for interest on leases and long-term debt, (v) \$68 million of payments made on principal amount on leases under IFRS 16, (vi) \$66 million and \$6 million in cash dividends paid to shareholders and non-controlling interests respectively, and (vii) \$51 million related to the premiums paid on the 2021 Redeemed Senior Notes.

In comparison, financing activities during the first six months of 2020 generated \$79 million of cash, primarily attributable to the proceeds from the issuance of \$400 million 6.00% Senior Notes, due 2028, and net proceeds of \$114 million from the Credit Facility. These were partially offset by (i) \$148 million attributable to lower borrowings under the Intermediation Facility due to changes in the intermediation agreement, which provides Parkland additional flexibility on the amount of financing, (ii) \$117 million of payments for interest on leases and long-term debt, (iii) \$74 million of payments made on the principal amount of leases under IFRS 16 and, (iv) \$70 million in cash dividends paid to the shareholders.

Investing activities

Q2 2021 vs. Q2 2020

Parkland invested \$343 million in the second quarter of 2021, which included \$278 million primarily related to the C&B Acquisition and \$67 million of growth and maintenance capital expenditures primarily related to (i) network and infrastructure development, (ii) maintenance and upgrade projects, and (iii) low-carbon initiatives at the Burnaby Refinery. This was partially offset by \$3 million in dividends from the investment in SARA Refinery and proceeds on the disposal of certain assets.

In comparison, Parkland invested \$72 million in the second quarter of 2020, which included (i) \$77 million of maintenance capital expenditures primarily focused on the Turnaround and certain growth projects to build additional digital capability, and (ii) \$14 million for the ConoMart Acquisition. This was offset by \$15 million in dividends from the SARA Refinery investment and proceeds on the disposal of certain assets.

Q2 2021 YTD vs. Q2 2020 YTD

Parkland invested \$471 million in the first six months of 2021, which included \$359 million primarily related to the 2021 USA Acquisitions and the acquisition of the two Midwest LPG terminals in Supply, and \$127 million of growth and maintenance capital expenditures primarily related to (i) network and infrastructure development, (ii) maintenance and upgrade projects, and (iii) low-carbon initiatives at the Burnaby Refinery. This was offset by \$16 million in dividends from the SARA Refinery investment and proceeds on the disposal of certain assets.

In comparison, Parkland invested \$286 million in the first six months of 2020, which included (i) \$235 million of capital expenditures primarily focused on network development, expansion of storage facilities, and other capital projects at the Burnaby Refinery, and maintenance capital expenditures primarily focused on the Turnaround and other ongoing maintenance projects at the Burnaby Refinery, and (ii) \$78 million for the 2020 USA Acquisitions. This was offset by \$18 million in dividends from the SARA Refinery investment and proceeds on the disposal of certain assets.

Contractual commitments

Parkland has contracted obligations under various debt agreements, leases, capital expenditures and other contractual commitments with maturities from less than a year to over five years. Parkland's commitments increased from \$7,168 million as at December 31, 2020, to \$8,414 million at of June 30, 2021. This increase is primarily due to (i) higher accounts payable due to an increase in product prices and higher activity levels, (ii) an increase in long-term debt due to the 2021 Senior Notes Offerings, after repayments of the 2021 Redeemed Senior Notes and certain credit facility balances, and (iii) higher Sol Put Option driven by strong underlying results of International and continued recovery from COVID-19.

Fuel and petroleum products and other purchase commitments

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

Available sources of liquidity

Parkland's sources of liquidity as at June 30, 2021 are cash and cash equivalents as well as available funds under its Credit Facility. While it is typical for Parkland's cash flows to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity, and management believes cash flows from operations will be adequate to fund maintenance capital expenditures, interest, income taxes, and dividends. Any future acquisitions will be funded by available cash flows from operations, debt and equity offerings if needed, and available borrowing capacity under the Credit Facility.

On March 25, 2021, Parkland's existing syndicated credit facility was amended to, among other things, expand the available facility and extend the maturity date (the "Credit Facility"). The Credit Facility includes combined revolving facilities in the aggregate amount of \$1,715 million and US\$155 million, with a maturity date of March 25, 2026. Parkland can obtain various types of loans under the facilities, including loans at Canadian and U.S. Prime rates, the London Interbank Offered Rate, and the Canadian Dollar Offered Rate. The revolving facilities are extendible each year for a rolling five-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. Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

On March 25, 2021, Parkland established an at-the-market ("ATM") equity program, which allows Parkland to issue up to \$250 million of common shares from treasury to the public at prevailing market prices. Use of the ATM program will be evaluated relative to the cost of other funding options and in consideration of leverage levels. The volume and timing of sales, if any, will be determined by Parkland, subject to regulatory requirements. For the three and six months ended June 30, 2021, Parkland issued 519 thousand common shares under the ATM equity program at a weighted average price of \$40.70 per share for aggregated proceeds of \$21 million, net of share issuance costs of \$0.21 million.

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

(\$ millions)	June 30, 2021	December 31, 2020
Cash and cash equivalents	437	262
Unused credit facilities	1,389	1,005
	1,826	1,267

Financial covenants and metrics

As at June 30, 2021, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

Ratio ⁽¹⁾	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			June 30, 2021	December 31, 2020
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	0.45	0.42
2. Total Funded Debt to Credit Facility EBITDA ratio	< 5.00 ⁽²⁾	2.00 - 3.50	3.00	2.91
3. Interest coverage ratio	> 2.50 ⁽²⁾	> 3.00	5.64	5.33

⁽¹⁾ Debt covenant ratios are calculated as at June 30, 2021, pursuant to the terms of the Credit Facility. See Section 14 of this MD&A.

⁽²⁾ Effective March 25, 2021, the temporary maximum Total Funded Debt to Credit Facility EBITDA ratio of 6.0 times effective from Q4 2020 to Q3 2021 has been removed and reverted to 5.0 times and the minimum Interest coverage ratio has been reduced to 2.5 times, from 3.0 times.

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, and are in line with management's long-term targets. The Interest coverage ratio is well above the covenant restriction of 2.50. Refer to Section 14 of this MD&A for the calculation of Parkland's debt covenants.

8. CAPITAL EXPENDITURES

Maintenance and growth capital expenditures

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

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Growth capital expenditures				
Canada	5	5	11	21
International	4	6	9	10
USA ⁽²⁾	1	2	6	3
Supply ⁽²⁾	6	2	6	10
Corporate	3	5	6	8
Growth capital expenditures	19	20	38	52
Maintenance capital expenditures				
Canada	16	8	21	11
International	8	5	14	23
USA ⁽²⁾	7	1	11	4
Supply ⁽²⁾	13	37	19	134
Corporate	3	—	4	2
Maintenance capital expenditures	47	51	69	174
Net additions to property, plant and equipment and intangible assets	66	71	107	226
Growth capital expenditures attributable to Parkland ⁽¹⁾	18	19	36	50
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	45	50	65	168
Additions to property, plant and equipment and intangible assets attributable to Parkland	63	69	101	218

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

⁽²⁾ For comparative purposes, information for the three and six months ended June 30, 2020 was restated due to a change in segment presentation. The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021.

Parkland's combined growth and maintenance capital expenditures decreased \$119 million during the first six months of 2021 as compared to the same period in 2020. Growth capital expenditures during the second quarter and the first six months of 2021 were focused on (i) selected network and infrastructure development, (ii) site conversions and branding, (iii) low-carbon manufacturing growth initiatives at the Burnaby Refinery, and (iv) improving customer value proposition across our business. Growth capital expenditures remained flat for the second quarter of 2021 and decreased \$14 million for the first six months of

2021 as compared to the same periods in 2020 due to re-prioritization and deferral of certain growth capital projects in Canada, International and Supply as a result of continued restrictions and safety measures in place due to COVID-19.

Maintenance capital expenditures during the second quarter and the first six months of 2021 primarily relate to infrastructure, safety, equipment and IT maintenance and upgrades across our areas of operations, and other ongoing maintenance projects at the Burnaby Refinery. Maintenance capital expenditures decreased \$4 million for the second quarter of 2021 and \$105 million for the first six months of 2021 as compared to the same periods in 2020 due to (i) higher expenditures related to the Turnaround in the prior year, and (ii) deferral of certain maintenance projects as a result of COVID-19 restrictions.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment attributable to Parkland as at June 30, 2021 are \$110 million (December 31, 2020 - \$81 million). Parkland plans to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

9. REVENUE AND NET EARNINGS

(\$ millions)	Canada		International		USA ⁽¹⁾		Supply ⁽¹⁾		Consolidated	
Three months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fuel and petroleum product revenue ⁽¹⁾	1,882	1,059	1,043	675	1,032	329	734	327	4,691	2,390
Non-fuel revenue ⁽¹⁾	139	150	27	29	162	122	2	—	330	301
Sales and operating revenue ⁽²⁾	2,021	1,209	1,070	704	1,194	451	736	327	5,021	2,691

(\$ millions)	Canada		International		USA ⁽¹⁾		Supply ⁽¹⁾		Consolidated	
Six months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Fuel and petroleum product revenue ⁽¹⁾	3,570	2,824	2,011	1,860	1,721	825	1,341	904	8,643	6,413
Non-fuel revenue ⁽¹⁾	260	274	60	72	288	245	3	3	611	594
Sales and operating revenue ⁽²⁾	3,830	3,098	2,071	1,932	2,009	1,070	1,344	907	9,254	7,007

⁽¹⁾ For comparative purposes, information for the three and six months ended June 30, 2020 was restated due to a change in segment presentation. The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021. Additionally, certain amounts within sales and operating revenue were restated and reclassified to conform to the presentation used in the current period.

⁽²⁾ Refer to Note 13 of the Interim Condensed Consolidated Financial Statements for additional information on Parkland's segments.

Sales and operating revenue for the three and six months ended 2021 increased by \$2,330 million and \$2,247 million, respectively, as compared to the same periods in 2020. Overall, the period-over-period variances for sales and operating revenue are as follows:

- Sales and operating revenue for Canada increased \$812 million for the second quarter of 2021 and \$732 million for the first six months of 2021, due to (i) higher fuel volumes driven by increased domestic vehicle traffic and economic activity as a result of reduced COVID-19 restrictions during the second quarter of 2021, and (ii) higher fuel and petroleum product commodity prices.
- Sales and operating revenue for International increased \$366 million for the second quarter of 2021 and \$139 million for the first six months of 2021 primarily due to higher fuel and petroleum product commodity prices. The increase for International was partially offset by the reduction in volumes due to weak demand driven by full period impact of COVID-19-related restrictions in certain markets and the effect of a weakened U.S. Dollar.
- Sales and operating revenue for USA increased by \$743 million for the second quarter of 2021 and \$939 million for the first six months of 2021, primarily due to (i) the Acquisitions, (ii) increased economic activities as a result of continued COVID-19 recovery, and (iii) our continued focus on organic growth, partially offset by continued demand weakness in the cruise ship and oil and gas industry and the impact of a weakened U.S. Dollar.
- Sales and operating revenue for Supply increased \$409 million for the second quarter of 2021, and \$437 million for the first six months of 2021 due to increased wholesale volumes achieved through strategic pricing and partial rebound in volumes in the second quarter of 2021 due to the easing of COVID-19 restrictions.

The following table outlines items other than Adjusted EBITDA that impacted net earnings (loss) for the three and six months ended June 30, 2021.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	322	191	636	382
Add: Attributable to NCI	22	17	45	40
Adjusted EBITDA including NCI	344	208	681	422
Less:				
Acquisition, integration and other costs	11	8	16	29
Depreciation and amortization	154	153	308	302
Finance costs	93	66	176	129
(Gain) loss on foreign exchange - unrealized	(1)	(12)	3	(1)
(Gain) loss on asset disposals	3	(5)	2	(1)
(Gain) loss on risk management and other derivatives - unrealized	18	25	23	17
Other (gains) and losses ⁽²⁾	109	(45)	151	9
Other adjusting items ⁽¹⁾	3	(10)	4	11
Income tax expense (recovery)	4	(3)	10	(30)
Net earnings (loss)	(50)	31	(12)	(43)

⁽¹⁾ Other Adjusting Items for the three months ended June 30, 2021 include the following: (i) nil (2020 - \$2 million loss) on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$19 million) on realization of inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains; (iii) nil (2020 - \$4 million) on fuel discounts; and income from equity investments of \$3 million (2020 - \$3 million). Other Adjusting Items for the six months ended June 30, 2021 include the following: (i) \$2 million gain (2020 - \$9 million loss) on foreign exchange on cash pooling arrangements and debt extinguishment within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$4 million) in fuel discounts provided to frontline workers within fuel and petroleum product cost of purchases; (iii) an unrealized gain of nil (2020 - \$9 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases; (iv) income from equity investments of \$6 million (2020 - \$6 million); and (v) customer finance income of nil (2020 - \$1 million).

⁽²⁾ Other (gains) and losses for the three months ended June 30, 2021, include the following: (i) \$80 million loss (2020 - \$41 million gain) due to the change in redemption value of Sol Put Option; (ii) \$31 million loss (2020 - \$31 million gain) due to the change in fair value of redemption options; (iii) \$2 million (2020 - \$2 million) of share in earnings from investment in associate; (iv) nil loss (2020 - \$30 million loss) due to change in estimates of environmental provisions; and (v) nil gain (2020 - \$1 million gain) on other items. Other (gains) and losses for the six months ended June 30, 2021, include the following: (i) \$72 million loss (2020 - \$54 million gain) due to change in redemption value of Sol Put Option; (ii) \$90 million loss (2020 - \$74 million loss) due to change in fair value of redemption options; (iii) \$19 million gain (2020 - \$2 million loss) due to change in estimates of environmental provisions; (iv) \$4 million (2020 - \$4 million) of share in earnings from investment in associate; and (v) \$12 million gain (2020 - \$9 million gain) on other items. Refer to Note 12 of the Interim Condensed Consolidated Financial Statements.

Net earnings decreased by \$81 million for the second quarter of 2021 and increased by \$31 million for the first six months of 2021 as compared to the same periods in 2020. The increase is primarily due to (i) the increase in Adjusted EBITDA discussed in Section 2 above, and (ii) lower acquisition, integration and other costs driven by higher restructuring costs in the prior year in response to COVID-19 and other restructuring initiatives, which did not recur in 2021. These increases were offset by:

- net changes in non-cash valuation losses within other (gains) and losses of \$154 million and \$142 million for the second quarter and the first six months of 2021, respectively, related to (i) an increase in the redemption value of the Sol Put Option, driven by strong underlying results of International and continued recovery from COVID-19, and (ii) the early exercise of redemption options on the 2021 Redeemed Senior Notes;
- an increase in finance costs by \$27 million and \$47 million for the second quarter and the first six months of 2021, respectively, driven by the early redemption of the 2021 Redeemed Senior Notes, partially offset by lower interest on long-term debt; and
- an increase in income tax expense by \$7 million and \$40 million for the second quarter and the first six months of 2021, respectively, as a result of an increase in taxable earnings.

10. 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 Section 9 of the Annual MD&A and the Annual Information Form. These risk factors have not changed materially since the dates of their publication.

Financial instruments and financial risks

Parkland uses various financial instruments recorded at fair value through profit or loss to manage exposures to fluctuations in commodity prices, support business and growth strategies, as well as for trading purposes. These financial instruments include

commodities swaps, forwards and futures contracts, currency forward exchange contracts, Intermediation Facility Derivatives, emission credits and allowances, Redemption Options, the Sol Put Option, and certain other items. On February 26, 2021, Parkland terminated and fully repaid the Intermediation Facility.

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

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Gain (loss) on risk management and other derivatives - realized ⁽¹⁾	(33)	8	(78)	48
Gain (loss) on risk management and other derivatives - unrealized ⁽¹⁾	(18)	(25)	(23)	(17)
Gain (loss) on risk management and other derivatives	(51)	(17)	(101)	31
Change in fair value of Redemption Options ⁽²⁾	(31)	31	(90)	(74)
Change in redemption value of Sol Put Option ⁽²⁾	(80)	41	(72)	54
Gain (loss) on Intermediation Facility Derivatives - realized ⁽³⁾	—	(20)	(16)	35
Gain (loss) on Intermediation Facility Derivatives - unrealized ⁽³⁾	—	—	—	9
Impact on consolidated statements of income (loss)	(162)	35	(279)	55

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

⁽²⁾ Recognized in other (gains) and losses. See Note 12 of the Annual Consolidated Financial Statements and Section 9 of the Annual MD&A for details on the Redemption Options and the Sol Put Option.

⁽³⁾ Recognized in cost of purchases. See Note 12 of the Annual Consolidated Financial Statements and Section 9 of the Annual MD&A for details on the Intermediation Facility.

Other risks

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

11. OUTLOOK

2021 Guidance metrics

Parkland has increased its Adjusted EBITDA Guidance range by \$50 million to \$1,250 million +/- 5 percent reflecting our strong performance and operational execution during the first six months of 2021. There have been no changes to the guidance metrics for the Burnaby refinery utilization, which remains at approximately 85 percent.

2021 Capital Program

Growth capital expenditures attributable to Parkland reduced by \$25 million to \$150 - \$250 million and Maintenance capital expenditures attributable to Parkland reduced by \$25 million to \$200 - \$250 million (the "2021 Capital Program") as result of re-prioritization and deferral of certain growth capital projects in Canada, International and Supply due to continued COVID-19-related restrictions and safety measures in place.

Our strategy and 2021 outlook are underpinned by our disciplined approach to capital allocation and the following key pillars of our strategy:

Grow organically

Parkland will continue to benefit from a robust pipeline of organic growth opportunities in retail, commercial and supply, across all our geographies. Our organic growth is supported by strong brands, customer value proposition, loyalty programs and digital insights.

Acquire prudently and integrate

Parkland will continue to add incremental value to recently completed acquisitions through our disciplined approach, established integration capabilities and synergy capture and capitalize on the high-quality consolidation opportunities across all of our geographies.

Strong supply advantage

We will leverage our growing scale, product diversity and capital light infrastructure to enhance margins. We will also continue to invest in safe and reliable operations and renewable fuel manufacturing at our Burnaby refinery.

One Parkland

We will strive for safe, reliable and local customer service underpinned by organizational capability and a performance-driven culture and continue powering journeys and energizing communities through our common values and behaviours.

For additional details regarding the 2021 Guidance Range and the 2021 Capital Program, refer to the Annual MD&A and Parkland's press release dated March 4, 2021. The factors and assumptions that contribute to Parkland's assessment of the 2021 Guidance Range are consistent with the existing Parkland disclosures. The 2021 Guidance Range is subject to risks and uncertainties inherent in Parkland's business described in the Annual MD&A and Parkland's Annual Information Form. Refer to Parkland's press release issued on August 5, 2021 on SEDAR at www.sedar.com for more information.

12. OTHER

Controls environment

Internal controls over financial reporting

Based on the evaluation of Parkland's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR") as defined in National Instrument ("NI") 52-109, the Chief Executive Officer and Chief Financial Officer have concluded that Parkland's DC&P and ICFR were designed and operating effectively as at June 30, 2021.

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 June 30, 2021, which includes the C&B Acquisition. 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)		Six months ended June 30, 2021	
	As at June 30, 2021		
Current assets	74	Sales and operating revenue	168
Non-current assets	252	Net earnings (loss)	1
Current liabilities	41		
Non-current liabilities	7		

Changes in internal controls over financial reporting

There were no changes in Parkland's ICFR during the six months ended June 30, 2021 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 June 30, 2021, Parkland provided \$2,763 million (December 31, 2020 - \$2,601 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 June 30, 2021, these guarantees amount to \$293 million (December 31, 2020 - \$261 million) and are not recognized in the Interim Condensed Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including April 5, 2023.

Shares outstanding

As at June 30, 2021, Parkland had approximately 151.6 million common shares, 3.9 million share options, 1.8 million restricted share units, and 0.3 million deferred share units outstanding. The share options consist of approximately 2.9 million share options that are currently exercisable into common shares.

13. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Note 2 of the Annual Consolidated Financial Statements and the Interim Condensed Consolidated Financial Statements for a summary of significant accounting policies or references to notes where such policies are contained.

Significant accounting estimates, assumptions and judgments

The preparation of Parkland's consolidated financial statements requires management to make estimates, assumptions and judgments (including those affected by and related to the future effects of COVID-19) 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 judgements" in the Annual MD&A for further information on these significant accounting estimates, assumptions and judgements. Since the date of our Annual MD&A, there were no material changes to the significant accounting estimates, assumptions and judgements except as noted in Note 2 of the Interim Condensed Consolidated Financial Statements.

14. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and Adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are non-GAAP financial measures 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 13 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. In addition to finance costs, depreciation, amortization and income tax expense (recovery), Adjusted EBITDA also excludes costs that are not considered representative of Parkland's underlying core operating performance, including, among other items: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, (iv) changes in the fair value of share-based compensation liabilities, (v) unrealized gains and losses on foreign exchange, risk management derivatives, Intermediation Facility Derivatives and other derivatives, (vi) realized foreign exchange gains and losses as a result of cash pooling arrangements and refinancing activities, (vii) realized foreign exchange gains and losses on accrued financing costs in foreign currency and the offsetting realized risk management gains and losses on the related foreign exchange risk management instruments, (viii) changes in values of the Sol Put Option, Redemption Options, environmental liabilities and asset retirement obligations, (ix) loss on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains, (x) impairments of non-current assets, and (xi) other adjusting items. Parkland's Adjusted EBITDA is also adjusted to include Parkland's proportionate share of its joint-venture investees' Adjusted EBITDA. Please refer to Section 9 of this MD&A for the reconciliation of Adjusted EBITDA to net earnings (loss).

Adjusted gross profit

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

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Sales and operating revenue	5,021	2,691	9,254	7,007
Cost of purchases	(4,289)	(2,194)	(7,819)	(5,950)
Gain (loss) on risk management and other derivatives - realized	(33)	8	(78)	48
Gain (loss) on foreign exchange - realized	—	(5)	9	(29)
Other adjusting items to Adjusted gross profit ⁽¹⁾	—	(13)	(2)	4
Adjusted gross profit	699	487	1,364	1,080
Fuel and petroleum product adjusted gross profit	585	392	1,148	877
Non-fuel adjusted gross profit	114	95	216	203
Adjusted gross profit	699	487	1,364	1,080

⁽¹⁾ Other adjusting items to Adjusted gross profit for the three months ended June 30, 2021 include the following: (i) nil (2020 - \$2 million loss) on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$19 million gain) on realization of inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains; and (iii) nil (2020 - \$4 million) on fuel discounts. For the six months ended June 30, 2021, other adjusting items include the following: (i) \$2 million gain (2020 - \$9 million loss) on foreign exchange on cash pooling arrangements and debt extinguishment within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$4 million) in fuel discounts provided to frontline workers within fuel and petroleum product cost of purchases; and (iii) an unrealized gain of nil (2020 - \$9 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

Non-fuel adjusted gross profit

(\$ millions)	Canada		International		USA ⁽³⁾		Supply ⁽³⁾		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the three months ended June 30,										
Convenience store ⁽¹⁾	34	27	2	2	15	9	—	—	51	38
Lubricants and other non-fuel ⁽²⁾⁽³⁾	19	18	15	15	27	22	2	2	63	57
Non-fuel adjusted gross profit	53	45	17	17	42	31	2	2	114	95

(\$ millions)	Canada		International		USA ⁽³⁾		Supply ⁽³⁾		Consolidated	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
For the six months ended June 30,										
Convenience store ⁽¹⁾	64	53	5	5	23	16	—	—	92	74
Lubricants and other non-fuel ⁽²⁾⁽³⁾	37	38	34	41	50	45	3	5	124	129
Non-fuel adjusted gross profit	101	91	39	46	73	61	3	5	216	203

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

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

⁽³⁾ For comparative purposes, information for the three and six months ended June 30, 2020 was restated due to a change in segment presentation. The supply and trading business in the United States, formerly presented in the Supply segment, is now included in the USA segment, reflecting a change in organizational structure in the first six months of 2021. Additionally, certain amounts within sales and operating revenue were restated and reclassified to conform to the presentation used in the current period.

Other non-GAAP financial measures

In addition to Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, other non-GAAP financial measures are included in this MD&A to assist management with the analysis of 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.

Adjusted earnings (loss) and Adjusted earnings (loss) per share

Adjusted earnings (loss) and Adjusted earnings (loss) per share are non-GAAP measures representing the underlying core operating performance of business activities of Parkland at a consolidated level.

Adjusted earnings (loss) and Adjusted earnings (loss) per share represent how well Parkland's operational business is performing, while considering depreciation and amortization, interest on leases and long-term debt, accretion and other finance costs, and income taxes. The Company believes that Adjusted earnings (loss) and Adjusted earnings (loss) per share are useful in assessing the Company's overall performance.

Adjusted earnings (loss) excludes costs that are not considered representative of Parkland's underlying core operating performance including: (i) costs related to potential and completed acquisitions, (ii) non-core acquisition and integration employee costs, (iii) business integration and restructuring costs, (iv) changes in the fair value of share-based compensation liabilities, (v) unrealized gains and losses on foreign exchange, risk management derivatives, Intermediation Facility Derivatives and other derivatives, (vi) realized foreign exchange gains and losses as a result of cash pooling arrangements and refinancing activities, (vii) realized foreign exchange gains and losses on accrued financing costs in foreign currency and the offsetting realized risk management gains and losses on the related foreign exchange risk management instruments, (viii) changes in values of the Sol Put Option, Redemption Options, environmental liabilities and asset retirement obligations, (ix) loss on inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains, (x) impairments of non-current assets, (xi) loss on modification of long-term debt and (xii) other adjusting items. Parkland's Adjusted earnings (loss) and Adjusted earnings (loss) per share are also adjusted to include Parkland's proportionate share of its joint-venture investees' Adjusted earnings (loss). These adjustments are considered to result in a more comparable economic representation.

Please see below for the reconciliation of Adjusted earnings (loss) to net earnings (loss) and calculation of Adjusted earnings (loss) per share .

(\$ millions, unless otherwise stated)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net earnings (loss)	(50)	31	(12)	(43)
Add:				
Acquisition, integration and other costs	11	8	16	29
Loss on modification of long-term debt	35	3	59	3
(Gain) loss on foreign exchange - unrealized	(1)	(12)	3	(1)
(Gain) loss on asset disposals	3	(5)	2	(1)
(Gain) loss on risk management and other derivatives - unrealized	18	25	23	17
Other (gains) and losses ⁽⁴⁾	109	(45)	151	9
Other adjusting items ⁽¹⁾	3	(10)	4	11
Tax normalization ⁽²⁾	(22)	(1)	(40)	(25)
Adjusted earnings (loss) including NCI	106	(6)	206	(1)
Less: Adjusted earnings (loss) attributable to NCI	10	4	18	11
Adjusted earnings (loss)	96	(10)	188	(12)
Weighted average number of common shares (million shares) ⁽³⁾	151	149	151	149
Weighted average number of common shares adjusted for the effects of dilution (million shares) ⁽³⁾	152	149	152	149
Adjusted earnings (loss) per share (\$ per share)				
Basic	0.64	(0.07)	1.25	(0.08)
Diluted	0.63	(0.07)	1.24	(0.08)

⁽¹⁾ Other Adjusting Items for the three months ended June 30, 2021 include the following: (i) nil (2020 - \$2 million loss) on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$19 million on realization of inventory write-downs for which there are offsetting associated risk management derivatives with unrealized gains; (iii) nil (2020 - \$4 million) on fuel discounts provided to frontline workers within fuel and petroleum product cost of purchases; and (iv) income from equity investments of \$3 million (2020 - \$3 million). Other Adjusting Items for the six months ended June 30, 2021 include the following: (i) \$2 million gain (2020 - \$9 million loss) on foreign exchange on cash pooling arrangements and debt extinguishment within gain (loss) on foreign exchange - realized; (ii) nil (2020 - \$4 million) in fuel discounts provided to frontline workers within fuel and petroleum product cost of purchases; (iii) an unrealized gain of nil (2020 - \$9 million) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases; (iv) income from equity investments of \$6 million (2020 - \$6 million); and (v) customer finance income of nil (2020 - \$1 million).

⁽²⁾ The tax normalization adjustment was applied to Net Earnings (Loss) adjusting items that were considered temporary differences, such as gains and losses on asset disposals, acquisition, integration and other costs, unrealized foreign exchange gains and losses, gains and losses on risk management and other derivatives, changes in fair value of redemption options, changes in estimates of environmental provisions, and debt modifications. The tax impact was estimated using the effective tax rates applicable to jurisdictions where the related items occur.

⁽³⁾ Weighted average number of common shares are calculated in accordance with Parkland's accounting policy contained in Note 2 of the Annual Consolidated Financial Statements.

⁽⁴⁾ Other (gains) and losses for the three months ended June 30, 2021, include the following: (i) \$80 million loss (2020 - \$41 million gain) due to the change in redemption value of Sol Put Option; (ii) \$31 million loss (2020 - \$31 million gain) due to the change in fair value of redemption options; (iii) \$2 million (2020 - \$2 million) of share in earnings from investment in associate; (iv) nil loss (2020 - \$30 million loss) due to change in estimates of environmental provisions; and (v) nil gain (2020 - \$1 million gain) on other items. Other (gains) and losses for the six months ended June 30, 2021, include the following: (i) \$72 million loss (2020 - \$54 million gain) due to change in redemption value of Sol Put Option; (ii) \$90 million loss (2020 - \$74 million loss) due to change in fair value of redemption options; (iii) \$19 million gain (2020 - \$2 million loss) due to change in estimates of environmental provisions; (iv) \$4 million (2020 - \$4 million) of share in earnings from investment in associate; and (v) \$12 million gain (2020 - \$9 million gain) on other items. Refer to Note 12 of the Interim Condensed Consolidated Financial Statements.

Credit Facility EBITDA

This is a debt covenant earnings metric defined in Parkland's Credit Facility. We use this metric to monitor Parkland's ability to service debt and meet current and future commitments.

(\$ millions)	Three months ended			Trailing twelve months ended	
	September 30, 2020	December 31, 2020	March 31, 2021	June 30, 2021	June 30, 2021
Adjusted EBITDA	338	247	314	322	1,221
Adjusted EBITDA attributable to NCI	26	24	23	22	95
Share incentive compensation	5	8	6	6	25
	369	279	343	350	1,341
Acquisition pro-forma adjustment ⁽¹⁾					36
Acquisition, integration and other costs adjustment					(2)
Credit Facility EBITDA ⁽²⁾					1,375

⁽¹⁾ Amounts for the trailing twelve months ended June 30, 2021 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the trailing twelve months ended June 30, 2021 occurred on July 1, 2020, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

⁽²⁾ Effective March 25, 2021, pursuant to the terms of the amended Credit Facility, the impact of IFRS 16 is included in the calculation of the Credit Facility EBITDA.

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

⁽¹⁾ Amounts for the trailing twelve months ended December 31, 2021 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the trailing twelve months ended December 31, 2021 occurred on January 1, 2020, pursuant to the terms of the Credit Facility. This amount is used for debt covenant calculation purposes only.

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

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

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

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

This is a debt covenant ratio metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Senior Funded Debt and Total Funded Debt as ratios. 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.

(\$ millions)	June 30, 2021	December 31, 2020
Senior Funded Debt:		
Credit Facility, net of unamortized deferred financing costs	507	684
Other notes	7	11
Letters of credit	42	37
Third-party guarantees	—	2
Lease obligations ⁽¹⁾	499	—
Less: cash and cash equivalents	(437)	(262)
Senior Funded Debt ⁽¹⁾	618	472
Senior Notes, net of unamortized premiums and discounts	3,511	2,774
Total Funded Debt ⁽¹⁾	4,129	3,246
Credit Facility EBITDA	1,375	1,115
Senior Funded Debt to Credit Facility EBITDA ratio	0.45	0.42
Total Funded Debt to Credit Facility EBITDA ratio ⁽²⁾	3.00	2.91

⁽¹⁾ Effective March 25, 2021, pursuant to the terms of the amended Credit Facility, the calculation of Total Funded Debt and Senior Funded Debt includes IFRS 16 lease obligations.

⁽²⁾ Effective March 25, 2021, the temporary maximum Total Funded Debt to Credit Facility EBITDA ratio of 6.0 times effective from Q4 2020 to Q3 2021 has been removed and reverted to 5.0 times.

Interest coverage ratio

This is a debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to interest as a ratio. 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.

For the trailing twelve months ended (\$ millions)	June 30, 2021	December 31, 2020
Credit Facility EBITDA	1,375	1,115
Interest expense ⁽¹⁾	244	209
Interest coverage ratio ⁽¹⁾⁽²⁾	5.64	5.33

⁽¹⁾ Effective March 25, 2021, pursuant to the terms of the amended Credit Facility, the calculation of Interest Expense includes interest on leases.

⁽²⁾ Effective March 25, 2021, the minimum Interest coverage ratio has been reduced to 2.5 times, from 3.0 times.

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

This is a ratio that measures percentage of corporate expenses in relation to Parkland's 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.

(\$ millions)	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Corporate Marketing, General and Administrative expenses	30	17	57	44
Parkland's adjusted gross profit	699	487	1,364	1,080
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	4.3%	3.5%	4.2%	4.1%

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

Distributable cash flow is a cash metric that adjusts for the impact of seasonality in Parkland's business by removing non-cash working capital items and excludes acquisition, integration and other costs. We use this metric to monitor normalized cash flows of the business by eliminating the impact of Parkland's working capital fluctuations and expenditures used in acquisition, integration and other activities, which can vary significantly from quarter to quarter.

	September 30, 2020	Three months ended December 31, 2020	March 31, 2021	June 30, 2021	Trailing twelve months ended June 30, 2021
(\$ millions, unless otherwise noted)					
Cash generated from (used in) operating activities ⁽²⁾	253	(40)	264	322	799
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(24)	(20)	(23)	(21)	(88)
	229	(60)	241	301	711
Reverse: Change in other liabilities and other assets	27	12	(14)	(9)	16
Reverse: Net change in non-cash working capital	89	288	53	22	452
Include: Maintenance capital expenditures attributable to Parkland	(18)	(39)	(20)	(45)	(122)
Exclude: Turnaround maintenance capital expenditures	1	2	—	—	3
Include: Proceeds on asset disposals	2	6	5	1	14
Reverse: Acquisition, integration and other costs	9	14	5	11	39
Include: Interest on leases and long-term debt	(59)	(56)	(54)	(54)	(223)
Exclude: Interest on leases and long-term debt attributable to NCI	1	1	1	1	4
Include: Payments on principal amount on leases	(40)	(35)	(35)	(33)	(143)
Exclude: Payments on principal amount on leases attributable to NCI	6	4	4	4	18
Distributable cash flow ⁽¹⁾	247	137	186	199	769
Weighted average number of common shares (million shares)					150
Distributable cash flow per share					5.13
Dividends	47	47	47	48	189
Dividend payout ratio					25 %

	September 30, 2019	Three months ended December 31, 2019	March 31, 2020	June 30, 2020	Trailing twelve months ended June 30, 2020
(\$ millions, unless otherwise noted)					
Cash generated from (used in) operating activities ⁽²⁾	104	248	328	629	1,309
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(18)	(22)	(20)	(15)	(75)
	86	226	308	614	1,234
Reverse: Change in other liabilities and other assets	13	(20)	(21)	(3)	(31)
Reverse: Net change in non-cash working capital	119	78	(135)	(425)	(363)
Include: Maintenance capital expenditures attributable to Parkland	(46)	(91)	(118)	(50)	(305)
Exclude: Turnaround maintenance capital expenditures	1	3	55	16	75
Include: Proceeds on asset disposals	7	11	3	5	26
Reverse: Acquisition, integration and other costs	28	14	21	8	71
Include: Interest on leases and long-term debt	(57)	(55)	(59)	(59)	(230)
Include: Payments on principal amount on leases	(30)	(29)	(39)	(35)	(133)
Exclude: Payments on principal amount on leases attributable to NCI	5	5	5	5	20
Distributable cash flow ⁽¹⁾	126	142	20	76	364
Weighted average number of common shares (million shares)					148
Distributable cash flow per share					2.46
Dividends	45	44	45	45	179
Dividend payout ratio					49 %

⁽¹⁾ Prior to March 31, 2021, distributable cash flow and the dividend payout ratio were referred to as adjusted distributable cash flow and adjusted dividend payout ratio, respectively.

⁽²⁾ For comparative purposes, information for previous periods were restated due to a change in presentation of cash flows from operating and financing activities. Interest paid on long-term debt and leases, formerly included in "Cash generated from (used in) operating activities", is now included in "Cash generated from (used in) financing activities", reflecting a more relevant presentation of finance costs payments.

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Maintenance capital expenditures	Capital expenditure metric for activities that are maintenance in nature	Additions to property, plant and equipment and intangible assets that are considered to be maintenance in nature, including but not limited to: • turnaround and other maintenance projects at the Burnaby Refinery; • upgrades of service stations, including primarily aesthetic major renovations (also known as "refreshes") of retail service stations; • rebrand or refresh of service stations, including securing a supply agreement with a new independent retailer; • replacement of existing concrete structures, paving, roofing, furniture and equipment; • upgrade or replacement of trucking fleets; and • upgrade of software systems or point-of-sale systems.	Parkland uses maintenance capital expenditures as a financial measure to monitor expenditures on property, plant and equipment and intangible assets to sustain the current level of economic activity and maintain cash flows from operating activities at a constant level of productive capacity. Parkland considers the volume of fuel and propane sales, volume of convenience store sales, volume of lubricant sales, agricultural inputs, and delivery to be productive capacity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 8 of this MD&A.
Growth capital expenditures	Capital expenditure metric for activities that are growth in nature	Additions to property, plant and equipment and intangible assets that are considered to be growth in nature, including but not limited to: • new retail site builds under the "new-to-industry" program; • construction of a new building on an existing site; • IT capital expenditures related to integration of acquired businesses; • acquisition of new real estate; • addition of new trucks and trailers to increase the size of the fleet; • addition of new equipment to increase the size and capacity of a retail fuel service station; and • addition of new infrastructure and tanks to support large new customer contracts. However, acquisitions of businesses and licenses are not included as part of growth capital expenditures.	Parkland uses growth capital expenditures as a measure to monitor expenditures on property, plant and equipment and intangible assets that increase the current level of economic activity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 8 of this MD&A.

Other information - Fuel and petroleum product volume

(million litres)	Canada		International		USA		Supply		Consolidated	
For the three months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Retail ⁽¹⁾	1,477	1,254	430	304	138	58	—	—	2,045	1,616
Commercial, wholesale, and supply ⁽¹⁾	633	574	772	918	1,213	654	1,097	968	3,715	3,114
Fuel and petroleum product volume	2,110	1,828	1,202	1,222	1,351	712	1,097	968	5,760	4,730

⁽¹⁾ Includes gasoline, diesel and propane volumes.

(million litres)	Canada		International		USA		Supply		Consolidated	
For the six months ended June 30,	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Retail ⁽¹⁾	2,797	2,783	831	710	218	118	—	—	3,846	3,611
Commercial, wholesale, and supply ⁽¹⁾	1,417	1,405	1,600	1,908	2,169	1,358	2,264	2,356	7,450	7,027
Fuel and petroleum product volume	4,214	4,188	2,431	2,618	2,387	1,476	2,264	2,356	11,296	10,638

⁽¹⁾ Includes gasoline, diesel and propane volumes.

Key Performance Indicators ("KPIs")

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

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Company C-Store same-store sales growth ("Company C-Store SSSG")	Company C-Store SSSG refers to sales growth generated by retail convenience stores at Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded to derive a comparable same-store metric.	Company C-Store SSSG is derived from the point-of-sale ("POS", i.e. cash register) value of goods and services sold to retail customers at convenience stores operated by retailers at Company sites. Specifically, current year POS sales of active sites are compared to prior year POS sales of comparable sites. Since Parkland generally collects fixed rent for the facilities plus a percentage rent on convenience store sales from the retailer and typically does not directly own or sell the convenience store inventory, POS amounts used to calculate Company C-Store SSSG are not a Parkland financial measure and do not form part of Parkland's consolidated financial statements.	Same-store sales growth is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Company Volume same-store sales growth ("Company Volume SSSG")	Company Volume SSSG refers to fuel and petroleum product sales growth at active Company sites. The effects of opening and closing stores, temporary closures (including closures for On the Run / Marché Express conversions), expansions of stores, renovations of stores, and stores with changes in food service models in the period are excluded.	Company Volume SSSG is derived by comparing the current year volume of active sites to the 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.	
Crude utilization	Crude 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.	Crude 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.
Composite utilization	Composite utilization refers to the amount of crude oil and co-processed bio-feedstock refined through the distillation units and Fluid Catalytic Cracking and Diesel Hydrotreating processing units compared to name-plate crude throughput.	The amount of crude oil and co-processed units expressed as a percentage of the 55,000 barrels per day name-plate distillation capacity at the Burnaby Refinery.	Composite 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.

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Crude throughput	Crude throughput refers to the amount of crude oil 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.
Bio-feedstock throughput	Bio-feedstock throughput refers to the amount of bio-feedstock such as canola oil and oil derived from animal fats (tallow) co-processed in the refinery using existing infrastructure and equipment.	The amount of co-processed feedstock expressed in thousands of barrels per day.	Bio-feedstock throughput provides meaningful information to investors in evaluating our success and capabilities in delivering low-carbon-intensity fuels.	A higher throughput indicates increased co-processing and our continued development and advancement in lower-carbon-intensity fuels and technologies.
Measures calculated on a cents-per-litre ("cpl") basis	Financial measures calculated on a cpl basis (e.g. adjusted gross profit) 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) is divided by the segment's relevant fuel and petroleum product volume 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.	
Annual Synergies	Annual Synergies is a forward-looking estimate of forecasted improvements in Adjusted EBITDA driven by increases in adjusted gross profit and reductions in Operating Costs and Marketing, General and Administrative expenses expected to be realized from integrating the Acquisitions and other related initiatives.	This estimate is stated as a comparison of the acquisitions' performance before and after acquisition, presented as a forecasted annualized run-rate measure. This forward-looking estimate is based on comparative analysis of organizational structures, level of spending, and contract structures, as well as synergies expectations and cost reductions from implementing integration initiatives, increased purchasing power, and contract renegotiations, among other items.	Annual Synergies is used to measure synergy expectations of acquisitions against their investment business case.	Changes to these assumptions, market conditions, commodity prices, and timing of implementation of initiatives can significantly impact Annual Synergies. See Section 15 of this MD&A.
Lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF")	LTIF and TRIF are industry measures of health and safety that provide the number of lost time incidents and total recordable incidents, respectively, that occurred within a given period relative to a standardized number of hours worked.	LTIF and TRIF are calculated by multiplying the number of incidents by 200,000, divided by the total number of employee hours worked.	Among other important indicators, LTIF and TRIF provide normalized and meaningful information on safety performance. This allows us to help drive improvements and accurately compare ourselves with peers and industry.	A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift.

Glossary of terms

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

15. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

This MD&A contains certain forward-looking information. Forward-looking information can generally be identified by words such as "believes", "expects", "expected", "will", "plan", "intends", "target", "would", "seek", "could", "projects", "projected", "anticipates", "estimates", "continues", or similar words. In particular, this MD&A contains forward-looking information including, without limitation, forward-looking statements regarding Parkland's:

- business objectives and strategy;
- expectations regarding the 2021 Guidance Range, the 2021 Capital Program, the expected 2021 utilization rates at the Burnaby Refinery, and the business outlook contained in this MD&A;
- commitment to drive consistent organic growth annually by investing in growth opportunities, innovatively pursuing opportunities to increase gross profit and lower costs, and continuously enhancing customer value and loyalty propositions;
- goal to develop an enterprise-wide sustainability strategy, including ESG targets, transparency and performance reporting and building and maintaining low-carbon leadership, and Parkland's commitment to such strategy;
- goal to deliver a supply advantage by leveraging our growing scale, product diversity and capital light infrastructure to enhance margins;
- construction of an electric vehicle ultra-fast charging network in British Columbia and the timing thereof;
- commitment to make strategic decisions and innovative investments that contribute to a lower-carbon future;
- expected exercise of the Sol Put Option or the Sol Call Option to acquire the remaining outstanding shares of SIL and the terms thereof;
- expectations regarding the anticipated benefits, costs and synergies of completed and future acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store offering in Canada and the United States, providing a strong retail platform for Parkland to expand and support its retail offering across Canada and the United States, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brands, 59th Street Food Co.TM and CargoTM;

- continued expansion of the JOURNIE™ program and the timing and benefits to be derived thereof;
- platform for growth in North America and the Caribbean;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to safely and reliably operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Canada, USA and International business segments;
- expected capital resources and its ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Sol Transaction, and the Acquisitions.

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

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

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

These forward-looking statements involve numerous assumptions, known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is based upon Parkland's current views with respect to future events based on certain material factors and assumptions and are subject to certain risks and uncertainties including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under the heading "Risk Factors" in the Annual Information Form. More specifically, certain material factors and assumptions that could cause actual results to vary materially from those anticipated include, without limitation:

- general market conditions, including the duration and effect of COVID-19;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to meet environmental, social and governance and low-carbon targets;
- ability to realize the benefits from our core capabilities;

- ability to capture value in each step of the value chain;
- ability to identify acquisition targets and to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- ability to secure funding to finance the consideration payable to acquire the remaining portion of the SIL shares under the Sol Put Option;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing, margins and refining crack spreads;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- competitive environment of our industry in North America and the Caribbean;
- environmental impact;
- risk of changes to environmental and regulatory laws;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Sol Transaction, and the Acquisitions;
- failure to meet financial, operational and strategic objectives and plans; and
- availability of capital and operating funds.

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

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