



MANAGEMENT'S DISCUSSION AND ANALYSIS

Q3 2020



Report to shareholders

Management's Discussion and Analysis

Q3 2020

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Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Corporation ("Parkland", "we", "our" or "us") dated November 3, 2020 should be read in conjunction with our September 30, 2020 unaudited interim condensed consolidated financial statements (the "Interim Condensed Consolidated Financial Statements"), our audited consolidated financial statements for the year ended December 31, 2019 (the "Annual Consolidated Financial Statements"), our 2019 annual MD&A (the "Annual MD&A"), and our annual information form for the fiscal year ended December 31, 2019 dated March 30, 2020 (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.

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

Non-GAAP financial measures and key performance indicators

Parkland has identified several key operating performance measures that management believes provide meaningful information in assessing Parkland's underlying performance. Readers are cautioned that these measures may not have a standardized meaning prescribed by IFRS and therefore may not be comparable to similar measures presented by other entities. Refer to Section 12 of this MD&A for a list of defined non-GAAP financial measures and key performance indicators ("KPIs").

Adjusted EBITDA and adjusted gross profit

Adjusted EBITDA and adjusted gross profit, including fuel and petroleum product adjusted gross profit, are measures of segment profit as reported in Note 19 of the Interim Condensed Consolidated Financial Statements and Note 27 of the Annual Consolidated Financial Statements. Refer to Section 12 of this MD&A for more information on these measures of segment profit.

Risks and forward-looking information

Parkland's financial and operational performance is potentially affected by a number of factors including, but not limited to, the factors described within the Forward-looking Information section and Risk factors section of this MD&A, the Annual MD&A and the Annual Information Form. The information within these sections of this MD&A is based on Parkland's current expectations, estimates, projections and assumptions that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is subject to a number of risks and uncertainties beyond Parkland's control including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under Section 8 of this MD&A and the Risk Factors section of the Annual Information Form. Readers are cautioned that such forward-looking information contained in this MD&A should not be used for purposes other than for which it is disclosed herein and are cautioned not to place undue reliance on these forward-looking statements. Refer to Section 13 of this MD&A for further details.

1. PARKLAND OVERVIEW

Effective May 15, 2020, Parkland Fuel Corporation amended its articles to change its name to "Parkland Corporation" and adopted "Corporation Parkland" as its French name. Parkland Corporation's ("Parkland", or "the Company") business activities have evolved beyond the sale of fuel to focus on becoming an internationally-integrated sustainable business, serving our customers' fuel and convenience store needs. Parkland's management believed it to be in the best interest of Parkland to change its name to better reflect our overall strategic direction, and the name change was supported by 99.9% of our shareholders at our recent Annual General Meeting. Parkland is a fast-growing independent fuel and petroleum marketer and leading convenience store operator with operations across the Americas. The Company serves customers through its retail, commercial and wholesale sales channels, and optimizes its fuel supply to each by operating its refinery located in Burnaby, British Columbia (the "Burnaby Refinery"), as well as leveraging a growing portfolio of supply relationships and storage and logistics infrastructure. Parkland provides trusted and locally relevant fuel brands and convenience stores in the communities it serves. The Company is designed to capture value across its entire value chain and is advancing its proven strategy of growing organically, realizing a strong supply advantage, acquiring prudently and integrating successfully. Parkland is focused on expanding margins across its fuel and non-fuel categories, and its diversified and resilient platform provides stability and multiple avenues for growth.

2. PERFORMANCE OVERVIEW

(\$ millions, unless otherwise noted)						
Financial Summary	Three months ended September 30,			Nine months ended September 30,		
	2020 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾	2020 ⁽⁴⁾	2019 ⁽⁴⁾	2018 ⁽⁴⁾
Sales and operating revenue	3,505	4,605	3,811	10,537	13,674	10,936
Fuel and petroleum product volume (million litres)	5,324	5,622	4,211	16,008	16,483	12,624
Adjusted gross profit ⁽¹⁾	674	679	465	1,754	2,104	1,408
Adjusted EBITDA including non-controlling interest ("NCI")	364	322	200	786	1,031	602
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	338	302	200	720	963	602
Canada ⁽²⁾	128	104	97	323	292	304
International	77	63	—	198	208	—
USA	23	17	8	63	41	17
Supply	122	146	121	202	507	362
Corporate	(12)	(28)	(26)	(66)	(85)	(81)
Net earnings (loss)	91	26	49	48	228	129
Net earnings (loss) attributable to Parkland	76	24	49	29	206	129
Net earnings (loss) per share – basic (\$ per share)	0.51	0.16	0.37	0.19	1.41	0.98
Dividends	47	45	39	137	133	118
Per share	0.3036	0.2985	0.2934	0.9074	0.8921	0.8770
Weighted average number of common shares (million shares)	149	148	133	149	147	132
TTM distributable cash flow ⁽¹⁾⁽⁵⁾	479	566	310	479	566	310
Per share ⁽¹⁾⁽³⁾⁽⁵⁾	3.24	3.96	2.35	3.24	3.96	2.35
TTM adjusted distributable cash flow ⁽¹⁾⁽⁵⁾	484	594	495	484	594	495
Per share ⁽¹⁾⁽³⁾⁽⁵⁾	3.27	4.15	3.75	3.27	4.15	3.75
TTM dividends ⁽⁵⁾	181	174	157	181	174	157
TTM dividend payout ratio ⁽¹⁾⁽⁵⁾	38 %	31 %	51 %	38 %	31 %	51 %
TTM adjusted dividend payout ratio ⁽¹⁾⁽⁵⁾	37 %	29 %	32 %	37 %	29 %	32 %
TTM weighted average number of common shares (million shares) (5)	148	143	132	148	143	132
Total assets	8,978	9,157	5,736	8,978	9,157	5,736
Total Funded Debt to Credit Facility EBITDA ratio ⁽¹⁾⁽⁶⁾	2.56	2.58	2.62	2.56	2.58	2.62
Interest coverage ratio ⁽¹⁾	5.52	5.97	5.91	5.52	5.97	5.91
Growth capital expenditures attributable to Parkland ⁽¹⁾	15	71	29	65	152	52
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	18	46	28	186	141	135

⁽¹⁾ Measure of segment profit and Non-GAAP financial measures. See Section 12 of this MD&A.

⁽²⁾ For comparative purposes, information for the three and nine months ended September 30, 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 the first six months of 2020.

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

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

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

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

Operational Highlights

Throughout the first nine months of 2020, Parkland demonstrated the agility, resilience and flexibility of its business and completed a successful third quarter despite the macro-economic and other challenges due to the ongoing COVID-19 pandemic ("COVID-19"). Parkland responded quickly and prudently to COVID-19 to maintain its operational flexibility and the result of these efforts continue to be shown in the third quarter of 2020 with record third quarter Adjusted EBITDA and distributable cash flows complemented by a strong balance sheet. Parkland's strong execution, supported by its integrated, agile and resilient business model, diverse geographic platform, and extensive product offering has delivered a strong 2020, which is visibly demonstrated by the following strategic and operational successes during the third quarter of 2020:

- Parkland's geographic diversity positioned it well in the current economic environment and provided the ability to generate stable cash flows.
- The Company's marketing operations (Canada, International and USA) performed very well during the quarter as overall margin increases helped offset volume declines as a result of lower product demand due to COVID-19.
- Our convenience stores in Canada continued to demonstrate exceptional resilience by achieving 10.7% same-store sales growth through the third quarter of 2020.
- Despite COVID-19 restrictions and the shutdown of the tourism industry significantly impacting aviation and retail volumes, International's performance was bolstered by geographical diversification, executing profitable supply initiatives and implementing strong cost controls.
- Parkland's continued focus on integration efficiencies, synergies, national accounts and joint marketing efforts with International and Supply drove organic growth in USA.
- We acquired the license for the exclusive use of the On the Run trademark in the majority of U.S. states. The acquisition positions Parkland to expand On the Run across the majority of U.S. states, to create a unified North American convenience store brand.
- The Burnaby Refinery realized strong utilization rate of 90.3% coming out of the Turnaround despite lower product demand associated with COVID-19.
- We demonstrated a disciplined approach to cost management across the Company in response to the challenging economic conditions that have been sustained throughout the third quarter.
- We began collaborating with Amazon Web Services, which will allow us to further strengthen our customer value proposition and loyalty initiatives and accelerate our digital transformation.
- We continue to have strong momentum from Parkland's loyalty program, JOURNIE™ Rewards, with over 900 Canadian locations in the program and over 1 million active memberships.
- Parkland released its inaugural Sustainability Report, which outlines how we provide our customers with safe, reliable energy and products they need today, while making strategic decisions and innovative investments that contribute to a lower carbon future. We are committed to providing our shareholders, customers, team members and the communities in which we operate continued prosperity by operating safely and efficiently and protecting our shared environment.

See Section 9 of this MD&A for continuing and future strategic initiatives considering the current economic environment.

Financial Highlights

During the third quarter of 2020, Parkland took prudent and proactive action to continue to increase financial flexibility and maintain balance sheet strength during COVID-19.

- We achieved record third quarter distributable cash flows of \$270 million and Adjusted EBITDA attributable to Parkland of \$338 million due to the strong performance of our marketing business, stability from geographic diversification, and effective cost control measures.
- The cash flow from our operations fully funded our capital expenditures, dividend payments and acquisition and integration activities providing us with continued balance sheet strength and financial flexibility.
- We repaid \$308 million of credit facility borrowings using cash on hand and redeemed 5.50% Senior Notes and 6.00% Senior notes, which were due in 2021 and 2022 with proceeds from private placement offering of \$400 million 6.00% Senior Notes, due 2028, completed in the second quarter of 2020 (the "2020 Notes").
- Total Funded Debt to Credit Facility EBITDA ratio as at September 30, 2020 was 2.56, well below the covenant restriction of 5.00.
- Liquidity available as at September 30, 2020 was \$1,634 million.

- We remained committed to exercising strict capital discipline within our revised capital program guidance, which has been revised lower by a cumulative \$250 million compared to our initial guidance of \$575 million.

See Section 9 of this MD&A for continuing and future strategic initiatives considering the current economic environment.

Adjusted EBITDA

Parkland recorded Adjusted EBITDA of \$338 million for the third quarter of 2020 and \$720 million for the first nine months of 2020, representing an increase of 12% and decrease of 25% compared to the same periods in 2019.

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

- Strong unit margins in retail gasoline and commercial fuel along with the successful implementation of long-term and short-term cost reduction initiatives and restructuring activities, partially offset by lower volumes as a result of COVID-19 in Canada, International and USA;
- Our convenience stores in Canada continuing to demonstrate exceptional resilience by achieving 10.7% same-store sales growth through the third quarter of 2020;
- Successful execution of profitable supply initiatives, strong cost controls and geographical diversification in International resulting in strong performance despite COVID-19 restrictions and the shutdown of the tourism industry;
- Parkland's continued emphasis on its strategy to drive new business through customer focus, joint marketing efforts, effective cost management, and improved fuel and non-fuel unit margins in USA; and
- Strong refinery utilization through the third quarter of 2020 in light of COVID-19, enabling Supply to capture strong gasoline crack spreads.

Further, the decrease in the Adjusted EBITDA for the first nine months of 2020 as compared to the same period in 2019 is due to reduced product demand associated with COVID-19 and the impact of the Turnaround.

Net earnings (loss)

Q3 Performance - 2020 vs. 2019

Net earnings (loss) was \$91 million for the third quarter of 2020, representing an increase of \$65 million in net earnings (loss) as compared to the same period in 2019. The following account for the significant changes in net earnings (loss) for the third quarter of 2020 as compared to the same period in 2019, in addition to the changes in Adjusted EBITDA discussed above:

- Non-cash unrealized (gain) loss on foreign exchange increased net earnings by \$18 million, primarily as a result of the \$17 million loss on foreign exchange for the third quarter of 2019 driven by the translation impact of the USD-denominated Credit Facility not included as a part of the Net Investment Hedge.
- Net non-cash unrealized gains on risk management and other derivatives increased \$17 million, primarily due to the decrease in commodity prices.
- Income tax expense increased \$22 million, primarily due to higher taxable earnings in the third quarter of 2020.
- Acquisition, integration and other costs decreased \$19 million, primarily due to higher costs associated with the Sol Transaction and Phase II of the Chevron TSA, which were incurred in 2019.
- Net non-cash losses within other (gains) and losses increased by \$5 million, driven by:
 - the \$43 million loss on revaluation of the redemption value of the Sol Put option due to a change in the estimated trailing-twelve-month adjusted EBITDA of Sol;
 - the \$36 million gain on the change in fair value of Redemption options of the Senior Notes, attributable to a decrease in the credit spread from June 30, 2020 to September 30, 2020;
 - the \$7 million loss on the environmental provision as a result of the decrease in the discount rate.

Q3 YTD Performance - 2020 vs. 2019

Net earnings (loss) was \$48 million for the first nine months of 2020, representing a decrease of \$180 million in net earnings (loss) as compared to the same period in 2019. The following account for the significant changes in net earnings (loss) for the first nine months of 2020 as compared to the same period in 2019, in addition to the changes in Adjusted EBITDA discussed above:

- Non-cash unrealized (gain) loss on foreign exchange decreased net earnings by \$24 million, primarily as a result of the \$32 million gain on foreign exchange for the first quarter of 2019 driven by the translation impact of the 6.00% US Senior Notes and USD-denominated credit facility prior to the designation of the Net Investment Hedge on February 4, 2019.
- Income tax expense decreased \$82 million, primarily due to lower taxable earnings for the first nine months of 2020.
- Acquisition, integration and other costs decreased \$39 million, primarily due to higher costs associated with the Sol Transaction and Phase II of the Chevron TSA, which were incurred in 2019.
- Depreciation and amortization, both non-cash items, increased \$30 million, primarily driven by additions to property, plant and equipment and intangible assets, from both organic growth, the 2019 USA Acquisitions, the 2020 USA Acquisitions, and an increase in the foreign exchange rate.
- Net non-cash losses within other (gains) and losses increased by \$12 million, driven by:
 - the \$38 million loss on the change in fair value of Redemption options of the Senior Notes, attributable to a increase in the credit spread from June 30, 2020 to September 30, 2020;
 - the \$11 million gain on revaluation of the redemption value of the Sol Put option due to a change in the estimated trailing-twelve-month adjusted EBITDA of Sol;
 - the \$9 million loss on the environmental provision as a result of the decrease in the discount rate.

Cash flow and liquidity

- Parkland's cash flow from operations of \$195 million for the third quarter of 2020 and \$1,035 million for the first nine months of 2020 fully funded growth and maintenance capital expenditures, dividend payments, the Kellerstrass Acquisition, and the ConoMart Acquisition, which demonstrates the resilience of our business and success of our cash flow management.
- As at September 30, 2020, Parkland was in compliance with all debt covenants. The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios of 0.13 and 2.56 are well below the covenant restrictions of 3.50 and 5.00, respectively. The Interest coverage ratio of 5.52 is well above the covenant restriction of 3.00. The trailing-twelve-month Adjusted EBITDA was lower than the same period in 2019 due to the Turnaround. This did not affect the Credit Facility EBITDA due to the normalization for the effect of the Turnaround in the Credit Facility EBITDA calculation pursuant to the terms of Parkland's credit agreement. See Section 12 of this MD&A.

Dividends and dividend payout ratio

- In 2020, Parkland raised its per share dividend for the 8th consecutive year. Dividends of \$47 million for the third quarter of 2020 and \$137 million for the first nine months of 2020 were paid to shareholders. This is higher than in the respective periods in 2019 due to a \$0.02 per share increase in the annual dividend to \$1.214 per share effective March 20, 2020 and a higher number of common shares outstanding.
- The adjusted dividend payout ratio increased by 8 p.p. to 37% for the trailing twelve months ended September 30, 2020 as compared to the same period in 2019 due to a higher level of dividends as discussed above and lower adjusted distributable cash flows. Lower adjusted distributable cash flows were primarily driven by lower Adjusted EBITDA for the first nine months of 2020 as a result of the impact of the Turnaround at the Burnaby Refinery and COVID-19, which was offset by higher Adjusted EBITDA for the last quarter of 2019 largely due to the 2019 USA Acquisitions and the Sol Transaction.

Capital expenditures attributable to Parkland

Parkland responded prudently to COVID-19 by revising its 2020 capital program (see Section 9 of this MD&A) consistent with our priority to maintain financial flexibility and balance sheet strength in the current uncertain economic environment. The revised capital expenditure program still enables Parkland to maintain leadership in low-carbon fuel refining, enhance our supply capability through infrastructure investments and build additional digital capability such as the JOURNIE™ Rewards program.

- Growth capital expenditures attributable to Parkland were \$15 million for the third quarter of 2020 and \$65 million for the first nine months of 2020, primarily focused on continuing our disciplined approach to network development and improving our customer value proposition including the enhancement of digital capability, low-carbon manufacturing growth projects at the Burnaby Refinery and other minor organic growth initiatives across our areas of operations.
- Maintenance capital expenditures attributable to Parkland were \$18 million for the three months ended September 30, 2020 and \$186 million for the nine months ended September 30, 2020, primarily focused on the Turnaround and other ongoing maintenance projects at the Burnaby Refinery.

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

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. During the three and nine months ended September 30, 2020, Parkland's total recordable injury frequency ("TRIF"), on a trailing-twelve-month basis, improved to 1.12, compared to 1.81 for the three and nine months ended September 30, 2019, demonstrating Parkland's commitment to safety.

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

- Team members who could work from home did so, and we are undertaking a measured, phased and voluntary approach to returning to the workplace, based on public health guidance.
- In commercial offices and retail sites that were required to remain open, we implemented enhanced operating procedures and protocols in line with recommendations from local health authorities, including installation of plexiglass barriers, floor guidance stickers and safety signage.
- We increased the frequency of sanitization, and made hand sanitizer, disinfectant wipes and masks available to our team members to ensure a higher level of cleanliness for our offices and sites.

Sustainability

Parkland's inaugural Sustainability Report issued on September 30, 2020 outlines our established environmental, social and governance 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 targets, ongoing transparency and regular performance reporting. As part of this strategy, we plan to build on our accomplishments and low carbon leadership and are actively developing meaningful targets across our business. The report highlights Parkland's existing sustainability practices coupled with the company's philosophy and aspirations within each of its five strategic focus areas:

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

3. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Refer to Note 19 of the Interim Condensed Consolidated Financial Statements for a description of Parkland's segments.

Canada

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

Canada operates and supports a coast-to-coast network of 1,850 retail gas stations, 162 cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers. Canada operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer. In addition, Canada operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. Canada also serves its commercial customer base through a family of brands including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane. Refer to the 2019 Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

Canada segment performance highlights

Canada delivered strong results, with Adjusted EBITDA of \$128 million in the third quarter of 2020 and Adjusted EBITDA of \$323 million in the first nine months of 2020, representing increases of \$24 million and \$31 million as compared to the same periods in 2019, respectively. This is primarily a result of improved fuel margins, short-term and long-term cost reduction initiatives and restructuring activities, partially offset by lower volumes as a result of COVID-19.

The Canadian operations achieved a number of notable successes during the first nine months of 2020, including delivering 19 consecutive quarters of C-Store SSSG and the successful launch of JOURNIETM Rewards in our Chevron, Pioneer, and Ultramar-branded retail stations. Parkland continues to have strong momentum from its proprietary loyalty program, JOURNIETM Rewards, along with its exclusive financial institution partnership with CIBC. Over 900 locations are now active in the program and our active membership exceeds 1 million.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2020	2019 ⁽⁷⁾	Change	%	2020	2019 ⁽⁷⁾	Change	%
Retail volume (million litres)	1,693	1,831	(138)	(8)%	4,477	5,172	(695)	(13)%
Commercial and other volume (million litres)	616	653	(37)	(6)%	2,020	2,232	(212)	(9)%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	2,309	2,484	(175)	(7)%	6,497	7,404	(907)	(12)%
Sales and operating revenue	1,721	2,279	(558)	(24)%	4,819	6,738	(1,919)	(28)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	203	188	15	8 %	556	572	(16)	(3)%
Non-fuel adjusted gross profit ⁽²⁾	50	58	(8)	(14)%	141	158	(17)	(11)%
Adjusted gross profit ⁽²⁾⁽³⁾	253	246	7	3 %	697	730	(33)	(5)%
Operating Costs	106	116	(10)	(9)%	316	356	(40)	(11)%
Marketing, General and Administrative	19	27	(8)	(30)%	59	84	(25)	(30)%
Other adjusting items ⁽⁸⁾	—	(1)	1	(100)%	(1)	(2)	1	(50)%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	128	104	24	23 %	323	292	31	11 %
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	8.79	7.57	1.22	16 %	8.56	7.73	0.83	11 %
Operating Costs (cpl)	4.59	4.67	(0.08)	(2)%	4.86	4.81	0.05	1 %
Marketing, General and Administrative (cpl)	0.82	1.09	(0.27)	(25)%	0.91	1.13	(0.22)	(19)%
Adjusted EBITDA (cpl)	5.54	4.19	1.35	32 %	4.97	3.94	1.03	26 %
Company Volume SSSG ⁽⁴⁾⁽⁵⁾⁽⁶⁾	(11.5)%	(0.3)%	(11.2)p.p.		(15.2)%	1.0 %	(16.2)p.p.	
Company C-Store SSSG ⁽⁴⁾⁽⁶⁾	10.7 %	0.9 %	9.8p.p.		8.2 %	3.8 %	4.4p.p.	

- ⁽¹⁾ Includes gasoline, diesel and propane volumes.
- ⁽²⁾ Measure of segment profit. See Section 12 of this MD&A.
- ⁽³⁾ Adjusted gross profit consists of: (i) fuel and petroleum product adjusted gross profit primarily from gasoline and diesel sales, and (ii) non-fuel adjusted gross profit primarily from convenience store merchandise sales, convenience store rents, car wash revenue, and other ancillary sales.
- ⁽⁴⁾ SSSG denotes same-store sales growth. See Section 12 of this MD&A for an explanation of this KPI.
- ⁽⁵⁾ Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.
- ⁽⁶⁾ For comparative purposes, Company Volume SSSG and Company C-Store SSSG have been restated for a change in definition. See Section 12 of this MD&A.
- ⁽⁷⁾ For comparative purposes, information for the three and nine months ended September 30, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020.
- ⁽⁸⁾ Includes customer finance income.

Q3 and Q3 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume decreased 175 million litres for the third quarter of 2020 and 907 million litres for the first nine months of 2020 as compared to the same periods in 2019, mainly due to lower demand in volumes attributed to COVID-19 and lower oil and gas industry activity. However, both retail and commercial volumes improved through the quarter as the summer driving season was strong, economic activity improved, and we benefited from investment in new-to-industry retail sites since the comparable period.

Sales and operating revenue decreased \$558 million for the third quarter of 2020 and \$1,919 million for the first nine months of 2020 as compared to the same periods in 2019, primarily due to a decrease in commodity prices and lower volumes as noted above.

Fuel and petroleum product adjusted gross profit increased \$15 million for the third quarter of 2020 compared to the same period in 2019, mainly due to stronger unit margins in both retail and commercial fuel sales driven by favourable volatility in supply costs and improved market dynamics. Fuel and petroleum product adjusted gross profit decreased \$16 million for the first nine months of 2020 as compared to the same period in 2019, driven by lower volumes, partially offset by stronger unit margins in both retail and commercial fuel sales.

Non-fuel adjusted gross profit decreased by \$8 million for the third quarter of 2020 and \$17 million for the first nine months of 2020 as compared to the same periods in 2019 primarily due to the disposition of non-core assets in the commercial business, partially offset by higher non-fuel gross profit in Retail as a result of strong Company C-store SSSG.

Operating Costs decreased \$10 million for the third quarter of 2020 and \$40 million for the first nine months of 2020 as compared to the same periods in 2019 primarily due to repairs and maintenance optimization and lower employee-related costs, including the impact of CEWS. Variable costs also decreased as a result of reduced demand, leading to lower transportation costs, commissions and credit card fees.

Marketing, General and Administrative expenses decreased \$8 million for the third quarter of 2020 and \$25 million for the first nine months of 2020 as compared to the same periods in 2019. Lower employee-related costs, including the impact of CEWS, along with other cost initiatives, contributed to the decrease for both the third quarter of 2020 and the first nine months of 2020.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 1.22 cpl for the third quarter of 2020 and 0.83 cpl for the first nine months of 2020 as compared to the same periods in 2019, primarily due to improved market dynamics.

Operating Costs on a cpl basis decreased for the third quarter of 2020 due to cost savings, partially offset by lower volumes. Operating costs on a cpl basis increased for the first nine months of 2020 due to lower volumes as described above and the timing of cost reductions and CEWS beginning in March 2020.

Marketing, General and Administrative expenses on a cpl basis decreased 0.27 cpl for the third quarter of 2020 and 0.22 cpl for the first nine months of 2020 as compared to the same periods in 2019, mainly due to labour cost optimization and CEWS, along with reductions in marketing and advertising costs.

Economic activity has improved this quarter, but continues to be impacted by COVID-19. Volumes have seen positive trends through the end of September as a result of favourable seasonal weather and increased domestic tourism. Company Volume SSSG saw a decline of 11.5% for the third quarter of 2020 and a decline of 15.2% for the first nine months of 2020, compared to a decline of 0.3% and growth of 1.0% for the same periods in 2019, respectively.

Parkland's convenience store operations continue to be resilient through the impacts of COVID-19 and have maintained positive C-Store SSSG for 19 consecutive quarters. Our C-stores experienced strong Company C-Store SSSG of 10.7% for the third quarter of 2020 and 8.2% for the first nine months of 2020, compared to 0.9% and 3.8% for the same periods in 2019, respectively. Despite the fuel volume declines as a result of lower economic activity, C-Store SSSG experienced across Canada was attributable to increased sales of tobacco, alcohol, beverages, and household essentials, partially offset by lower car wash service. Excluding cigarettes, Company C-Store SSSG was 10.4% for the third quarter of 2020 and 6.7% for the first nine months of 2020, compared to 5.2% and 5.9% for the same periods in 2019, respectively.

Site count by business model

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

	Total
Company retail sites	648
Dealer retail sites	1,202
Commercial cardlock	162
Site count, as at September 30, 2020	2,012
Company retail sites	641
Dealer retail sites	1,222
Commercial cardlock	163
Site count, as at December 31, 2019	2,026
Net change in site count	(14)

The change in site count is attributable to network plan optimization and routine site count fluctuations as a result of new site builds (also known as new-to-industry, or NTI sites), new dealers, site conversions, site sales, site closures, or site rebranding. Seven NTI sites were added in the first nine months of 2020, increasing the number of Company sites from 641 to 648. The site count for the dealer sites decreased by 20 sites in the first nine months of 2020 from 1,222 to 1,202 as a result of adding 29 new sites and attrition of 49 sites. Cardlock sites decreased by one for the first nine months of 2020.

International

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

The results for the nine months ended September 30, 2019 comparative period excludes activities and earnings generated prior to the Sol Transaction on January 8, 2019. Adjusted EBITDA attributable to Parkland represents Parkland's 75% interest in International.

International segment performance highlights

International delivered Adjusted EBITDA attributable to Parkland of \$77 million in the third quarter of 2020 and \$198 million in the first nine months of 2020 as compared to \$63 million and \$208 million for the same periods in 2019, respectively. Despite COVID-19 restrictions and the shutdown of the tourism industry significantly impacting aviation and retail volumes, International's performance was bolstered by execution of profitable supply initiatives, strong cost controls and geographical diversification.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
Retail volume ⁽¹⁾ (million litres)	389	458	(69)	(15)%	1,099	1,351	(252)	(19)%
Commercial and other volume ⁽¹⁾ (million litres)	723	746	(23)	(3)%	2,631	2,186	445	20 %
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,112	1,204	(92)	(8)%	3,730	3,537	193	5 %
Sales and operating revenue ⁽¹⁾	798	1,157	(359)	(31)%	2,730	3,502	(772)	(22)%
Fuel and petroleum product adjusted gross profit ⁽¹⁾⁽²⁾	130	123	7	6 %	362	386	(24)	(6)%
Non-fuel adjusted gross profit ⁽¹⁾⁽²⁾	27	28	(1)	(4)%	73	84	(11)	(13)%
Adjusted gross profit ⁽¹⁾⁽²⁾	157	151	6	4 %	435	470	(35)	(7)%
Operating Costs ⁽¹⁾	36	43	(7)	(16)%	117	129	(12)	(9)%
Marketing, General and Administrative ⁽¹⁾	21	27	(6)	(22)%	63	74	(11)	(15)%
Other adjusting items ⁽¹⁾	(3)	(2)	(1)	50 %	(9)	(9)	—	— %
Adjusted EBITDA including NCI ⁽¹⁾	103	83	20	24 %	264	276	(12)	(4)%
Less: Adjusted EBITDA attributable to NCI	26	20	6	30 %	66	68	(2)	(3)%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	77	63	14	22 %	198	208	(10)	(5)%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	11.69	10.22	1.47	14 %	9.71	10.91	(1.20)	(11)%
Operating Costs (cpl)	3.24	3.57	(0.33)	(9)%	3.14	3.65	(0.51)	(14)%
Marketing, General and Administrative (cpl)	1.89	2.24	(0.35)	(16)%	1.69	2.09	(0.40)	(19)%
Adjusted EBITDA (cpl) ⁽³⁾	9.23	6.98	2.25	32 %	7.08	7.84	(0.76)	(10)%

⁽¹⁾ At 100% Sol interest.

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

⁽³⁾ Beginning in the fourth quarter of 2019, Parkland calculates Adjusted EBITDA on a cpl basis using fuel and petroleum product volume attributable to Parkland, for all periods presented.

Q3 and Q3 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume decreased 8% for the third quarter of 2020 as compared to the same period in 2019 mainly due to lower demand attributed to COVID-19. On a year-to-date basis, fuel and petroleum product volume increased 5% as compared to the same period in 2019, primarily due to robust wholesale volumes driven by growth initiatives, particularly in the second quarter of 2020. Although non-wholesale volumes in the third quarter have recovered from second quarter levels, fuel demand in the region continues to be negatively affected by COVID-19-related impacts, including travel restrictions affecting aviation volumes, low tourism affecting retail and LPG volumes, and localized COVID-19 shutdowns affecting commercial volumes. International continues to benefit from geographic diversification, with South America and Spanish Caribbean performing stronger relative to the rest of the region due to their economies being diversified in natural resources and other industries. Although International is experiencing continuing progress in demand recovery with the easing of COVID-19 restrictions, recovery will be tempered until COVID-19 restrictions are lifted and tourism activity returns to normal.

Sales and operating revenue decreased 31% for the third quarter of 2020 and 22% for the first nine months of 2020 as compared to the same periods in 2019, primarily due to lower fuel and petroleum product commodity prices and lower demand attributable to COVID-19.

Fuel and petroleum adjusted gross profit increased 6% for the third quarter of 2020 as compared to the same period in 2019 due to strong unit margins generated from profitable supply initiatives, which included the sale of inventory acquired at lower cost earlier in the year. Furthermore, the third quarter of 2019 experienced low unit margins as a result of market volatility. On a year-to-date basis, fuel and petroleum adjusted gross profit decreased 6% despite increased volumes, primarily due to a change in product demand mix during the COVID-19 pandemic, resulting in a lower composition of retail, LPG and aviation volumes that generate higher margins, and a higher composition of wholesale and commercial volumes that generate lower margins.

Non-fuel adjusted gross profit is mainly generated from retail rent and convenience store royalties, aviation service fees, lubricant sales and other services. Non-fuel adjusted gross profit declined 4% for the third quarter of 2020 and 13% for the first nine months of 2020 compared to the same periods in 2019 as a result of various local COVID-19 restrictions, temporary government-mandated shutdowns, decreased tourism, and a decline in aviation traffic. Although COVID-19 restrictions have eased and most convenience stores have been re-opened, recovery will be tempered until aviation and tourism activities return to normal.

Operating Costs and Marketing, General and Administrative expenses decreased 16% and 22% for the third quarter of 2020, respectively, and 9% and 15% for first nine months of 2020, respectively, as compared to the same periods in 2019, primarily as a result of short-term and long-term cost reduction initiatives and restructuring activities, as well as reduced variable costs from decreased demand. Although the majority of costs are variable in nature, International is expected to benefit from the long-term cost reduction initiatives and an improved long-term cost structure.

Other adjusting items included in Adjusted EBITDA primarily consist of earnings from Sol's 29% interest in the SARA Refinery located in Martinique.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 14% for the third quarter of 2020 primarily due to high unit margins generated from robust supply and trading initiatives in 2020 and low unit margins in 2019, as noted above. On a year-to-date basis, fuel and petroleum product adjusted gross profit on a cpl basis decreased 11% primarily due to a change in product demand mix during the COVID-19 pandemic, as noted above.

Operating Costs and Marketing, General and Administrative expenses on a cpl basis improved 9% and 16% for the third quarter of 2020, respectively, and 14% and 19% for the first nine months of 2020, respectively, as compared to the same periods in 2019, primarily as a result of short-term and long-term cost reduction initiatives and restructuring activities while delivering strong commercial and wholesale volumes.

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

Retail site count by business model

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

	Total
Company-owned or company-leased	252
Dealer-owned and dealer-operated	237
Site count, as at September 30, 2020	489
Company-owned or company-leased	259
Dealer-owned and dealer-operated	237
Site count, as at December 31, 2019	496
Net change in site count	(7)

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

USA

USA (formerly "Parkland USA") includes a network of gas stations and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Idaho, Minnesota, Montana, New Mexico, Nevada, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland export opportunities for products from western Canada as well as synergies with International and Supply. Brands in this segment include SPF Energy, Farstad Oil, Superpumper, Rhinehart, Tropic, ConoMart, and Kellerstrass. Refer to the 2019 Annual MD&A for a detailed description of Parkland's multi-brand strategy and business models.

2020 USA Acquisitions

During the first quarter of 2020, Parkland successfully completed the acquisition of all of the issued and outstanding equity interests of Kellerstrass Enterprises, LLC ("Kellerstrass") as well as equity interests and the assets of certain of its affiliates (collectively the "Kellerstrass Acquisition") on February 14, 2020. During the second quarter of 2020, Parkland successfully completed the acquisition of certain ConoMart Super Stores ("ConoMart Acquisition") on May 13, 2020.

Kellerstrass Acquisition

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

2019 USA Acquisitions

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

Tropic Acquisition

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

USA segment performance highlights

USA's Adjusted EBITDA increased by \$6 million for the third quarter of 2020 and \$22 million for the first nine months of 2020 as compared to the same periods in 2019, due to the 2019 USA Acquisitions and 2020 USA Acquisitions, strong fuel and non-fuel unit margins and cost management despite lower same site volume due to COVID-19. Parkland's continued focus on national accounts and joint marketing efforts with International and Supply also drove organic growth.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
Retail volume (million litres) ⁽¹⁾	79	76	3	4 %	191	191	—	— %
Wholesale and Commercial volume (million litres) ⁽¹⁾	574	379	195	51 %	1,674	989	685	69 %
Fuel and petroleum product volume ⁽²⁾ (million litres)	653	455	198	44 %	1,865	1,180	685	58 %
Sales and operating revenue	491	409	82	20 %	1,422	1,110	312	28 %
Fuel and petroleum product adjusted gross profit ⁽³⁾	32	22	10	45 %	104	57	47	82 %
Non-fuel adjusted gross profit ⁽³⁾	34	26	8	31 %	94	73	21	29 %
Adjusted gross profit ⁽³⁾	66	48	18	38 %	198	130	68	52 %
Operating Costs	34	26	8	31 %	104	70	34	49 %
Marketing, General and Administrative	9	5	4	80 %	31	19	12	63 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽³⁾	23	17	6	35 %	63	41	22	54 %
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	4.90	4.84	0.06	1 %	5.58	4.83	0.75	16 %
Operating Costs (cpl)	5.21	5.71	(0.50)	(9)%	5.58	5.93	(0.35)	(6)%
Marketing, General and Administrative (cpl)	1.38	1.10	0.28	25 %	1.66	1.61	0.05	3 %
Adjusted EBITDA (cpl)	3.52	3.74	(0.22)	(6)%	3.38	3.47	(0.09)	(3)%

⁽¹⁾ Volumes for 2019 have been restated to move 69 million litres in the second quarter from retail to wholesale to conform with 2020 presentation.

⁽²⁾ Includes gasoline, diesel and propane volumes.

⁽³⁾ Measure of segment profit. See Section 12 of this MD&A.

Q3 and Q3 YTD Performance - 2020 vs. 2019

Fuel and petroleum product volume increased 198 million litres for the third quarter of 2020 and 685 million litres for the first nine months of 2020 as compared to the same periods in 2019 as a result of the 2019 USA Acquisitions, the 2020 USA Acquisitions, and strong organic growth. The increase in volumes resulted in an \$82 million increase in sales and operating revenue for the third quarter of 2020 and \$312 million for the first nine months of 2020 as compared to the same periods in 2019.

Adjusted gross profit increased \$18 million for the third quarter of 2020 and \$68 million for the first nine months of 2020 as compared to the same periods in 2019, primarily due to the 2019 USA Acquisitions, the 2020 USA Acquisitions and organic growth. Adjusted gross profit for the third quarter of 2020 also benefited from strong retail fuel and lubricant margins due to rack price declines and pricing negotiations.

Operating Costs and Marketing, General and Administrative expenses increased \$8 million and \$4 million for the third quarter of 2020, respectively, and increased \$34 million and \$12 million for the first nine months of 2020, respectively, as compared to the same periods in 2019, primarily due to the 2019 USA Acquisitions and the 2020 USA Acquisitions.

KPIs

Fuel and petroleum product adjusted gross profit on a cpl basis increased 1% for the third quarter of 2020 and 16% for the first nine months of 2020 as compared to the same periods in 2019, primarily due to the 2019 USA Acquisitions, the 2020 USA Acquisitions, organic growth, and strong retail margin performance as noted above.

Operating Costs on a cpl basis decreased by 9% and 6% for the third quarter of 2020 and for the first nine months of 2020, respectively, as compared to the same periods in 2019, due to management effectively controlling costs in response to lower volumes. Marketing, General and Administrative expenses on a cpl basis increased 25% and 3% for the third quarter of 2020 and for the first nine months of 2020, respectively, as compared to the same periods in 2019 due to the Tropic Acquisition and the Kellerstrass Acquisition, as well as lower fuel volumes within Northern ROC legacy businesses with Marketing, General, and Administrative expenses being relatively flat.

Supply

Supply serves the Canada, USA and International segments, in addition to external customers. It consists of logistics, marketing, supply, distribution and the Burnaby Refinery. This segment supports Parkland's strategic objectives by manufacturing transportation fuels, procuring feedstocks and fuels from third parties, and transporting (via ship, rail, truck and pipeline), storing and marketing fuels, crude oil and liquid petroleum gases ("LPGs") to serve a wide range of customers across North America and the Caribbean. Supply also manufactures and sells aviation fuel primarily to airlines operating out of the Vancouver International Airport. Refer to the 2019 Annual MD&A for a detailed overview of Supply's sales categories and operations.

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

Supply segment performance highlights

Supply's Adjusted EBITDA was \$122 million for the third quarter of 2020 and \$202 million for the first nine months of 2020 as compared to \$146 million and \$507 million for the same periods in 2019. This represents a \$24 million decrease in Adjusted EBITDA for the third quarter of 2020 compared to the same period in 2019 and \$305 million decrease in Adjusted EBITDA for the first nine months of 2020 compared to the same period in 2019. The Q3 2020 Refinery utilization of 90.3% was high given the external market factors, allowing Supply to capture strong gasoline crack spreads. This benefit was offset by reduced demand and prices related to finished products as a result of COVID-19 during the quarter. The Integrated logistics business continued to deliver solid results given current market conditions. Year-to-date results were impacted by the planned shutdown of the Refinery, where the Supply team safely and successfully completed the Burnaby Refinery Turnaround (the "Turnaround") in early April. This included maintaining uninterrupted fuel supply for customers during the Turnaround, even though the planned duration was extended primarily due to labour productivity challenges, some of which were COVID-19-related. Post Turnaround, the Refinery managed production rates to meet reduced product demand associated with COVID-19.

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2020	2019 ⁽⁴⁾	Change	%	2020	2019 ⁽⁴⁾	Change	%
Fuel and petroleum product volume ⁽¹⁾ (million litres)	1,250	1,479	(229)	(15)%	3,916	4,362	(446)	(10)%
Sales and operating revenue	495	760	(265)	(35)%	1,566	2,324	(758)	(33)%
Fuel and petroleum product adjusted gross profit ⁽²⁾	188	231	(43)	(19)%	422	769	(347)	(45)%
Non-fuel adjusted gross profit ⁽²⁾	–	2	(2)	(100)%	2	5	(3)	(60)%
Adjusted gross profit ⁽²⁾	188	233	(45)	(19)%	424	774	(350)	(45)%
Operating Costs	60	75	(15)	(20)%	201	239	(38)	(16)%
Marketing, General and Administrative	6	12	(6)	(50)%	21	28	(7)	(25)%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽²⁾	122	146	(24)	(16)%	202	507	(305)	(60)%
KPIs:								
Refinery utilization ⁽³⁾	90.3 %	96.2 %	(5.9)p.p.		61.8 %	94.4 %	(32.6)p.p.	
Crude throughput ⁽³⁾ (000's bpd)	49.7	52.9	(3.2)	(6)%	34.0	51.9	(17.9)	(34)%

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

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

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

⁽⁴⁾ For comparative purposes, information for the three and nine months ended September 30, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020.

Q3 and Q3 YTD Performance – 2020 vs. 2019

Fuel and petroleum product volume decreased 229 million litres for the third quarter of 2020 and 446 million litres for the first nine months of 2020 as compared to the same periods in 2019. This was primarily due to COVID-19-related supply and demand impacts across all products and was partly offset by the growth of our USA supply business to support organic growth initiatives across North America.

Sales and operating revenue decreased \$265 million for the third quarter of 2020 and \$758 million for the first nine months of 2020 as compared to the same periods in 2019. The main contributing factors to the decline were the reduced production rates and the steep volume and commodity price declines driven by COVID-19. These negative impacts were partially offset by increased activity associated with our USA supply business. The decline for the first nine months is primarily driven by the impact of the Turnaround, which occurred earlier in the year.

Adjusted gross profit decreased \$45 million for the third quarter of 2020 and \$350 million for the first nine months of 2020 as compared to the same periods in 2019. In the third quarter of 2020, we recognized strong refining margins resulting from the high Refinery utilization in light of COVID-19. The high utilization and lower crude input costs were partially offset by a drop in refined product demand and finished product prices due to COVID-19. The year-to-date declines were primarily due to the Turnaround, which resulted in lower refining utilization. Supply was able to help mitigate this impact by capitalizing on its risk management expertise to reduce the year-to-date impact of volatile commodity prices and capture margin through its inventory hedging strategy. Supply also continued to realize solid results through its integrated logistics business.

Operating Costs decreased \$15 million for the third quarter of 2020 and \$38 million for the first nine months of 2020 as compared to the same periods in 2019. These decreases were driven by increased cost management and lower employee-related costs, including the impact of the Canada Emergency Wage Subsidy ("CEWS"), lower transportation logistics costs and other cost reduction initiatives. The year-to-date costs were a result of lower variable costs at the Burnaby Refinery, including fuel, utilities, catalyst and chemical costs due to the longer Turnaround, and lower refinery throughput from reduced demand related to COVID-19. During the first nine months of 2020, \$72 million of Turnaround costs were capitalized within maintenance capital expenditures.

Marketing, General and Administrative expenses decreased \$6 million for the third quarter of 2020 and \$7 million for the first nine months of 2020 as compared to the same periods in 2019, primarily due to lower employee-related costs, including the impact of CEWS, along with other cost initiatives.

KPIs

Refinery utilization is a key performance indicator that measures crude oil throughput and is expressed as a percentage of the 55,000-bpd total crude distillation capacity. Refinery utilization and average refinery crude throughput were 90.3% and 49,670 bpd for the third quarter of 2020, respectively and 61.8% and 34,010 bpd for the first nine months of 2020, respectively. The Refinery achieved strong utilization and crude throughput in the third quarter of 2020, which was driven by product demand in the Burnaby orbit. The ability to clear distillate inventories at market rates allowed the Refinery to continue running efficiently. The significant drop for the first nine months of 2020 as compared to the same period in 2019 was largely related to the impact of the Turnaround, and management of production rates at the Refinery following start-up after the Turnaround to meet reduced product demand associated with COVID-19.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they increase at a slower pace than Parkland's adjusted gross profit. As the result of the continued disciplined approach to cost management and the impact of CEWS, Marketing, General and Administrative expenses as a percentage of total adjusted gross profit improved to 3.3% for the third quarter of 2020 from 4.3% for the same period in 2019, and improved to 3.8% for the first nine months of 2020 from 4.0% for the same period in 2019.

Corporate segment performance highlights

(\$ millions, unless otherwise noted)	Three months ended September 30,				Nine months ended September 30,			
	2020	2019	Change	%	2020	2019	Change	%
(Gain) loss on foreign exchange - realized	(11)	(1)	(10)	1,000 %	3	—	3	100 %
Other adjusting items ⁽¹⁾	1	—	1	100 %	(3)	—	(3)	100 %
Marketing, General and Administrative	22	29	(7)	(24)%	66	85	(19)	(22)%
Adjusted EBITDA ⁽²⁾ expense	12	28	(16)	(57)%	66	85	(19)	(22)%
Acquisition, integration and other costs								
Acquisition costs	2	12	(10)	(83)%	5	19	(14)	(74)%
Integration costs	2	16	(14)	(88)%	4	43	(39)	(91)%
Restructuring and other costs	5	—	5	100 %	29	15	14	93 %
	9	28	(19)	(68)%	38	77	(39)	(51)%
KPI:								
Corporate Marketing, General and Administrative expenses as a % of total adjusted gross profit	3.3 %	4.3 %	(1.0)p.p.		3.8 %	4.0 %	(0.2)p.p.	

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

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

Q3 and Q3 YTD Performance - 2020 vs. 2019

Corporate Marketing, General and Administrative expenses decreased by \$7 million for the third quarter of 2020 and \$19 million for the first nine months of 2020 as compared to the same periods in 2019, primarily as the result of lower employee-related costs, including the impact of CEWS, along with other cost initiatives. The gain on foreign exchange realized with the repayment of USD-denominated liabilities increased by \$10 million for the third quarter of 2020 as compared to the same period in 2019, primarily due to the stronger Canadian dollar environment in the current quarter. The realized foreign exchange gain of \$11 million for the third quarter of 2020 was offset by the realized foreign exchange loss of \$14 million for the first six months of 2020 caused by the weaker Canadian dollar environment resulting in the net loss of \$3 million for the first nine months of 2020.

Acquisition, integration and other costs reflected in the Corporate segment decreased \$19 million for the third quarter of 2020 and \$39 million for the first nine months of 2020 as compared to the same periods in 2019. This was primarily due to the lower acquisition and integration-related activities during the third quarter of 2020 and the first nine months of 2020 as compared to the same periods in 2019, when the Sol Transaction and Phase II of the Chevron TSA occurred.

Restructuring and other costs for the three and nine months ended September 30, 2020 mainly include \$4 million and \$28 million, respectively, in restructuring costs incurred as part of our drive to reduce fixed and variable costs, increase the efficiency of our scalable growth platform and align our teams with our current capital plans.

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

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

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

	September 30, 2020	September 30, 2019
TTM LTIF ⁽¹⁾	0.21	0.16
TTM TRIF ⁽¹⁾	1.12	1.81

⁽¹⁾ Key performance indicator. See Section 12 of this MD&A.

4. QUARTERLY FINANCIAL DATA

								IFRS 16
(\$ millions, unless otherwise noted)	2020 ⁽⁸⁾			2019 ⁽⁸⁾				2018 ⁽⁸⁾
For the three months ended	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31	Dec 31
Financial Summary								
Sales and operating revenue	3,505	2,704	4,359	4,779	4,605	4,854	4,215	3,506
Adjusted gross profit ⁽¹⁾	674	487	593	728	679	728	697	587
Adjusted EBITDA including NCI ⁽¹⁾	364	208	214	327	322	370	339	285
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA") ⁽¹⁾	338	191	191	302	302	346	315	285
Canada ⁽²⁾	128	93	102	88	104	71	117	105
International	77	54	67	73	63	74	71	—
USA	23	22	18	15	17	13	11	11
Supply	122	40	40	153	146	218	143	199
Corporate	(12)	(18)	(36)	(27)	(28)	(30)	(27)	(30)
Net earnings (loss)	91	31	(74)	186	26	111	91	77
Net earnings (loss) attributable to Parkland	76	32	(79)	176	24	105	77	77
Net earnings (loss) per share (\$ per share)								
Per share – basic	0.51	0.22	(0.53)	1.19	0.16	0.72	0.53	0.58
Per share – diluted	0.50	0.21	(0.53)	1.17	0.16	0.70	0.52	0.57
Dividends	47	45	45	44	45	45	43	41
Per share	0.3036	0.3036	0.3002	0.2985	0.2985	0.2985	0.2951	0.2934
Weighted average number of common shares (millions)	149	149	148	148	148	147	145	133
TTM distributable cash flow ⁽³⁾⁽⁹⁾	479	331	417	564	566	562	512	416
Per share ⁽³⁾⁽⁴⁾⁽⁹⁾	3.24	2.24	2.82	3.84	3.96	4.04	3.76	3.15
TTM adjusted distributable cash flow ⁽³⁾⁽⁹⁾	484	364	444	561	594	612	595	568
Per share ⁽³⁾⁽⁴⁾⁽⁹⁾	3.27	2.46	3.00	3.82	4.15	4.40	4.38	4.30
TTM dividends ⁽⁹⁾	181	179	179	177	174	168	164	159
TTM dividend payout ratio ⁽³⁾⁽⁹⁾	38%	54%	43%	31%	31%	30%	32%	38%
TTM adjusted dividend payout ratio ⁽³⁾⁽⁹⁾	37%	49%	40%	32%	29%	27%	28%	28%
TTM weighted average number of common shares (million shares) ⁽⁹⁾	148	148	148	147	143	139	136	132
Total assets	8,978	9,702	9,446	9,283	9,157	9,104	8,998	5,661
Total Funded Debt to Credit Facility EBITDA ratio ⁽³⁾	2.56	2.70	2.93	2.79	2.58	2.47	2.71	2.47
Interest coverage ratio ⁽³⁾	5.52	5.40	5.78	5.32	5.97	6.47	7.18	6.52
Growth capital expenditures attributable to Parkland ⁽³⁾	15	19	31	69	71	52	29	57
Maintenance capital expenditures attributable to Parkland ⁽³⁾	18	50	118	91	46	45	50	52
Operating Summary								
Fuel and petroleum product volume (million litres) ⁽⁵⁾	5,324	4,757	5,975	5,925	5,622	5,525	5,336	4,354
Fuel and petroleum product adjusted gross profit (cpl) ⁽⁶⁾ :								
Canada ⁽²⁾	8.79	8.64	8.26	8.05	7.57	6.86	8.72	8.12
International	11.69	8.18	9.46	8.98	10.22	10.71	11.95	—
USA	4.90	6.07	5.36	4.67	4.84	5.08	4.53	4.97
Refinery utilization ⁽⁷⁾	90.3%	64.0%	30.9%	91.6%	96.2%	94.9%	92.0%	87.8%

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

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

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

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

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

⁽⁶⁾ "cpl" stands for cents-per-litre and is a key performance indicator. See Section 12 of this MD&A.

⁽⁷⁾ Key performance indicator. See Sections 3 and 12 of this MD&A.

⁽⁸⁾ 2020 and 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year and are not restated to reflect the impact of IFRS 16, as is allowed under the modified retrospective approach for IFRS 16 adoption.

⁽⁹⁾ Amounts presented on a trailing-twelve-month ("TTM") basis.

Over the last eight quarters, Parkland's quarterly results were primarily impacted by the Turnaround, COVID-19, the 2020 USA Acquisitions, the 2019 USA Acquisitions, the Sol Transaction, and the 2018 USA Acquisitions¹. In particular:

- Adjusted Gross Profit and Adjusted EBITDA in the third quarter of 2020 trended positively, showing a rebound from the decreases in the first and second quarter of 2020, which were primarily driven by the Turnaround and the economic impacts of COVID-19. Adjusted Gross Profit and Adjusted EBITDA were higher in each quarter in 2019 as compared to the last quarter in 2018 due to the 2019 USA Acquisitions, the Sol Transaction, the 2018 USA Acquisitions, organic growth of the business and the adoption impact of IFRS 16 on Adjusted EBITDA. The fluctuations in Supply Adjusted EBITDA are largely driven by crack spreads, which change based on market conditions and drive refining margins.
- Except for the third quarter of 2020, total assets increased significantly in the last eight quarters due to the 2019 USA Acquisitions, the Sol Transaction, the 2018 USA Acquisitions, and currency translation impact on assets of foreign subsidiaries in a weaker Canadian dollar environment. Exceptions to the growth trend in the third quarter of 2020 are primarily attributed to lower inventory and accounts receivable balances as a result of lower product demand and prices and efficient working capital management, and the currency translation impact on assets of foreign subsidiaries in a stronger Canadian dollar environment.
- Net earnings generally grew during the last quarter of 2018 and throughout 2019 due to the 2019 USA Acquisitions, the Sol Transaction and the 2018 USA Acquisitions. Exceptions to the growth trend in the third quarter of 2019 are due to increased finance costs primarily to fund the Sol Transaction and an increase in the redemption value of the Sol Put Option due to a decrease in discount rate. In the first two quarters of 2020, Net earnings declined primarily driven by the Turnaround and the economic impacts of COVID-19. The third quarter of 2020 shows a rebound in earnings as the markets improve and show signs of recovery from COVID-19.

¹ The 2018 USA Acquisitions are defined as the acquisitions previously completed in 2018, including those of Rhinehart and MVP.

5. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

	Three months ended September 30,		Nine months ended September 30,		Trailing twelve months ended September 30,	
(\$ millions, unless otherwise noted)	2020	2019	2020	2019	2020	2019
Cash generated from (used in) operating activities	195	47	1,035	694	1,244	894
Exclude: Adjusted EBITDA attributable to NCI, net of tax	(24)	(18)	(59)	(61)	(81)	(61)
	171	29	976	633	1,163	833
Reverse: Change in other liabilities and other assets	27	13	3	(29)	(17)	14
Exclude: Change in other liabilities	—	—	—	14	—	1
Reverse: Net change in non-cash working capital	88	119	(473)	(72)	(411)	(100)
Include: Maintenance capital expenditures attributable to Parkland ⁽¹⁾	(18)	(46)	(186)	(141)	(277)	(193)
Include: Proceeds on asset disposals	2	7	10	10	21	11
Distributable cash flow ⁽¹⁾	270	122	330	415	479	566
Reverse: Acquisition, integration and other costs	9	28	38	77	52	101
Reverse: Payments on principal amount on leases	(40)	(30)	(114)	(88)	(143)	(88)
Exclude: Payments on principal amount on leases attributable to NCI	6	5	16	14	21	14
Reverse: 2020 Turnaround maintenance capital expenditures	1	1	72	1	75	1
Adjusted distributable cash flow ⁽¹⁾	246	126	342	419	484	594
Weighted average number of common shares (millions)	149	148	149	147	148	143
Distributable cash flow per share ⁽¹⁾⁽²⁾	1.81	0.82	2.21	2.82	3.24	3.96
Adjusted distributable cash flow per share ⁽¹⁾⁽²⁾	1.65	0.85	2.30	2.85	3.27	4.15
Dividends	47	45	137	133	181	174
Dividend payout ratio ⁽¹⁾	17%	37%	42%	32%	38%	31%
Adjusted dividend payout ratio ⁽¹⁾	19%	36%	40%	32%	37%	29%
Dividends paid to shareholders, net of dividend reinvestment plan	33	30	103	86	131	110

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

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

Dividends

Dividends paid to shareholders increased for the third quarter of 2020, primarily due to a \$0.02 increase in annual dividend to \$1.214 per share effective March 20, 2020. The average dividend reinvestment plan ("DRIP") participation rate for the third quarter of 2020 was 26.3%, which was lower than the participation rate of 34.0% for the same period in 2019.

Dividends paid to shareholders increased for the trailing twelve months ended September 30, 2020, primarily due to a \$0.02 increase in annual dividend to \$1.194 per share, effective March 22, 2019 and a \$0.02 increase in annual dividend to \$1.214 per share effective March 20, 2020. Furthermore, there was an increase in the number of common shares outstanding driven by the Sol Transaction and the ConoMart Acquisition, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. The average DRIP participation rate for the trailing twelve months ended September 30, 2020 was 25.3%, which was lower than the participation rate of 34.7% for the same period ended September 30, 2019.

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

Q3 and Q3 YTD - 2020 vs. 2019

The dividend payout ratio was 17% for the third quarter of 2020 compared to 37% for the same period in 2019. This is primarily as a result of higher distributable cash flow driven by higher Adjusted EBITDA due to higher unit margins and execution of profitable supply initiatives, and implementing strong cost controls and lower maintenance capital expenditures due to a reduction in the 2020 Capital Program in response to COVID-19.

The dividend payout ratio was 42% for the first nine months of 2020 compared to 32% for the same period in 2019 due to lower distributable cash flow driven by lower Adjusted EBITDA and higher maintenance capital expenditures in Supply due to the Turnaround.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the Turnaround, and the payments on principal amount of leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow increased by \$120 million and decreased by \$77 million for the third quarter and for the first nine months of 2020, respectively, as compared to the same periods in 2019. The increase in adjusted distributable cash flow in the third quarter of 2020 was primarily due to higher Adjusted EBITDA and lower maintenance capital expenditures as discussed above. The decrease in adjusted distributable cash flow for the first nine months of 2020 was primarily due to lower Adjusted EBITDA partially offset by lower maintenance capital due to a reduction in the 2020 Capital Program in response to COVID-19.

The adjusted dividend payout ratio decreased by 17 p.p. and increased by 8 p.p. for the third quarter and for the first nine months of 2020, respectively, as compared to the same periods in 2019, primarily due to an increase in adjusted distributable cash flow and higher levels of dividends for the third quarter of 2020 and lower adjusted distributable cash flow for the first nine months of 2020.

TTM Q3 2020 vs. TTM Q3 2019

The dividend payout ratio increased by 7 p.p. to 38% for the trailing twelve months ended September 30, 2020, primarily due to a higher level of dividends and lower distributable cash flow. Lower distributable cash flow for the trailing twelve months ended September 30, 2020 was primarily driven by lower Adjusted EBITDA for the first nine months of 2020 as a result of the impact of the Turnaround at the Burnaby Refinery and COVID-19 and higher maintenance capital expenditures related to the Turnaround, which was offset by higher Adjusted EBITDA for the last quarter of 2019 largely due to the 2019 USA Acquisitions, the adoption of IFRS 16, and the Sol Transaction.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the turnarounds at the Burnaby Refinery, and the payments on principal amount of leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow decreased \$110 million for the trailing twelve months ended September 30, 2020. The decrease in adjusted distributable cash flow was primarily due to lower distributable cash flow as discussed above.

The adjusted dividend payout ratio increased by 8 p.p. to 37% for the trailing twelve months ended September 30, 2020 as compared to the same period in 2019, primarily due to a higher level of dividends and lower adjusted distributable cash flow as discussed above.

6. CASH FLOWS AND LIQUIDITY

Cash flows

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

(\$ millions)	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Cash generated from (used in) operating activities	195	47	1,035	694
Cash generated from (used in) investing activities	(46)	(119)	(332)	(1,302)
Net cash generated (used) before financing activities	149	(72)	703	(608)
Cash generated from (used in) financing activities	(783)	28	(587)	880
Increase (decrease) in net cash	(634)	(44)	116	272
Impact of foreign currency translation on cash	(10)	3	5	(6)
Net cash, beginning of period	1,022	347	257	40
Net cash, end of period	378	306	378	306

Operating activities

Q3 2020 vs. Q3 2019

Parkland generated \$195 million cash from operating activities for the third quarter of 2020, driven by Adjusted EBITDA including NCI of \$364 million. This was partially offset by: (i) net non-cash working capital outflow of \$88 million, largely attributable to higher inventories and receivable balances due to an increase in commodity prices and lower accounts payable as extensions in payment deadlines for certain government duties and taxes due to COVID-19 are ending, (ii) \$58 million in interest payments on long-term debt, and (iii) \$9 million in acquisition, integration and other costs.

In comparison, operating activities generated \$47 million of cash for the third quarter of 2019, primarily due to \$322 million of Adjusted EBITDA including NCI. This was partially offset by: (i) net non-cash working capital outflow of \$119 million, largely attributable to lower accounts payable and accrued liabilities driven by timing of cash payments, (ii) \$55 million of interest on long-term debt, primarily relating to Senior Notes and the credit facility balance, (iii) \$59 million payment for income taxes, and (iv) \$28 million in acquisition, integration and other costs incurred primarily in connection with the Sol Transaction.

Q3 2020 YTD vs. Q3 2019 YTD

Parkland generated \$1,035 million cash from operating activities for the first nine months of 2020, driven by Adjusted EBITDA including NCI of \$786 million and the net change in non-cash working capital inflow of \$473 million attributable to lower inventories and accounts receivable as a result of lower product demand and prices, and focused efforts on collection of receivables, respectively. This was partially offset by (i) a decrease in income tax payable balances due to lower taxable income, (ii) \$175 million in interest payments on long-term debt, primarily relating to Senior Notes and credit facility balance, and (iii) \$38 million in acquisition, integration and other costs primarily related to restructuring costs incurred as a response to COVID-19.

In comparison, operating activities generated \$694 million of cash for the first nine months of 2019, primarily due to \$1,031 million of Adjusted EBITDA including NCI, partially offset by (i) \$160 million of interest on long-term debt, primarily relating to the Senior Notes and credit facility balance, (ii) \$125 million in income tax payments, and (iii) \$77 million in acquisition, integration and other costs incurred primarily in connection with the Sol Transaction, and one-time costs related to Phase II of the Chevron TSA, which was completed on April 1, 2019.

Investing activities

Q3 2020 vs. Q3 2019

Parkland invested \$46 million in the third quarter of 2020, primarily related to the growth and maintenance capital expenditures, including (i) growth capital expenditures for certain low-carbon manufacturing growth projects at the Burnaby Refinery, minor organic growth initiatives and network development across our areas of operation, and projects to enhance our digital capability, and (ii) the purchase of the license for the exclusive use of the On the Run convenience store trademark in the majority of United States. In comparison, the \$119 million used in investing activities for the same period in 2019 was primarily due to \$126 million of capital expenditures largely for growth and maintenance projects in retail operations in Canada, and maintenance projects at the Burnaby Refinery and Sol.

Q3 2020 YTD vs. Q3 2019 YTD

Parkland invested \$332 million in the first nine months of 2020, including \$275 million in growth and maintenance 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. Investing activities also included \$85 million for the 2020 USA Acquisitions, which was offset by (i) \$10 million in dividends received from its investment in the SARA Refinery, and (ii) \$18 million on disposal of certain assets and repayment of long-term receivables.

In comparison, the \$1,302 million used in investing activities for the same period in 2019 was primarily due to \$948 million for the Sol Transaction, and \$333 million of capital expenditures to support growth and operations.

Financing activities

Q3 2020 vs. Q3 2019

During the third quarter of 2020, financing activities used \$783 million of cash, primarily attributable to (i) \$308 million of net repayments to the Credit Facility using cash on hand, (ii) payments of \$403 million on the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes using the proceeds from the issuance of the 2020 Notes, (iii) \$40 million of payments made on principal amount on leases under IFRS 16, and (iv) cash dividends paid of \$33 million. With the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes, the nearest maturity of the outstanding senior notes is in the year 2024.

In contrast, financing activities during the third quarter of 2019 generated \$28 million of cash, primarily due to (i) net long-term debt proceeds of \$69 million, (ii) increase of \$31 million in the Intermediation Facility liability due to increases in commodity prices, partially offset by (i) cash dividends paid of \$30 million, (ii) payments of \$30 million made on principal amounts of leases, and (iii) non-cash work capital payments of \$12 million.

Cash dividends paid to shareholders for the third quarter of 2020 increased by \$3 million to \$33 million as compared to the same period in 2019, due to an increase in outstanding common shares and dividends paid per share offset by lower DRIP participation. During the third quarter of 2020, Parkland paid a monthly dividend of \$0.1012 per share (2019 - \$0.0995 per share).

Q3 2020 YTD vs. Q3 2019 YTD

During the first nine months of 2020, financing activities used \$587 million of cash, primarily attributable to (i) \$194 million net repayments to the Credit Facility using cash on hand, (ii) payments of \$425 million largely due to the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes, offset by net proceeds of \$395 million from the issuance of the 2020 Notes, (iii) payments of \$130 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, (iv) \$114 million of payments made on principal amounts on leases, and (v) cash dividends paid of \$103 million. With the early redemption of the 5.50% Senior Notes and 6.00% Senior Notes, the nearest maturity of the outstanding senior notes is in the year 2024.

In contrast, financing activities for the same period in 2019 generated \$880 million, primarily attributable to (i) net proceeds of \$459 million from the new credit facility for the Sol Transaction and (ii) net proceeds of \$642 million from the issuance of 5.875% US Senior Notes, partially offset by (i) non-cash working capital payments of \$84 million, (ii) \$88 million of payments made on principal amount of leases, and (iii) cash dividends paid of \$86 million.

Cash dividends paid to shareholders for the first nine months of 2020 increased by \$17 million to \$103 million compared to the same period in 2019, due to an increase in outstanding common shares and dividends paid per share offset by lower DRIP participation. During the first nine months of 2020, Parkland paid a monthly dividend ranging from \$0.0995 per share to \$0.1012 per share (2019 - \$0.0978 per share to \$0.0995 per share).

Contractual commitments

Parkland has contracted obligations under various debt agreements, operating leases, capital expenditures and other contractual commitments with maturities from less than a year to over five years. Parkland's commitments decreased from \$7,519 million as at December 31, 2019 to \$7,210 million as at September 30, 2020. This decrease is primarily attributable to reduced borrowings under the Intermediation Facility due to changes in the intermediation agreement, which provides Parkland additional flexibility on the amount of financing and net repayments of the Credit Facility.

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. Please refer to the "Contractual commitments" section of the Annual MD&A for further details.

Available sources of liquidity

Parkland's sources of liquidity as at September 30, 2020 are cash and cash equivalents as well as available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flows to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity, and management believes cash flows from operations will be adequate to fund maintenance capital expenditures, interest, income taxes, and dividends. Any future acquisitions will be funded by available cash flows from operations, debt and equity offerings if needed, and available borrowing capacity under the Credit Facility. Any additional debt incurred will also be serviced by the anticipated increases in cash flows and will only be borrowed within Parkland's debt covenant limits.

On January 8, 2019, in connection with the Sol Transaction, the existing Credit Facility was amended and restated to expand the available facility and extend the maturity date. The facility was further amended on June 9, 2020 to, among other things, expand the commitments under the existing syndicated facility by \$300 million (the "Credit Facility"). The Credit Facility includes a combined revolving facility amount of US\$780 million and \$700 million with a maturity date of January 8, 2023. The revolving facilities are extendible each year for a rolling four-year period at Parkland's option, subject to approval by the lenders. Security on the Credit Facility consists of the assignment of insurance and priority interests on all present and future Parkland properties and assets, except for those secured under the Intermediation Facility. Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

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

(\$ millions)	September 30, 2020	December 31, 2019
Cash and cash equivalents	356	244
Unused credit facilities	1,278	748
	1,634	992

Financial covenants and metrics

As at September 30, 2020, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

Ratio ⁽¹⁾	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			September 30, 2020	December 31, 2019
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	0.13	0.38
2. Total Funded Debt to Credit Facility EBITDA ratio	< 5.00 ⁽²⁾	2.00 - 3.50	2.56	2.79
3. Interest coverage ratio	> 3.00	> 3.00	5.52	5.32

⁽¹⁾ Debt covenant ratios are calculated pursuant to the terms of the Credit Facility dated June 9, 2020. See Section 12 of this MD&A.

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

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 3.00. Refer to Section 12 of this MD&A for the calculation of Parkland's debt covenants.

7. 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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Growth capital expenditures				
Canada ⁽²⁾	5	33	26	82
International	4	10	14	21
USA	2	—	5	1
Supply	2	18	12	28
Corporate	3	13	11	25
Growth capital expenditures	16	74	68	157
Maintenance capital expenditures				
Canada ⁽²⁾	7	10	18	31
International	5	16	28	46
USA	1	4	5	8
Supply	6	19	140	66
Corporate	—	1	2	2
Maintenance capital expenditures	19	50	193	153
Net additions to property, plant and equipment and intangible assets	35	124	261	310
Growth capital expenditures attributable to Parkland ⁽¹⁾	15	71	65	152
Maintenance capital expenditures attributable to Parkland ⁽¹⁾	18	46	186	141
Additions to property, plant and equipment and intangible assets attributable to Parkland	33	117	251	293

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

⁽²⁾ For comparative purposes, information for the three and nine months ended September 30, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020.

Consistent with our disciplined approach to capital allocation and maintaining balance sheet strength, Parkland reduced its guidance for 2020 Total Capital expenditures (the "2020 Capital Program") by \$300 million during the first quarter of 2020 in response to COVID-19. In the second quarter of 2020, Parkland revised its 2020 Capital Program, reflecting stronger cash flow generation relative to the initial COVID-19 planning scenario. Parkland's combined growth and maintenance capital expenditures decreased \$89 million during the third quarter of 2020 as compared to the same period in 2019. The capital expenditures during the third quarter of 2020 were driven by certain low-carbon manufacturing growth projects at the Burnaby Refinery, minor organic growth initiatives and network development across our areas of operation, and projects to enhance our digital capability, further improving Parkland's customer value proposition.

The combined growth and maintenance capital expenditures decreased \$49 million in the first nine months of 2020 as compared to the same period in 2019 due to the reduction in the 2020 Capital Program to maintain operational flexibility during COVID-19. The total capital expenditures during the first nine months of 2020 were mainly driven by the Turnaround and certain low-carbon manufacturing growth projects at the Burnaby Refinery, projects to build additional digital capability and other minor organic growth initiatives across our areas of operations. During the first nine months of 2020, \$72 million related to Turnaround costs was capitalized within maintenance capital expenditures and \$34 million was expensed within Operating Costs.

See guidance on the 2020 Capital Program in Section 9 of this MD&A.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment attributable to Parkland as at September 30, 2020 are \$96 million (December 31, 2019 - \$107 million). These contractual commitments are expected to be incurred primarily over the next 12 months, and relate mainly to other ongoing maintenance and infrastructure projects, such as projects at the Burnaby Refinery to maintain leadership in low-carbon fuel refining and to enhance supply capability, building new and upgrading existing retail service stations as well as projects to improve our customer value proposition, including enhancement of our digital capability, such as the JOURNIE™ Rewards program. Parkland plans to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

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

8. RISK FACTORS

Key business risks

Parkland is exposed to a number of risk factors through the pursuit of strategic objectives and the nature of our operations, which are outlined in the "Risk Factors" sections of the Annual MD&A and Annual Information Form. These risk factors have not changed materially since the dates of their publication. The following risks related to COVID-19 and the increase in global supply of crude oil were recently updated in the Annual Information Form. The Company cannot reliably estimate the impact of COVID-19 and the increase in global supply of crude oil on its operations, as well as their impact on the financial position and results for the future periods.

Economic conditions

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

Additionally, in March 2020, an increase in the global supply of crude oil resulted in a dramatic decline in the price of oil. This may result in a reduction in the demand of our products from our customers in the oil and gas industry, for whom certain areas of production are becoming uneconomic. The combined effect of these two events has resulted in a global economic slowdown, with particularly acute effects in the energy industry.

The duration and extent of the impact from COVID-19 depends on future developments that cannot be accurately predicted at this time and, as such, the ultimate impact on Parkland's business, operating results, cash flows and/or financial condition cannot be predicted either, but could be material. Even after COVID-19 has subsided, Parkland may continue to experience adverse impacts to the business as a result of any economic recession that has occurred or may occur in the future because of the pandemic.

While the duration of these events and the extent of the ultimate effects on Parkland's business are unknown at this time, the demand for transportation fuels, lubricants and related products is strongly connected with such economic conditions, with weakening economic conditions having an adverse effect on our revenue, profitability and ability to service debt and pay dividends. A prolonged period of nations applying social distancing practices and weak economic conditions may also exacerbate the occurrence of the risks associated with our business as set out in the Annual Information Form and Annual MD&A, including, without limitation, counterparty credit risk, logistics and supply chain risks and our debt and credit risks.

Due to COVID-19, Parkland may experience different and additional risks not discussed in our Annual Information Form and Annual MD&A, such as decreased worker productivity as a result of remote working arrangements and increased medical, emergency or other leave. An extended period of remote working by our employees could strain our technology resources and introduce operational risks, including heightened cybersecurity risk due to phishing and other hacking attacks. Further, Parkland is experiencing increased costs and expenses as a result of implementing increased health and safety protocols at all facilities, including increased cleaning/sanitization of workspaces, restricting visitor access, enforcing social distancing guidelines and increasing the availability of sanitization products.

Financial instruments and financial risks

Financial instruments recorded at fair value through profit or loss

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

Risk management assets and liabilities include outstanding commodities swaps and forward contracts, futures contracts, foreign currency swaps, and foreign currency forward exchange contracts. Parkland periodically enters into derivative contracts that are believed to be economically effective at managing exposure to movements in commodity prices, foreign currency exchange rates and emission credits and allowances. While these derivative contracts form a component of Parkland's overall risk management program, they are not accounted for as hedges under hedge accounting in accordance with IFRS, with the exception of the Sol Transaction Hedge and Net Investment Hedge described below. The Senior Unsecured Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. See Note 13 of the Annual Consolidated Financial Statements and Section 8 of Parkland's Annual MD&A.

Sol Put Option

The Sol Put Option is classified as a financial instrument at fair value through profit or loss, with changes in value recorded within other (gains) and losses on the consolidated statements of income (loss). See Note 10 of the Interim Condensed Consolidated Financial Statements for further details on the Sol Put Option.

Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and carried at a fair value within other long-term assets. The change in value is recorded within other (gains) and losses on the consolidated statements of income (loss). See Note 10 of the Interim Condensed Consolidated Financial Statements for further information.

Net Investment Hedge

Parkland has designated certain USD-denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive income (loss). See Note 9 of the Interim Condensed Consolidated Financial Statements for further details on the Net Investment Hedge.

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 September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Gain (loss) on risk management and other derivatives - realized ⁽¹⁾	(5)	(6)	43	(4)
Gain (loss) on risk management and other derivatives - unrealized ⁽¹⁾	16	(1)	(1)	2
Gain (loss) on risk management and other derivatives	11	(7)	42	(2)
Change in fair value of Redemption Options ⁽²⁾	36	31	(38)	68
Change in redemption value of Sol Put Option ⁽²⁾	(43)	(20)	11	(69)
Gain (loss) on Intermediation Facility Derivatives - realized ⁽³⁾	(1)	(5)	34	(23)
Gain (loss) on Intermediation Facility Derivatives - unrealized ⁽³⁾	—	5	9	(6)
Net gain (loss) on consolidated statements of income (loss)	3	4	58	(32)

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

⁽²⁾ Recognized in other (gains) and losses.

⁽³⁾ Recognized in cost of purchases.

9. OUTLOOK

2020 Capital Program

On March 30, 2020, Parkland took decisive action in response to COVID-19 and reduced its guidance for 2020 Total Capital expenditures to \$275 million +/- 5%, a reduction of \$300 million. This reduction was consistent with our priority to maintain financial flexibility and balance sheet strength. In light of the stronger cash flow generation relative to our initial COVID-19 planning scenario and reflecting higher Turnaround costs, we announced an increase to our 2020 Total Capital Expenditure Guidance (the "2020 Capital Program"), with the release of our second quarter results, by \$50 million to \$325 million +/- 5%. Details of our current capital program are as follows:

Capital Expenditures (\$ millions) ⁽¹⁾	
Growth	105
2020 Burnaby Refinery Turnaround Maintenance	75
Other Maintenance	145
Total Capital Expenditures	325

⁽¹⁾ Note that there is a variance range of +/- 5%.

In addition to the successful execution of the Turnaround, the 2020 Capital Program supports other ongoing maintenance and infrastructure projects, such as projects at the Burnaby Refinery to maintain leadership in low-carbon fuel refining and to enhance supply capability, as well as projects to build additional digital capability, such as the JOURNIE™ Rewards program. Further, the strong cash flows during the first nine months of 2020 have provided Parkland the flexibility to support any additional capital expenditures required to build the business in the current economic conditions.

2020 Guidance Range

Parkland's previously-announced 2020 Adjusted EBITDA guidance range relied on the assumption that general economic conditions would be relatively consistent with previous years, within a reasonable range of variance. The economic effects of COVID-19 have been greater in scope and duration than provided for in the assumptions underlying Parkland's initial 2020 guidance range, and the assumptions are therefore no longer valid. As a result, Parkland withdrew its 2020 Adjusted EBITDA Guidance on March 30, 2020. Given the continued uncertainty relating to the economic effects of COVID-19, Parkland does not expect to provide Adjusted EBITDA Guidance for 2020.

Other than as disclosed above, the factors and assumptions that contribute to Parkland's forward-looking information are consistent with existing Parkland disclosure and are subject to risks and uncertainties inherent in Parkland's business. Readers are directed to Section 8 of this MD&A and Parkland's Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on November 3, 2020 on SEDAR at www.sedar.com for more information.

10. 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 September 30, 2020.

In accordance with the provisions of NI 52-109, Parkland has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before September 30, 2020, as Parkland completed the Kellerstrass Acquisition on February 14, 2020, the Tropic Acquisition on October 1, 2019, and acquired other individually immaterial businesses in the third and fourth quarter of 2019. This scope limitation is primarily due to the time required for Parkland's management to assess DC&P and ICFR in a manner consistent with Parkland's other operations.

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

(\$ millions)	As at September 30, 2020	(\$ millions)	Nine months ended September 30, 2020
Current assets	76	Sales and operating revenue	568
Non-current assets	134	Net earnings	6
Current liabilities	47		
Non-current liabilities	13		

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the nine months ended September 30, 2020 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

In the normal course of business, Parkland is obligated to make future payments, including contractual obligations and guarantees. Parkland believes all relationships or arrangements with entities that are likely to have a material effect on its liquidity or the availability of capital resources are consolidated into the financial statements. Parkland has not created, and is not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating its business.

Guarantees

As at September 30, 2020, Parkland provided \$2,713 million (December 31, 2019 - \$2,314 million) of unsecured guarantees to counterparties of commodities swaps and purchase and supply agreements of crude oil, fuel and other petroleum products.

Letters of credit and surety bonds

Parkland provides guarantees in the form of letters of credit and surety bonds in the ordinary course of business. As at September 30, 2020, these guarantees amount to \$297 million (December 31, 2019 - \$272 million) and are not recognized in the Interim Condensed Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including May 22, 2022.

Shares outstanding

As at September 30, 2020, Parkland had approximately 149.6 million common shares, 3.8 million share options and 1.9 million restricted share units outstanding. The share options consist of approximately 2.4 million share options that are currently exercisable into common shares.

11. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

12. FINANCIAL MEASURES AND KEY PERFORMANCE INDICATORS

Measures of segment profit – GAAP financial measures

Adjusted earnings before interest, taxes, depreciation and amortization ("Adjusted EBITDA") and adjusted gross profit, including fuel and petroleum product adjusted gross profit and non-fuel adjusted gross profit, are considered IFRS measures as they are determined and presented within Note 19 - Segment Information of the Interim Condensed Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 19 of the Interim Condensed Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

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

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

	Three months ended September 30,		Nine months ended September 30,	
(\$ millions)	2020	2019	2020	2019
Net earnings (loss)	91	26	48	228
Add:				
Acquisition, integration and other costs	9	28	38	77
Depreciation and amortization	163	160	465	435
Finance costs				
Interest on leases	8	7	24	21
Interest on long-term debt	51	50	153	147
Amortization, accretion and other costs	4	4	15	27
(Gain) loss on foreign exchange - unrealized	(1)	17	(2)	(26)
(Gain) loss on asset disposals	2	7	1	7
(Gain) loss on risk management and other derivatives - unrealized	(16)	1	1	(2)
Other (gains) and losses				
Change in redemption value of Sol Put Option	43	20	(11)	69
Change in fair value of Redemption Options	(36)	(31)	38	(68)
Change in estimates of environmental provision	7	20	9	23
Share in earnings from investment in associate	(3)	(2)	(7)	(7)
Other	(2)	(3)	(11)	(11)
Other adjusting items ⁽¹⁾	2	(2)	13	17
Income tax expense (recovery)	42	20	12	94
Adjusted EBITDA including NCI	364	322	786	1,031
Less: Attributable to NCI	26	20	66	68
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	338	302	720	963

⁽¹⁾ Other adjusting items include the following for the three months ended September 30, 2020: (i) Supply: a nil unrealized gain (2019 - \$5 of unrealized gain) on the Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, (ii) Corporate: \$1 (2019 - nil) gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized, (iii) International: income from equity investments of \$3 (2019 - \$2), and (iv) Canada: customer finance income of nil (2019 - \$1). For the nine months ended September 30, 2020, other adjusting items include: (i) Supply: an unrealized gain of \$9 (2019 - loss of \$6) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, offset by a \$5 (2019 - nil) loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized, (ii) Canada: \$4 (2019 - nil) in fuel discount provided to frontline workers within fuel and petroleum product cost of purchases, (iii) Corporate: \$3 (2019 - nil) in loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized, (iv) International: income from equity investments of \$9 (2019 - \$9), and (v) Canada: customer finance income of \$1 (2019 - \$2).

Adjusted gross profit

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

	Three months ended September 30,		Nine months ended September 30,	
(\$ millions)	2020	2019	2020	2019
Sales and operating revenue	3,505	4,605	10,537	13,674
Cost of purchases	(2,842)	(3,919)	(8,817)	(11,577)
Gain (loss) on risk management and other derivatives - realized	(5)	(6)	43	(4)
Gain (loss) on foreign exchange - realized	17	4	(12)	5
Other adjusting items to Adjusted gross profit ⁽¹⁾	(1)	(5)	3	6
Adjusted gross profit	674	679	1,754	2,104
Fuel and petroleum product adjusted gross profit	563	565	1,444	1,784
Non-fuel adjusted gross profit	111	114	310	320
Adjusted gross profit	674	679	1,754	2,104

⁽¹⁾ Other adjusting items to Adjusted gross profit include the following for the three months ended September 30, 2020: (i) Supply: a nil unrealized gain (2019 - \$5 of unrealized gain) on the Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, and (ii) Corporate: \$1 (2019 - nil) gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized. For the nine months ended September 30, 2020, other adjusting items to Adjusted Gross Profit include: (i) Supply: an unrealized gain of \$9 (2019 - loss of \$6) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, offset by a \$5 (2019 - nil) loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized, (ii) Canada: \$4 (2019 - nil) in fuel discount provided to frontline workers within fuel and petroleum product cost of purchases, and (iii) Corporate: \$3 (2019 - nil) in loss on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized.

Non-GAAP financial measures

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

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

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

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

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

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

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

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

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Distributable cash flow	Cash flow metric that adjusts for the impact of seasonality in Parkland's business by removing non-cash working capital items	$\begin{aligned} \text{Distributable cash flow} = & \text{cash flow from operating activities} \\ & - \text{Adjusted EBITDA attributable to NCI, net of tax} \\ & - \text{change in other liabilities and other assets} \\ & + \text{change in other liabilities} \\ & - \text{net change in non-cash working capital} \\ & - \text{maintenance capital expenditures attributable to Parkland} \\ & + \text{proceeds on asset disposals} \end{aligned}$	We use this metric to monitor normalized cash flows of the business by eliminating the impact of Parkland's working capital fluctuations, which can vary significantly from quarter to quarter.
Adjusted distributable cash flow	Distributable cash flow metric that excludes acquisition, integration and other costs	$\begin{aligned} \text{Adjusted distributable cash flow} = & \text{distributable cash flow} \\ & - \text{acquisition, integration and other costs} \\ & - \text{turnaround maintenance capital expenditures} \\ & - \text{payments on principal amount on leases} \\ & + \text{payments on principal amount on leases attributable to NCI} \end{aligned}$	We use this metric to monitor core distributable cash flows of the business without the impact of expenditures used in acquisitions, integration and other activities, which fluctuate significantly.
Distributable cash flow per share	Distributable cash flow presented on a per share basis	$\begin{aligned} \text{Distributable cash flow per share} = & \text{distributable cash flow} \\ & \div \text{weighted average number of common shares} \end{aligned}$	We believe these per share metrics provide useful information to individual shareholders.
Adjusted distributable cash flow per share	Adjusted distributable cash flow presented on a per share basis	$\begin{aligned} \text{Adjusted distributable cash flow per share} = & \text{adjusted distributable cash flow} \\ & \div \text{weighted average number of common shares} \end{aligned}$	
Dividend payout ratio	Ratio of dividends distributed to distributable cash flow	$\text{Dividend payout ratio} = \text{dividends} \div \text{distributable cash flow}$	We use these ratios as indicators of Parkland's ability to generate cash flows to sustain monthly dividends, including those issued under the dividend reinvestment plan.
Adjusted dividend payout ratio	Ratio of dividends distributed to adjusted distributable cash flow	$\text{Adjusted dividend payout ratio} = \text{dividends} \div \text{adjusted distributable cash flow}$	
Maintenance capital expenditures	Capital expenditure metric for activities that are maintenance in nature	Additions to property, plant and equipment and intangible assets that are considered to be maintenance in nature, including but not limited to: • turnaround and other maintenance projects at the Burnaby Refinery; • upgrades of service stations, including primarily aesthetic major renovations (also known as "refreshes") of retail service stations; • rebrand or refresh of service stations, including securing a supply agreement with a new independent retailer; • replacement of existing concrete structures, paving, roofing, furniture and equipment; • upgrade or replacement of trucking fleets; and • upgrade of software systems or point-of-sale systems.	Parkland uses maintenance capital expenditures as a financial measure to monitor expenditures on property, plant and equipment and intangible assets to sustain the current level of economic activity and maintain cash flows from operating activities at a constant level of productive capacity. Parkland considers the volume of fuel and propane sales, volume of convenience store sales, volume of lubricant sales, agricultural inputs, and delivery to be productive capacity. The classification of capital as growth or maintenance is subject to judgment, as many of Parkland's capital projects have components of both. A reconciliation of this measure is presented in Section 7 of this MD&A.

Growth capital expenditures	Capital expenditure metric for activities that are growth in nature	Additions to property, plant and equipment and intangible assets that are considered to be growth in nature, including but not limited to: • new retail site builds under the "new-to-industry" program; • construction of a new building on an existing site; • IT capital expenditures related to integration of acquired businesses; • acquisition of new real estate; • addition of new trucks and trailers to increase the size of the fleet; • addition of new equipment to increase the size and capacity of a retail fuel service station; and • addition of new infrastructure and tanks to support large new customer contracts. 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 7 of this MD&A.
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Non-GAAP financial measure reconciliations

Credit Facility EBITDA

(\$ millions)	Three months ended			Trailing twelve months ended	
	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	September 30, 2020
Adjusted EBITDA	302	191	191	338	1,022
Adjusted EBITDA attributable to NCI ⁽⁴⁾	25	23	17	26	91
Share incentive compensation	10	9	4	5	28
Reverse: IFRS 16 impact on Adjusted EBITDA	(36)	(39)	(38)	(40)	(153)
Reverse: IFRS 16 impact on Adjusted EBITDA attributable to NCI ⁽⁴⁾	(5)	(6)	(6)	(6)	(23)
	296	178	168	323	965
Acquisition pro-forma adjustment ⁽¹⁾					5
Acquisition, integration and other costs adjustment ⁽¹⁾⁽²⁾					(3)
Turnaround adjustment ⁽³⁾					197
Credit Facility EBITDA					1,164

⁽¹⁾ Amounts for the trailing twelve months ended September 30, 2020 include pro-forma pre-acquisition EBITDA estimates as if the acquisitions during the year occurred on October 1, 2019 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.

(\$ millions)	Three months ended			Trailing twelve months ended	
	March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	December 31, 2019
Adjusted EBITDA ⁽⁵⁾	315	346	302	302	1,265
Share incentive compensation	4	4	4	11	23
Reverse: IFRS 16 Impact on Adjusted EBITDA	(27)	(31)	(34)	(36)	(128)
	292	319	272	277	1,160
Acquisition pro-forma adjustment ⁽¹⁾					14
Acquisition, integration and other costs adjustment ⁽²⁾					(15)
Credit Facility EBITDA					1,159

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

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

⁽⁵⁾ Up to Q4 2019, Parkland excluded Adjusted EBITDA attributable to NCI and included IFRS 16 impact attributable to NCI in Credit Facility EBITDA.

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

(\$ millions)	September 30, 2020	December 31, 2019
Senior Funded Debt:		
Long-term debt - current portion (excluding Senior Notes)	122	115
Long-term debt - non-current portion (excluding Senior Notes)	833	1,035
Exclude: Long-term debt - attributable to NCI ⁽¹⁾	—	(22)
Letters of credit ⁽¹⁾	66	41
Third-party guarantees	2	—
Exclude: letters of credit attributable to NCI ⁽¹⁾	—	(2)
Less: cash and cash equivalents	(356)	(244)
Exclude: cash and cash equivalents attributable to NCI ⁽¹⁾	—	48
Less: IFRS 16 lease obligations	(519)	(526)
Senior Funded Debt	148	445
Senior Notes	2,830	2,788
Total Funded Debt	2,978	3,233
Credit Facility EBITDA	1,164	1,159
Senior Funded Debt to Credit Facility EBITDA ratio	0.13	0.38
Total Funded Debt to Credit Facility EBITDA ratio	2.56	2.79

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

Interest coverage ratio

For the trailing twelve months ended (\$ millions)	September 30, 2020	December 31, 2019
Credit Facility EBITDA	1,164	1,159
Interest ⁽¹⁾	211	218
Interest coverage ratio	5.52	5.32

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

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

	Three months ended		Nine months ended	
(\$ millions)	September 30, 2020	2019	September 30, 2020	2019
Corporate Marketing, General and Administrative expenses	22	29	66	85
Parkland's adjusted gross profit	674	679	1,754	2,104
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	3.3 %	4.3 %	3.8 %	4.0 %

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

	Three months ended				Trailing twelve months ended
(\$ millions, unless otherwise noted)	December 31, 2019	March 31, 2020	June 30, 2020	September 30, 2020	September 30, 2020
Distributable cash flow	149	(22)	82	270	479
Adjusted distributable cash flow	142	20	76	246	484
Weighted average number of common shares (million shares)					148
Distributable cash flow per share					3.24
Adjusted distributable cash flow per share					3.27
Dividends	44	45	45	47	181
TTM dividend payout ratio					38 %
TTM adjusted dividend payout ratio					37 %

(\$ millions, unless otherwise noted)	Three months ended				Trailing twelve months ended
	December 31, 2018 ⁽¹⁾	March 31, 2019 ⁽¹⁾	June 30, 2019 ⁽¹⁾	September 30, 2019 ⁽¹⁾	September 30, 2019
Distributable cash flow	151	125	168	122	566
Adjusted distributable cash flow	175	137	156	126	594
Weighted average number of common shares (million shares)					143
Distributable cash flow per share					3.96
Adjusted distributable cash flow per share					4.15
Dividends	41	43	45	45	174
TTM dividend payout ratio					31 %
TTM adjusted dividend payout ratio					29 %

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

Key Performance Indicators ("KPIs")

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

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

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Annual Synergies	Annual Synergies is a forward-looking estimate of forecasted improvements in Adjusted EBITDA driven by increases in adjusted gross profit and reductions in Operating Costs and Marketing, General and Administrative expenses expected to be realized from integrating the Acquisitions and other related initiatives.	This estimate is stated as a comparison of the acquisitions' performance before and after acquisition, presented as a forecasted annualized run-rate measure. This forward-looking estimate is based on comparative analysis of organizational structures, level of spending, and contract structures, as well as synergies expectations and cost reductions from implementing integration initiatives, increased purchasing power, and contract renegotiations, among other items.	Annual Synergies is used to measure synergy expectations of acquisitions against their investment business case.	Changes to these assumptions, market conditions, commodity prices, and timing of implementation of initiatives can significantly impact Annual Synergies. See Section 13 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.	LTIF and TRIF provide meaningful information in evaluating performance in providing a safe working environment. LTIF represents the number of people for every 100 employees injured to an extent that they cannot perform any work for a minimum of one day, post-injury.	A lost time incident is one where an employee sustained a job-related injury or illness and was not able to work their next full shift. Recordable incidents include all instances where medical attention from a medical professional is required, even if the employee is able to work their next shift.

Glossary of terms

Term	Definition
Backcourt	Terminology used in the retail gas industry that refers to the part of a retail station where convenience store merchandise and services such as car washes are sold.
COCO	Company-owned, company-operated.
CORO	Company-owned, retailer-operated.
CORO Conversion	The process of one-time conversions of Ultramar COCO sites to CORO sites, which are expected to lower costs, realize synergies, and provide Parkland with higher returns.
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.

13. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

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

- commitment to delivering competitive and sustainable returns to shareholders by being the partner of choice for our customers and suppliers, and how we plan to accomplish this mission;
- commitment to drive organic growth by 3-5% annually by investing in growth opportunities, innovatively pursuing opportunities to increase gross profit and lower costs, and continuously enhancing customer value and loyalty propositions;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries with which we do business;
- goal to deliver a supply advantage by leveraging market inefficiencies, being a partner of choice for refiners, safely and reliably operating the Burnaby Refinery, optimizing storage and transportation logistics, and increasing our import and export capabilities;
- expected exercise of the Sol Put Option or the Sol Call Option to acquire the remaining outstanding shares of SIL and the terms thereof;
- expectations regarding the anticipated benefits and synergies of completed acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store 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;
- national rollout of the JOURNIETM program and the timing and benefits to be derived thereof;
- expected launch of the National Fuelling Network;
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- platform for growth in North America and the Caribbean;

- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Canada, USA and International business segments;
- ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- growth and maintenance capital expenditure expectations;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- expectations regarding the business outlook contained in this MD&A;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Sol Transaction, the 2019 USA Acquisitions, and the 2020 USA Acquisitions.

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

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

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

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

- general market conditions, including the duration and effect of COVID-19;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to capture value in each step of the value chain;

- ability to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- ability to secure funding to finance the consideration payable to acquire the remaining portion of the SIL shares under the Sol Put Option;
- effectiveness of Parkland's management systems and programs;
- factors and risks associated with retail pricing, margins and refining crack spreads;
- availability and pricing of petroleum product supply;
- volatility of crude oil prices;
- competitive environment of our industry in North America and the Caribbean;
- environmental impact;
- risk of changes to environmental and regulatory laws;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Sol Transaction, the 2019 USA Acquisitions, and the 2020 USA Acquisitions;
- failure to meet financial, operational and strategic objectives and plans; and
- availability of capital and operating funds.

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

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