PARKLAND

MANAGEMENT'S DISCUSSION AND ANALYSIS

2019

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MESSAGE FROM THE CEO

Dear Fellow Shareholders,

I write my annual letter with a sense of pride about what the Parkland team achieved in 2019. This strong performance was underpinned by a relentless focus on serving our customers safely and reliably. Our largest asset is our customer base. Through our trusted and locally relevant brands, we serve over 1 million customers a day and it is the Parkland Team's objective to ensure that we are the partner of choice to meet their daily energy needs.

As I look back over the past five years, we have delivered tremendous growth and value. We have increased our EBITDA to well over $1 billion, grown our annual fuels sales volumes by over 130% and expanded our geographic footprint from one country to 25. At the same time, our shareholders have enjoyed total returns of around 165%. We continued these performance trends in 2019.

2019 marked an exciting milestone for Parkland, as we celebrated our 50th year as a publicly traded company. In parallel, the Parkland team continued to do what it does best: deliver across all our strategic pillars and demonstrate its ability to successfully and effectively execute our strategy. Thanks to the team's hard work, we were able to raise our guidance twice through the year. We delivered our full $180 million of run rate synergies one year ahead of plan and experienced strong performance across our International, US and Supply businesses. This is the fifth year where we were comfortably within our EBITDA guidance range.

Given we have grown so quickly through acquisitions, investors often ask if we focus on returns as well as growth. The answer is yes. We have a deeply embedded culture of capital discipline and apply the same rigour to investment decisions in new retail sites as we do to acquisitions. One of Parkland's core strengths is our relentless drive for improvement. We conduct look-backs to capture process improvements, improve our modelling capabilities and enhance the way we integrate acquired businesses.

In 2019, to reinforce our focus on returns, we shifted a portion of our long-term incentive plan to Book Return on Invested Capital (ROIC). This was a thoughtful adjustment, and we decided to use Book ROIC to benchmark our performance against our cost of capital as well as other companies in the TSX Composite.

Our proven strategy is built around four key elements; Grow Organically, Supply Advantage, Acquire Prudently and One Parkland. Many of you may remember our 2019 Investor Day, where we outlined our growth plans across our Canada, US and International segments and our Supply business. Less than one year later, I see a path toward our aspirational target of doubling our business and I am more confident than ever that the opportunities presented by our expanded operating footprint have never been greater.

In our Canadian commercial and retail businesses, we continued to differentiate and strengthen our customer value proposition. We expanded our On the Run convenience chain to 268 locations and introduced our Cargo™ private label brand, both of which contribute to our focus on non-fuel margin expansion and helped extend our same-store sales growth to 16 consecutive quarters. Our business operates in competitive markets where customer loyalty is key. We made great progress in this regard. We strengthened our digital capabilities and launched JOURNIE™ Rewards. This includes a strategic partnership with the Canadian Imperial Bank of Commerce (CIBC) which significantly expands the reach and profile of the program. Our Canadian commercial business advanced our National Fuelling Network strategy, which will transform our regional networks into a national chain.

While our Canadian Retail KPIs trended positively, the combination of a tough retail margin environment and the set-up costs of our marketing programs meant our Canadian EBITDA fell short of our expectations. We believe the Canadian market offers attractive long-term fundamentals and remain focused on targeted investments into high-growth opportunities. To support and lead our Canadian growth strategy, we were delighted to welcome Donna Sanker as President of our Canadian segment.

Once again, we doubled the size of our US business as our team continued to find excellent businesses to acquire and integrate onto our ever-growing platform. We added scale to our Northern Tier and Rocky Mountain Regional Operating Centres with the acquisition of KB Oil and Mort Distributing and added a new Regional Operating Centre with our purchase of Florida based Tropic. Florida offers tremendous growth potential. We see significant growth opportunity in the US and are well positioned to be a consolidator of our focus markets.

2019 marked the first year of Parkland's international business, which was formed through our 75% ownership of Sol, the Caribbean's largest independent fuel marketer. Performance has exceeded expectations. The Sol team delivered exceptional organic growth and safety performance and began to capture synergies. We see many exciting opportunities in our International segment. Our position in high-growth markets such as Guyana and Dominican Republic provide a tailwind, and we see opportunity to offer our entire product line across all markets, including propane and aviation fuels. Our expansion into the Caribbean unlocked tremendous opportunity and we are positioned for growth for the foreseeable future.

Our performance in 2019 was underpinned by our Supply Team, who demonstrated the power of our integrated strategy and the benefits of increased scale. To capitalize on this and to help us work more closely with US suppliers and support our US and International segments, we opened a Houston trading office. Elsewhere in our supply business, our refinery team delivered a year of safe operations and captured strong west-coast refining margins, our rail logistics unit delivered growth across its entire business, and we continued to add North American distribution storage locations to strengthen our supply advantage.

While diesel and gasoline demand continue to grow in our core markets, we recognize the need and opportunity to transition to lower-carbon energy sources. In 2019, we made progress on several fronts. We were the first Canadian refiner to consistently co-process bio feedstocks - producing enough to run 10,000 cars for a year on renewable fuels. We continue to focus on growing our non-fuel business in all markets and saw growth in our carbon trading business. In 2019, we established an Environmental, Social and Governance Board committee to ensure we place strategic priority in this area.

In closing, I would like to thank our Board for their support and our talented team for their focus on safety and dedication to Parkland's success. I am very proud of our track record of value creation, and I believe the best is yet to come. Never in our history have the opportunities for growth been as attractive or plentiful as they are today. If you are not currently a shareholder, we would be happy to tell you more about our team's success and encourage you to invest alongside us as we build and scale a great company.

Bob Espey
President and CEO

Parkland at a Glance

Parkland Fuel Corporation ("Parkland" or "the Company") 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 operates 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.

STRONG ASSETS, BRANDS & PEOPLE + **FINANCIAL STRENGTH & FLEXIBILITY** + **DIVERSIFIED GEOGRAPHIC AND PRODUCT PLATFORM** + **PROVEN TRACK RECORD** = **PARKLAND VALUE PROPOSITION**

Parkland is listed on the Toronto Stock Exchange and trades under the symbol PKI. We operated through five operating segments in 2019: Supply, Canada Retail, International, Canada Commercial, and USA.

TMX PKI

For more information, visit www.parkland.ca. Parkland.ca

PARKLAND IS THE #1 Fuel Retailer *
by site count in Canada

Our Purpose and Vision

Parkland is in the business of energizing people and businesses to get them where they want to go. The company's highly talented employees are focused on a collective vision of working together to be the most dynamic and trusted partner, committed to delivering creative solutions that power journeys and communities.

Our 2019 Results

$302
Q4 2019 ADJUSTED EBITDA**

6%
GROWTH IN Q4 2019 ADJUSTED EBITDA VS. Q4 2018**

6
BILLION LITRES OF FUEL AND PETROLEUM PRODUCT VOLUME IN Q4 2019

36%
GROWTH IN Q4 2019 FUEL AND PETROLEUM PRODUCT VOLUME VS. Q4 2018

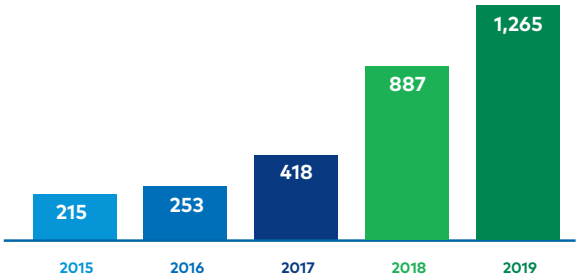
$1,265
2019 ADJUSTED EBITDA**

43%
GROWTH IN 2019 ADJUSTED EBITDA VS. 2018**

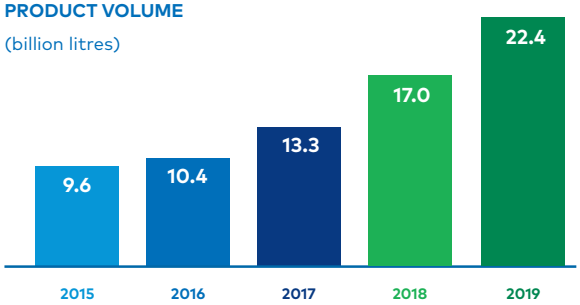
22
BILLION LITRES OF FUEL AND PETROLEUM PRODUCT VOLUME IN 2019

32%
GROWTH IN 2019 FUEL AND PETROLEUM PRODUCT VOLUME VS. 2018

5-YEAR ADJUSTED EBITDA**



5-YEAR FUEL AND PETROLEUM PRODUCT VOLUME
(billion litres)



All numbers are in millions of Canadian dollars, unless otherwise stated.

* Latest Annual Report from Kent Group Ltd. National Retail Petroleum Site Census 2019.

** 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. Prior year comparative figures reflect the accounting standards in effect for those years. Specifically, those periods are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

Supply

Dependable Partner of Choice for Our Suppliers and Customers

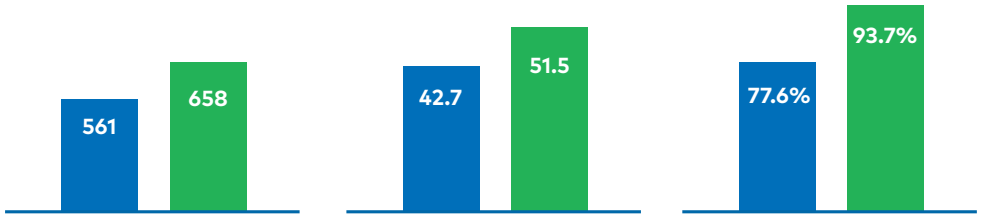
Supply serves internal as well as external customers. Supply consists of logistics, marketing, supply, distribution and a refinery located in Burnaby, British Columbia. This segment manufactures transportation fuels, procures feedstocks and fuels from third parties, transports (via ship, rail, truck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

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

REFINING MARGINS + **SUPPLY OPTIONALITY & SCALABILITY** + **CAPTURE OF MARKET INEFFICIENCIES** = **SUPPLY VALUE PROPOSITION**

2,500+
LEASED RAIL CARS

55,000 BPD*
OPERATED REFINERY CAPACITY



ADJUSTED EBITDA**

CRUDE THROUGHPUT (000'S BPD*)

REFINERY UTILIZATION

* Barrels per day

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Offerings

- GASOLINE
- DIESEL
- LIQUID PETROLEUM GAS
- CRUDE OIL
- AVIATION FUEL
- ASPHALT
- FUEL & GAS OILS
- ETHANOL
- BIODIESEL

Operating Highlights

Opened the Houston office to support our growing USA and International business

Successfully started co-processing at the Burnaby Refinery to establish ourselves as a leader in low-carbon fuel refining

Brands

PARKLAND

ELBOW RIVER

Fuelling Canadians, Coast to Coast

Canada Retail

Canada Retail supplies and supports a coast-to-coast network of 1,863 retail gas stations in Canada.

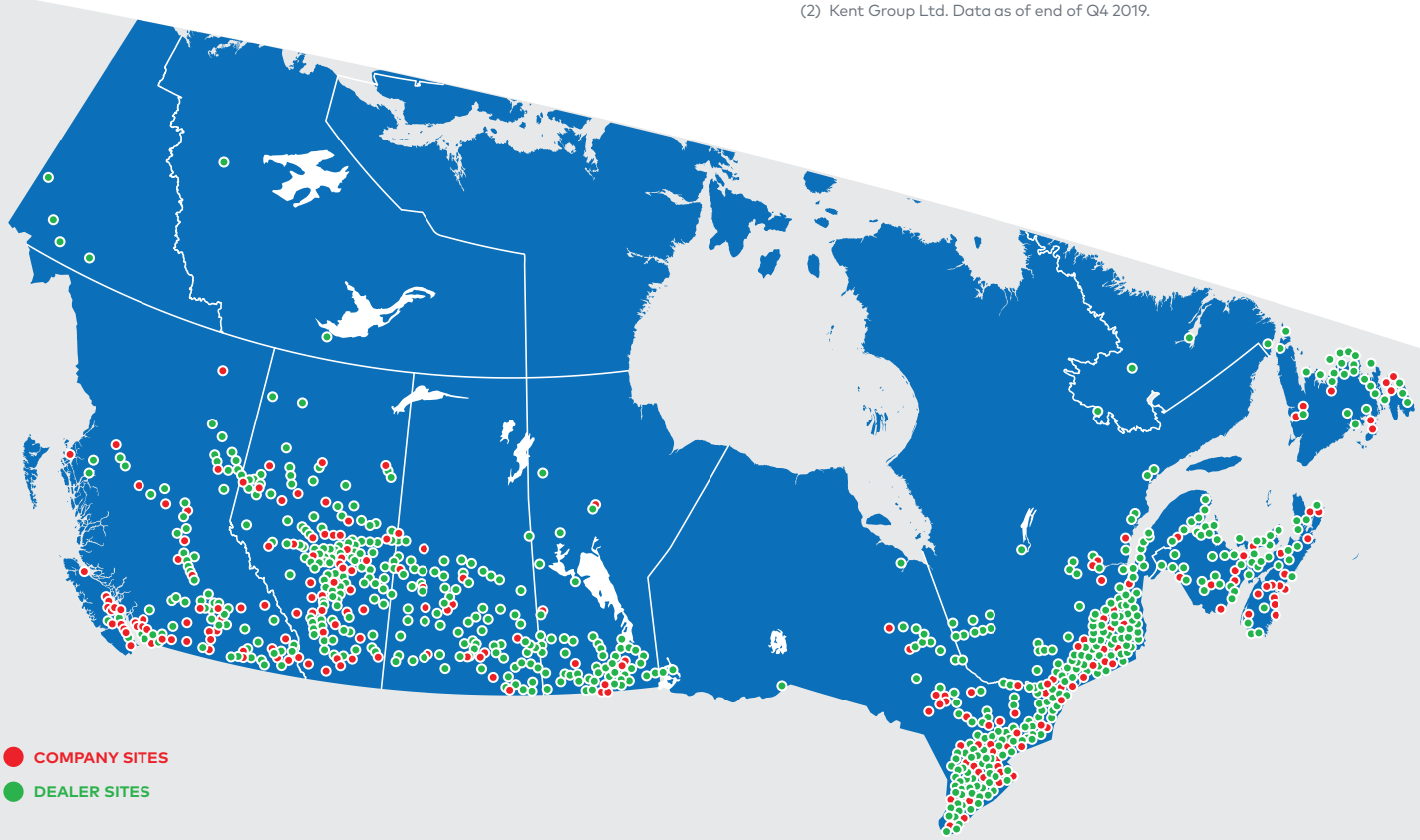
Canada Retail continued to invest in organic growth initiatives including the initial launch of JOURNIE™ Rewards, On the Run / Marché Express site conversions and the addition of new private label products. Parkland remains focused on driving growth through the creation of industry-leading value customer propositions, programs and campaigns, making our locations the first choice for customers.

FUEL MARGINS + **CONVENIENCE OFFERINGS INCLUDING PRIVATE LABEL** + **JOURNIE™ LOYALTY PROGRAM** = **CANADA RETAIL VALUE PROPOSITION**

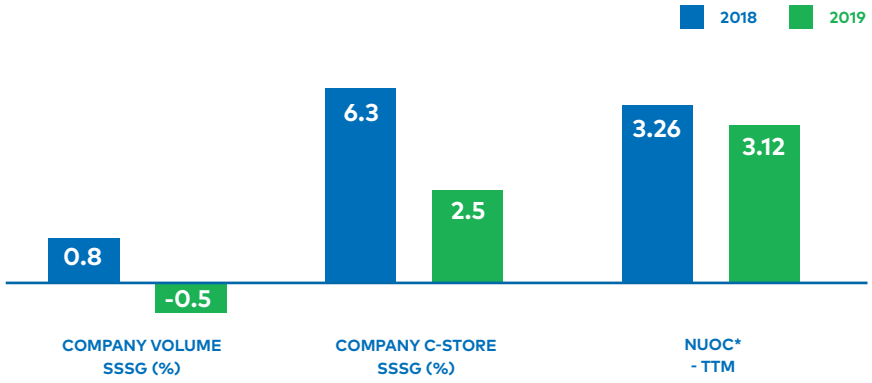
641	~1 in 6	1,863	1,222	~230m
COMPANY SITES IN CANADA	GAS STATIONS IN CANADA OWNED OR SUPPLIED BY PARKLAND [1]	CANADIAN RETAIL SITES	DEALER SITES IN CANADA	UNIQUE CUSTOMER TRANSACTIONS IN 2019

(1) Kent Group Ltd.'s National Retail Petroleum Site Census 2018.

(2) Kent Group Ltd. Data as of end of Q4 2019.



Key Performance Indicators



* For this metric, a reduction is considered an improvement. 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. Prior year comparative figures reflect the accounting standards in effect for those years. Specifically, those periods are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16

TTM:	trailing-twelve-month
SSSG:	same-store sales growth
NUOC:	net unit operating costs

See MD&A for detailed description of the Key Performance Indicators.

Operating Highlights

Introduced JOURNIE™ Rewards - with CIBC as a strategic banking partner

Successfully completed 65 retrofits and 27 constructed and acquired NTI locations in 2019

45 59th Street Food Co.™ and Cargo™ product offerings in market in 2019

Private label brand Cargo™ was introduced across Canada

Retail and Convenience Store Brands

Ultramar · Esso · Fas Gas Plus · Chevron · Pioneer · On the Run · Marché Express

International

Fuelling Caribbean and South American Growth

Sol has an integrated supply chain backed by an extensive distribution network and a premier brand portfolio. Sol's business in the Caribbean and north eastern coast of South America includes retail, supply and distribution, and commercial and industrial businesses.

STRONG EXECUTION + **SYNERGY CAPTURE** + **SIGNIFICANT GROWTH OPPORTUNITIES** = **INTERNATIONAL VALUE PROPOSITION**

- **496** RETAIL SITES
- **13** CHARTER SHIPS
- **12** AIRPORT OPERATIONS
- **23** COUNTRIES
- **259** COMPANY-OWNED OR COMPANY-LEASED SITES
- **237** DEALER-OWNED AND DELEAR-OPERATED SITES

*During the third quarter of 2019, International divested the local operations and physical retail sites in Haiti. However, International continues to serve the Haiti market through wholesale channels into the country.

Key Performance Indicators

10.32	3.48	2.03	7.32	5,118
FUEL & PETROLEUM PRODUCT ADJUSTED GROSS PROFIT (CPL)	OPERATING COSTS (CPL)	MARKETING, GENERAL & ADMINISTRATIVE EXPENSES (CPL)	ADJUSTED EBITDA (CPL)	FUEL AND PETROLEUM PRODUCT VOLUME (MILLION LITRES) [1]

(1) At 100% Sol interest

Offerings

GASOLINE

DIESEL

AVIATION FUEL

LPG

MARINE FUEL

LUBRICANTS

CRUDE OIL

Operating Highlights

Successful acquisition of 75% of the shares of Sol Investment Limited, the largest independent fuel marketer in the Caribbean, on January 8, 2019

Launch of More Miles Journie loyalty program in Barbados

Launch of Mobil brand of lubricants in 13 markets

Brands

Canada Commercial

Providing local customer service and diversified product offering

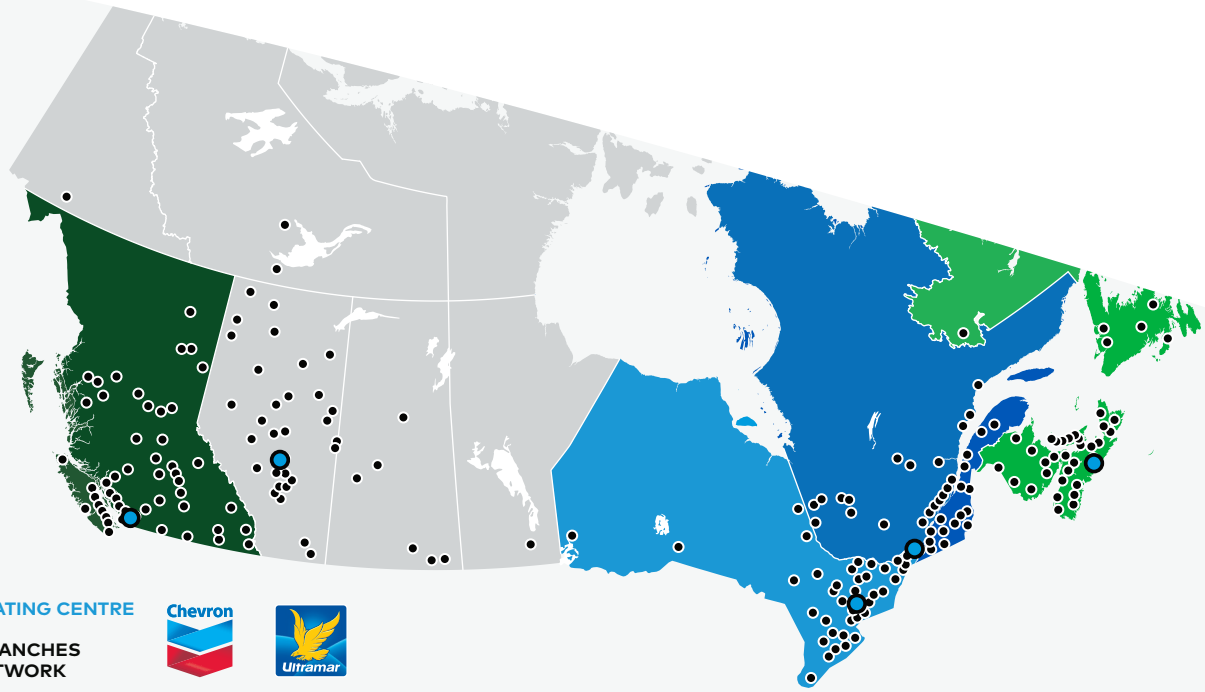
Canada Commercial delivers products and services to commercial, industrial, wholesale and residential customers across Canada through a national network of customer service centres, bulk plants, delivery trucks, and cardlocks. Parkland's Canada Commercial customer base is diverse, supplying a broad cross-section of industries across Canada including agriculture, construction, fishing, forestry, oil & gas, and transportation.

Canada Commercial is evolving its brand portfolio across the business to service national and regional customers. In early 2019, certain eastern Canadian based Bluewave Energy locations were rebranded to Ultramar to leverage the strength of the Ultramar retail network. Canada Commercial announced in late 2019 the launch of the National Fuelling Network ("NFN"), which will connect all regionally strong brands to one connected network. Canada Commercial's operations are organized into five regional operating centers ("ROCs"), which enable strong local customer relationships as well as efficient operations.

STRONG REGIONAL PRESENCE AND LEADING BRANDS + **EXTENSIVE DELIVERY NETWORK** + **DIVERSIFIED CUSTOMER OFFERING** = **CANADA COMMERCIAL VALUE PROPOSITION**

~300	~93,000	~680	240,000+
BRANCHES & CARDLOCKS	PROPANE TANKS	FLEET TRUCKS IN USE [1]	CUSTOMERS

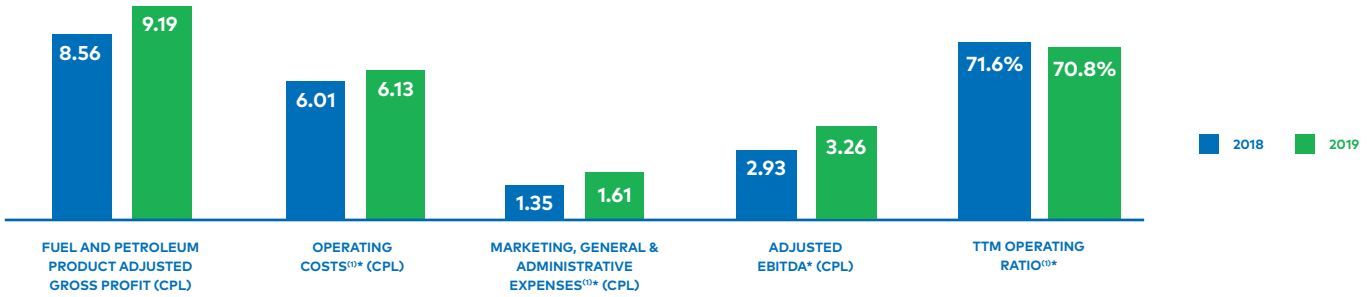
(1) Includes owned, leased, and broker trucks.



REGIONAL OPERATING CENTRE

COMMERCIAL BRANCHES & CARDLOCK NETWORK

Key Performance Indicators



See MD&A for detailed description of the Key Performance Indicators.

(1) For these metrics, a reduction from 2018 to 2019 is considered an improvement.

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Offerings

DIESEL

PROPANE

HEATING OIL

LUBRICANTS

Operating Highlights

5 Regional Operating Centres established in Canada

Ultramar Brand consolidation completed in Atlantic Canada

Development of the nationwide National Fuelling Network ("NFN") fuel delivery platform

Brands

Ultramar

Chevron

sparlings

Highest Growth Segment with Robust Opportunity Set

USA

USA supports a network of gas stations and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland export opportunities for products from western Canada. USA operates and generates profits from the following channels: Wholesale, Commercial, Retail, and Lubricants.

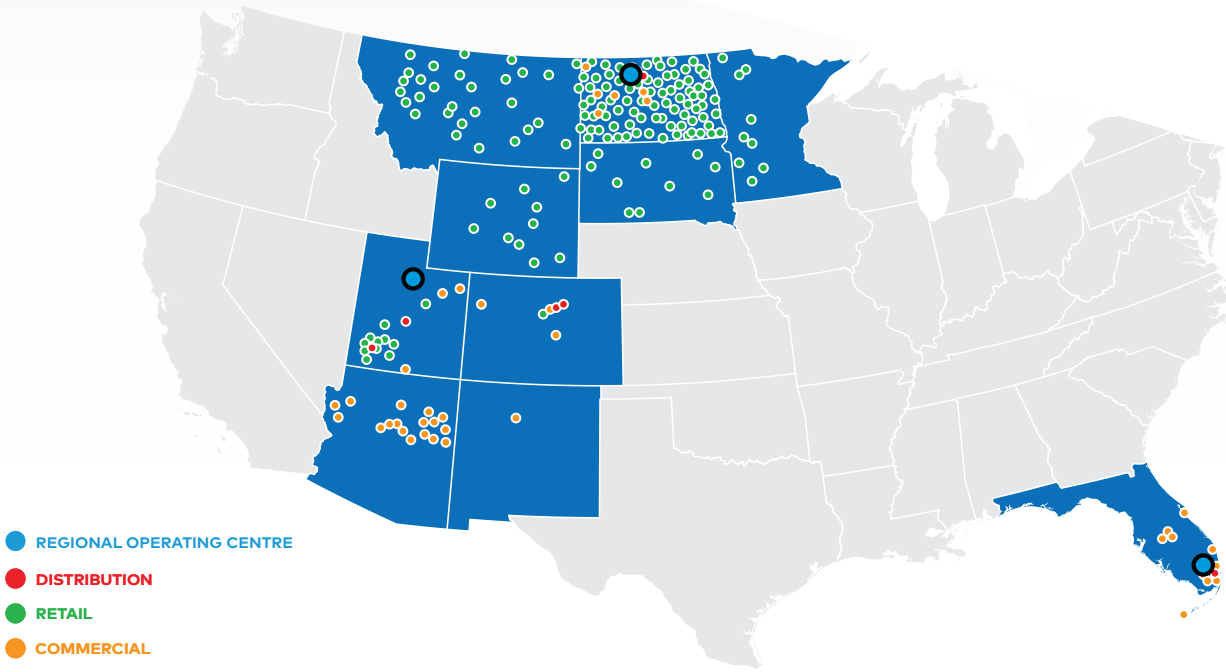
ECONOMIC PRODUCT EXPORTS FROM CANADA + **PLATFORM FOR GROWTH IN THE US** + **DEMONSTRATED ACQUISITION AND INTEGRATION CAPABILITY** + **DIVERSIFIED CUSTOMER OFFERING** = **USA VALUE PROPOSITION**

239
DEALER SITES

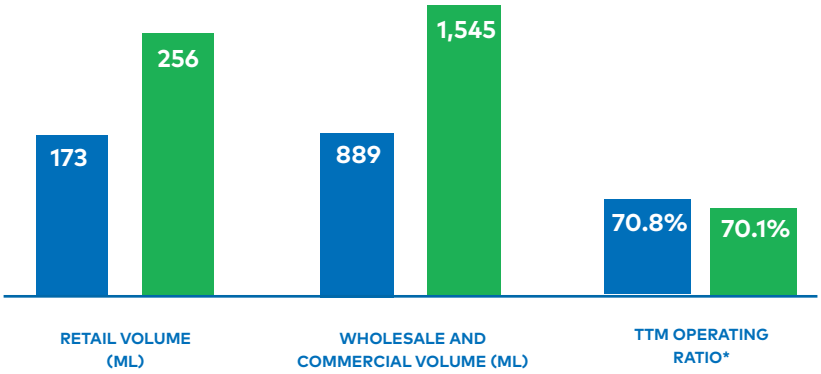
362
TRUCKS THAT DELIVER WHOLESALE FUELS AND LUBRICANTS

51
COMPANY SITES

~11,000
WHOLESALE AND COMMERCIAL CUSTOMERS



Key Performance Indicators



2018 2019

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ML: Million Litres

See MD&A for detailed description of the Key Performance Indicators.

Offerings

BULK FUELS

LUBRICANTS

GASOLINE

MARINE FUEL

Operating Highlights

Completed the acquisition of KB Oil, Tropic, and Mort Distributing

3 Regional Operating Centres established in the USA

Brands

RHINEHART OIL

FARSTAD OIL, INC.

TROPIC OIL COMPANY

Corporate

Driving Future Strategic Growth

SCALABLE BACK OFFICE FOR GROWTH + STRONG CONTROL ENVIRONMENT + INTEGRATION AND CONTINUOUS IMPROVEMENT = **CORPORATE VALUE PROPOSITION**

$177

GROSS DIVIDENDS PAID

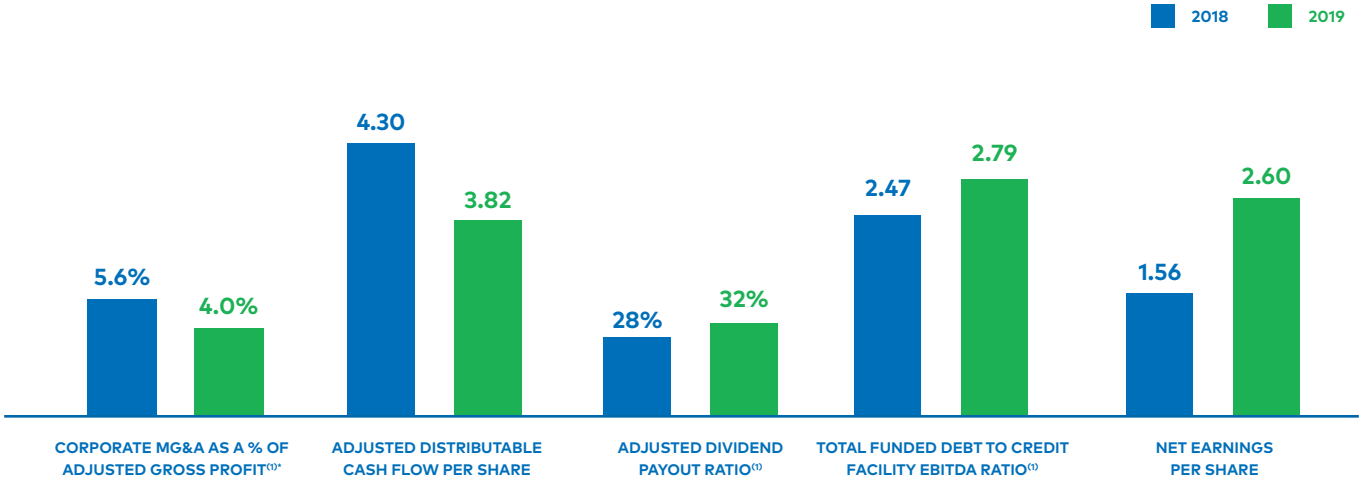
86%

ELIGIBLE CANADIAN PARKLAND EMPLOYEES WHO ARE SHAREHOLDERS OF PARKLAND

$992

LIQUIDITY: AVAILABLE CASH, CASH EQUIVALENTS AND UNUSED CREDIT FACILITIES

Key Performance Indicators



See MD&A for detailed description of the Key Performance Indicators.

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2019 Operating Highlights

Celebrated our 50th anniversary as a publicly traded company

DIVIDEND INCREASE

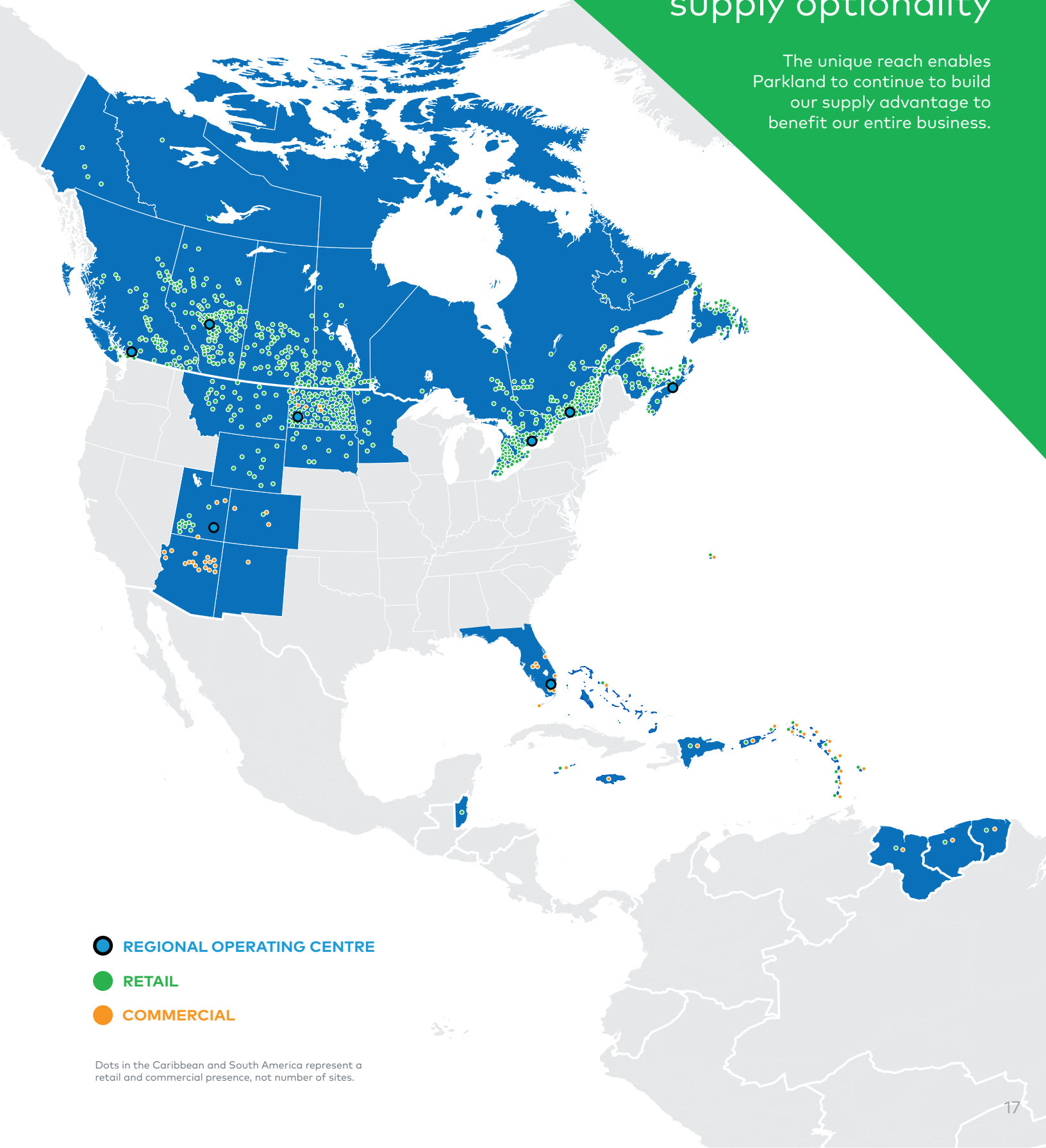
7th straight annual dividend increase

Completed a US $500 million Senior Unsecured Note private placement

Headquarters moved to downtown Calgary

Parkland's unique and extensive geographic reach and supply optionality

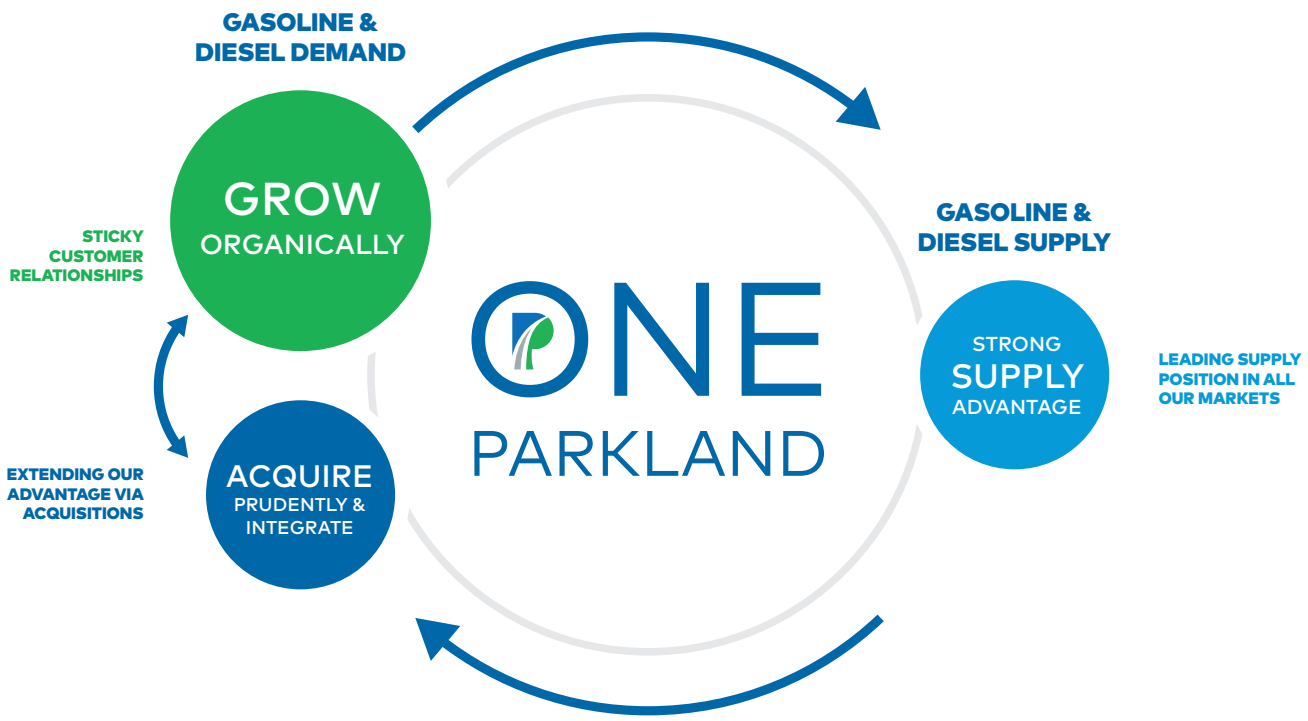
The unique reach enables Parkland to continue to build our supply advantage to benefit our entire business.



Dots in the Caribbean and South America represent a retail and commercial presence, not number of sites.

Strategy, Values & Behaviours

We build a supply, logistical and marketing advantage that is difficult to replicate. Our strategic progress is measured by KPIs disclosed in the MD&A, and aligns with management short- and long-term compensation.



Grow organically

3-5% organic growth target for marketing operations and related supply volumes

TARGETED GROWTH

Finding high growth opportunities in stable markets

REINFORCING INVESTMENTS

Deliberately focus capital and effort to reinforce the entire business

BENEFITS OF SCALE

Optimize supply chain in order to lower product costs

CAPABILITY INVESTMENTS

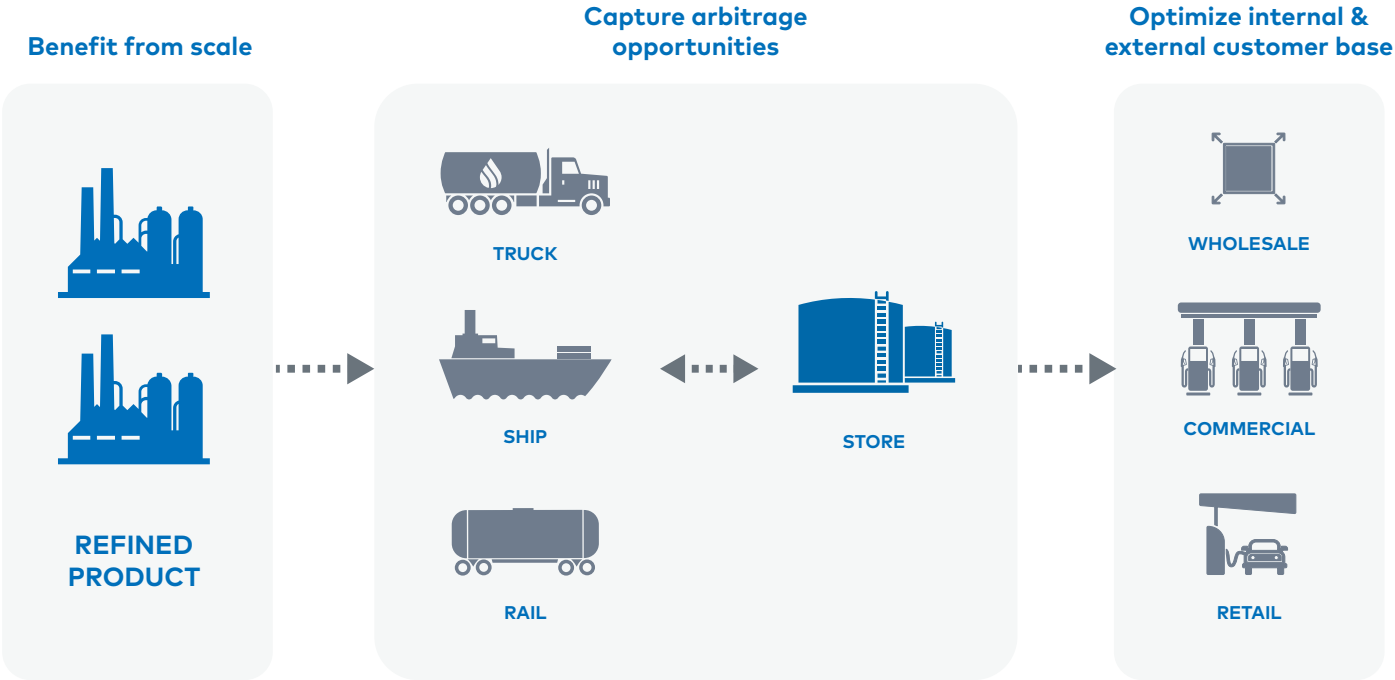
Leveraging technology and proprietary data

Acquire Prudently and Integrate

Disciplined mergers & acquisitions approach; buying complex portfolios in supply-inefficient markets

Strong Supply Advantage

Proprietary assets, supply flexibility, and logistics and trading capability



Enhancing margins by sourcing the most economic product and through leveraging scale and product diversity

Optimize storage and logistics infrastructure by leveraging market insight, transportation and storage capacity

Supply our own network, then drive incremental economics through third-party sales

Sustainability at Parkland

Sustainability is a key focus for Parkland. In 2019, Parkland's board appointed an Environmental, Social and Governance ("ESG") committee to assist the Board in carrying out its governance and oversight responsibilities in relation to matters including:

HEALTH & SAFETY	Including worker safety, product safety, asset integrity and crisis management.
ENVIRONMENT & SUSTAINABILITY	Including low carbon and climate change impacts, greenhouse gas emissions, air quality, and ecological impacts.
BUSINESS ETHICS	Including supply chain management, political contributions, and anti-corruption.
SOCIAL CAPITAL	Including community engagement, social investment, First Nations engagement, human rights, and customer privacy.
HUMAN CAPITAL	Including diversity and inclusion, and labour practices.

Parkland also initiated a Sustainability Task Force in 2019, which is comprised of cross-functional leaders that represent each of Parkland's business streams. The Sustainability Task Force is responsible for helping develop Parkland's sustainability strategy, policy disclosure.

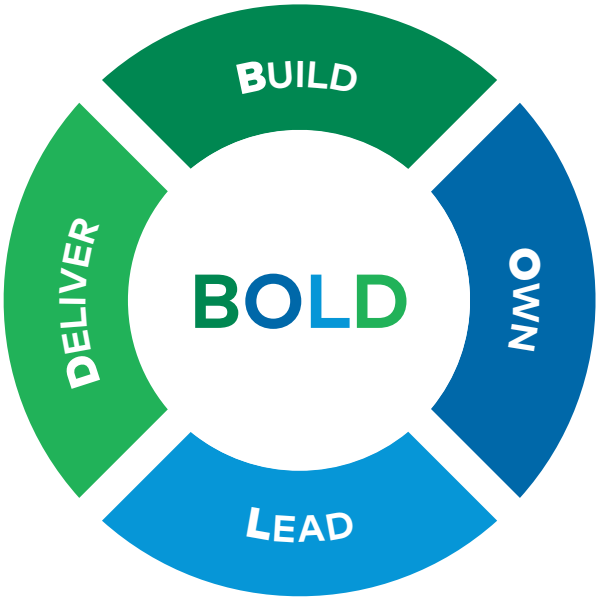
As part of this process, Parkland will look for innovative sustainable business opportunities to continue providing value to our customers, shareholders and communities.

Health & Safety, Culture and Community

Parkland is committed to ensuring safe operations, protecting our employees, contractors, and customers and ensuring compliance with all applicable Health and Safety regulatory requirements for the communities in which we operate. At Parkland, the Health and Safety program is branded as Drive to Zero. It is our shared goal to have an incident free workplace, with zero injuries, zero spills, and zero overall Health and Safety incidents. As an example, Parkland's ongoing efforts have reduced our 2019 Total Recordable Injury Frequency by 6% compared to the previous year.

Our Values

Our Behaviours



Supporting Our Communities

Through our network of trusted brands, Parkland Fuel Corporation prides itself on being an integral member of the communities in which it operates. Teams across the business actively support local initiatives and in 2019, through our Parkland Pledge program, our team donated to over 1,400 organizations. Parkland employees contributed over 7,300 volunteer hours to support the communities in which we operate. In 2019, through Parkland Pledge and other programs, Parkland donated over $3M to charities and community organizations.

Board of Directors


Bob Espey


Jim Pantelidis


John Bechtold


Lisa Colnett


David Spencer


Domenic Pilla


Tim Hogarth


Deborah Stein


Steven Richardson

Senior Leadership Team


Bob Espey
PRESIDENT & CEO


Darren Smart
INTERIM CHIEF FINANCIAL OFFICER & SVP, STRATEGY & CORPORATE DEVELOPMENT


Donna Sanker
PRESIDENT, PARKLAND CANADA


Doug Haugh
PRESIDENT, PARKLAND UNITED STATES


Pierre Magnan
PRESIDENT, PARKLAND INTERNATIONAL


Ryan Krogmeier
SVP SUPPLY, TRADING & REFINING


Stephanie McDonald
SVP PEOPLE & CULTURE


Peter Kilty
SVP SPECIAL PROJECTS


Ian White
SVP STRATEGIC MARKETING & INNOVATION


Christy Elliott
VP, SENIOR GENERAL COUNSEL & CORPORATE SECRETARY

Basis of presentation

This Management's Discussion and Analysis ("MD&A") for Parkland Fuel Corporation ("Parkland", "we", "our" or "us") dated March 5, 2020 should be read in conjunction with our December 31, 2019 audited consolidated financial statements (the "Annual Consolidated Financial Statements"). The Annual Consolidated Financial Statements are prepared in accordance with International Financial Reporting Standards ("IFRS"), also referred to as Generally Accepted Accounting Principles ("GAAP"), using the accounting policies described in Note 2 of the Annual Consolidated Financial Statements. The MD&A is presented in millions of Canadian dollars unless otherwise noted. Additional information about Parkland including quarterly and annual reports and the Annual Information Form is available online at www.sedar.com and Parkland's website, www.parkland.ca.

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 13 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 27 of the Annual Consolidated Financial Statements. Refer to Section 13 of this MD&A for more information on these measures of segment profit.

Risks and forward-looking information

Parkland's financial and operational performance is potentially affected by a number of factors including, but not limited to, the factors described within the Forward-looking Information section and Risk factors section of this MD&A, and the Annual Information Form. The information within these sections of this MD&A is based on Parkland's current expectations, estimates, projections and assumptions that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The forward-looking information contained herein is subject to a number of risks and uncertainties beyond Parkland's control including, without limitation, changes in market, competition, governmental or regulatory developments, and general economic conditions and other factors under Section 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 14 of this MD&A for further details.

1. PARKLAND OVERVIEW

Parkland Fuel Corporation ("Parkland" or "the Company") 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.

Our purpose and vision - Powering journeys and communities

Parkland is in the business of energizing people and businesses to get them where they want to go. The company's highly talented employees are focused on a collective vision of working together to be the most dynamic and trusted partner, committed to delivering creative solutions that power journeys and communities.

Our four strategic imperatives

Parkland is committed to delivering competitive and sustainable returns to shareholders. Our strategy is centred around locking-in demand, organically and through mergers and acquisitions, and then optimizing supply. Our strategy consists of the following four strategic imperatives:

1. Grow organically

Parkland is focused on delivering annual average Adjusted EBITDA organic growth of 3-5% for its marketing operations and related direct supply volumes. The company invests capital into growth opportunities that strengthen its entire business, optimizes its supply chain to lower product costs, and leverages technology, proprietary data and its brands to continuously enhance its customer value and loyalty propositions. Parkland continuously advances and evolves these capabilities to position itself to win in each of its markets.

2. Strong supply advantage

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

3. Acquire prudently and integrate

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

4. Enable our teams to succeed

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

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

2. PERFORMANCE OVERVIEW

Financial Highlights

($ millions, unless otherwise noted)	Three months ended December 31,			Year ended December 31,		
	2019[4]	2018[4]	2017[4]	**2019[4]**	2018[4]	2017[4]
Financial Summary						
Sales and operating revenue	**4,779**	3,506	3,429	**18,453**	14,442	9,560
Fuel and petroleum product volume (million litres)	**5,925**	4,354	4,432	**22,408**	16,978	13,333
Adjusted gross profit[1]	**728**	587	469	**2,832**	1,995	1,094
Adjusted EBITDA including non-controlling interest ("NCI")	**327**	285	198	**1,358**	887	418
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[1]	**302**	285	198	**1,265**	887	418
Supply	**152**	199	94	**658**	561	160
Canada Retail	**56**	78	94	**283**	316	231
International	**73**	—	—	**281**	—	—
Canada Commercial	**33**	27	28	**99**	93	70
USA	**15**	11	4	**56**	28	16
Corporate	**(27)**	(30)	(22)	**(112)**	(111)	(59)
Net earnings	**186**	77	49	**414**	206	82
Net earnings attributable to Parkland	**176**	77	49	**382**	206	82
Net earnings per share ($ per share)						
Per share - basic	**1.19**	0.58	0.37	**2.60**	1.56	0.70
Per share - diluted	**1.17**	0.57	0.37	**2.55**	1.53	0.69
Distributable cash flow[2]	**149**	151	45	**564**	416	151
Per share[2][3]	**1.01**	1.14	0.33	**3.84**	3.15	1.29
Adjusted distributable cash flow[2]	**142**	175	102	**561**	568	251
Per share[2][3]	**0.96**	1.32	0.78	**3.82**	4.30	2.15
Dividends	**44**	41	39	**177**	159	138
Dividends declared per share outstanding	**0.2985**	0.2934	0.2886	**1.1906**	1.1704	1.1510
Dividend payout ratio[2]	**30%**	27%	89%	**31%**	38%	91%
Adjusted dividend payout ratio[2]	**31%**	23%	38%	**32%**	28%	55%
Shares outstanding (millions)	**148**	134	131	**148**	134	131
Weighted average number of common shares (million shares)	**148**	133	131	**147**	132	117
Total Funded Debt to Credit Facility EBITDA ratio[2]	**2.79**	2.47	2.62	**2.79**	2.47	2.62
Interest coverage ratio[2]	**5.32**	6.52	7.65	**5.32**	6.52	7.65
Growth capital expenditures attributable to Parkland[2]	**69**	57	15	**221**	109	35
Maintenance capital expenditures attributable to Parkland[2]	**91**	52	50	**232**	187	75

[1] Measure of segment profit. See Section 13 of this MD&A.
[2] Non-GAAP financial measure. See Section 13 of this MD&A.
[3] Calculated using the weighted average number of common shares.
[4] 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three months and year ended December 31, 2019 on page 28 of this MD&A.

Adjusted EBITDA

During the year ended December 31, 2019, Parkland advanced its strategy of driving organic growth, realizing a strong supply advantage, acquiring prudently and integrating successfully. Parkland achieved record fourth quarter and record annual Adjusted EBITDA of $302 million and $1,265 million respectively, representing increases of 6% and 43% for the respective periods driven mainly by the Sol Transaction, exceptional results in Supply, and the adoption of IFRS 16. Growth in Adjusted EBITDA was partially offset by lower Canada Retail fuel margins. Parkland has achieved the Annual Synergies[1] run rate of approximately $180 million one year ahead of schedule, which reinforces Parkland's ability and commitment to acquire prudently and integrate successfully. Parkland continues to implement its comprehensive plan to integrate the acquired businesses to drive synergies and future growth. Further, Parkland continues to benefit from early synergy capture and is on track to meet our targets for International by the end of 2021.

Net earnings

Net earnings attributable to Parkland were $176 million for the fourth quarter of 2019 and $382 million for the year ended December 31, 2019, representing increases of $99 million and $176 million respectively compared to the same periods in 2018. These strong results were due to the Sol Transaction, net of related incremental financing costs, and exceptional results in Supply. The following account for the significant changes in net earnings for the fourth quarter of 2019 and for the year ended December 31, 2019 in addition to the increase in Adjusted EBITDA as discussed above:

- Finance costs increased $24 million for the fourth quarter of 2019 and $113 million for the year ended December 31, 2019 compared to the same periods in 2018 primarily due to interest on additional long-term debt primarily to fund the Sol Transaction and interest expenses resulting from the adoption of IFRS 16.
- Depreciation and amortization increased $66 million for the fourth quarter of 2019 and $279 million for the year ended December 31, 2019 compared to the same periods in 2018. This was driven by additional property, plant and equipment and intangible assets from the Sol Transaction and the 2019 USA Acquisitions (as defined in Section 3 of this MD&A), in addition to depreciation of $41 million for the fourth quarter of 2019 and $142 million for the year ended December 31, 2019 pertaining to the adoption of IFRS 16 as of January 1, 2019.
- Income tax expense increased $62 million for the year ended December 31, 2019 as compared to same period in 2018 due to higher taxable earnings.
- The $32 million gain on foreign exchange for the year ended December 31, 2019 was driven primarily by the translation impact of the 6.00% US Senior Notes and USD-denominated credit facility prior to the designation of the Net Investment Hedge (see Section 8 of this MD&A), whereas the $43 million loss of foreign exchange for the same period in 2018 was primarily driven by the translation impact of the 6.00% US Senior Notes and USD-denominated Intermediation Facility in a weaker Canadian dollar environment.
- Net gains included in other (gains) and losses increased $132 million for the fourth quarter of 2019 and $111 million for the year ended December 31, 2019 compared to the same periods in 2018 primarily due to income from the change in redemption value of the Sol Put Option, driven by a decrease in the discount rate, and an increase in the fair value of Redemption Options, driven by lower interest rates and increased credit-worthiness of Parkland.
- Acquisition, integration and other costs decreased $10 million for the fourth quarter of 2019 compared to the same period in 2018 primarily due to lower acquisition costs incurred in the fourth quarter of 2019 as a result of the completion of the Sol Transaction and TSA II exit[2] in the first quarter of 2019, as the pre-work for the Sol Transaction and TSA II exit increased acquisition, integration and other costs in the same period in 2018. Acquisition, integration and other costs increased $14 million for the year ended December 31, 2019 as compared to same period in 2018. The increase is primarily driven by acquisition costs relating to USA businesses, integration costs of the Sol Transaction, as well as the one-time costs related to the Alberta office consolidation to Calgary during the third quarter of 2019.

Cash flow and liquidity

- Parkland's available levels of liquidity and cash-generating ability allow Parkland to strategically capitalize on organic and inorganic growth opportunities. Adjusted distributable cash flow of $142 million for the fourth quarter of 2019 and $561 million for the year ended December 31, 2019 fully funded growth capital expenditures and dividend payments

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[1] "Annual Synergies" is a forecasted annualized run-rate measure and is considered to be forward-looking information. See Sections 13 and 14 of this MD&A.

[2] The TSA II exit is defined as the conversion of the ERP system used in the Supply segment of the Chevron Acquisition to Parkland's ERP system, which was completed on April 1, 2019.

and partially funded the 2019 USA Acquisitions for the respective periods. Additionally, the net proceeds of $1,158 million from the long-term debt were primarily used to finance the $948 million Sol Transaction.

- As at December 31, 2019, Parkland was in compliance with all debt covenants. The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios of 0.38 and 2.79 are well below the covenant restrictions of 3.50 and 5.00 respectively and in line with management's long-term targets. The Interest coverage ratio of 5.32 is well above the covenant restriction of 3.00.

Dividends and dividend payout ratio

- In 2019, Parkland's strong performance enabled it to raise its per share dividend for the 7th consecutive year. Dividends of $44 million and $177 million were paid to shareholders for the fourth quarter of 2019 and for the year ended December 31, 2019 respectively. This is higher than in the respective periods in 2018 due to a $0.02 per share increase in the annual dividend to $1.194 per share effective March 22, 2019 and an increase in the number of common shares outstanding driven by the Sol Transaction, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. The dividend reinvestment plan participation rate as at the dividend record date of December 20, 2019 was 30.5% (December 21, 2018 - 37.0%).
- The dividend payout ratio[3] increased from 27% to 30% for the fourth quarter of 2019 compared to the same period in 2018 due to higher dividends declared and lower distributable cash flow[3] driven by higher maintenance capital expenditures partially offset by the increase in Adjusted EBITDA resulting from the Sol Transaction. For the year ended December 31, 2019, the dividend payout ratio[3] improved from 38% to 31% as compared to the same period in 2018 due to higher distributable cash flow[3]. This was primarily resulting from higher Adjusted EBITDA largely driven by the Sol Transaction and 2019 USA Acquisitions and the adoption of IFRS 16, which was partially offset by higher maintenance capital expenditures, increased income tax expense, and higher interest payments driven by the Sol Transaction.

Capital expenditures attributable to Parkland

Parkland continues to invest in growth across the organization as well as proactively fund maintenance expenditures.

- Growth capital expenditures attributable to Parkland were $221 million for the year ended December 31, 2019, primarily focused on network development and improving our customer value proposition in Canada Retail. Investment focused on construction of new-to-industry ("NTI") retail sites as well as retail station rebrands and refreshes including investments in the new On the Run / Marché Express store concepts. Additionally, growth capital supported projects at the Burnaby Refinery and continued focus on the national propane growth strategy in Canada Commercial.
- Maintenance capital expenditures attributable to Parkland were $232 million for the year ended December 31, 2019. Maintenance capital was primarily focused on preparation for the upcoming 2020 Turnaround and other capital projects at the Burnaby Refinery, as well as retail, terminal and airport facility repairs and upgrades in International.

[3] Non-GAAP financial measure. See Section 13 of this MD&A.

Impact of adoption of IFRS 16

The adoption of IFRS 16 had a significant effect on Parkland's reported results. The results of the fourth quarter of 2019 include the impact of the adoption of IFRS 16 on January 1, 2019. Parkland's Adjusted EBITDA for the fourth quarter of 2019 would have been $266 million excluding the $36 million impact of the adoption of IFRS 16, and the Adjusted EBITDA for the year ended December 31, 2019 would have been $1,137 million excluding the $128 million impact of the adoption of IFRS 16. International was the most significantly impacted segment due to the leases associated with its shipping vessels. Due to Parkland's selected transition method, Parkland did not restate prior year comparative figures as allowed under IFRS 16. For more information on the impact of this new standard, please see the "Accounting policies and critical accounting estimates" section of this MD&A and Note 3 of the Annual Consolidated Financial Statements. The following table outlines the impact of IFRS 16 on Adjusted EBITDA as reported for the year ended December 31, 2019:

	Three months ended December 31,				**Year ended December 31,**			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre-IFRS 16 Amount[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre-IFRS 16 Amount[1]**	Adjusted EBITDA as reported
Supply	**152**	**(10)**	**142**	199	**658**	**(32)**	**626**	561
Canada Retail	**56**	**(8)**	**48**	78	**283**	**(26)**	**257**	316
International	**73**	**(15)**	**58**	—	**281**	**(57)**	**224**	—
Canada Commercial	**33**	**(2)**	**31**	27	**99**	**(7)**	**92**	93
USA	**15**	**–**	**15**	11	**56**	**(2)**	**54**	28
Corporate	**(27)**	**(1)**	**(28)**	(30)	**(112)**	**(4)**	**(116)**	(111)
Consolidated	**302**	**(36)**	**266**	285	**1,265**	**(128)**	**1,137**	887

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

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 year ended December 31, 2019, Parkland's total recordable injury frequency ("TRIF"), on a trailing-twelve month basis, improved to 1.52, compared to 1.62 for the year ended December 31, 2018, demonstrating Parkland's commitment to safety.

3. SEGMENT OVERVIEW, HIGHLIGHTS AND RESULTS

Supply

Supply serves Canada Retail, Canada Commercial, USA and International as well as external customers. Supply consists of logistics, marketing, supply, distribution and a refinery located in Burnaby, British Columbia. This segment manufactures transportation fuels, procures feedstocks and fuels from third parties, transports (via ship, rail, truck and pipeline), stores and markets fuels, crude oil and liquid petroleum gases ("LPGs") to serve a wide range of customers across North America and the Caribbean, and manufactures and sells aviation fuel to airlines operating out of the Vancouver International Airport. Refer to Section 12 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 many fuel value chains, Supply brings experience in manufacturing, multi-modal logistics, terminalling, supplier relationships, risk management and customer focus to deliver value to the Parkland enterprise.

Supply segment performance highlights

Supply's Adjusted EBITDA was $152 million for the fourth quarter of 2019 and $658 million for the year ended December 31, 2019. The adoption of IFRS 16 increased Supply's Adjusted EBITDA by $10 million for the fourth quarter of 2019 and $32 million for the year ended December 31, 2019. Supply's Adjusted EBITDA was underpinned by its safe and reliable operations across all business units. Effective refinery utilization, lower crude transportation costs, profitable product sourcing initiatives, arbitrage capture and a focus on cost stewardship led to record performance for the year ended December 31, 2019.

	As reported							
	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2019**	2018	Change	%	**2019**	2018	Change	%
Fuel and petroleum product volume[1] (million litres)	**1,201**	1,470	(269)	(18)%	**5,563**	5,833	(270)	(5)%
Sales and operating revenue	**544**	847	(303)	(36)%	**2,887**	3,606	(719)	(20)%
Fuel and petroleum product adjusted gross profit[2]	**236**	282	(46)	(16)%	**1,003**	859	144	17 %
Non-fuel adjusted gross profit[2]	**14**	9	5	56 %	**23**	24	(1)	(4)%
Adjusted gross profit[2]	**250**	291	(41)	(14)%	**1,026**	883	143	16 %
Operating Costs	**72**	73	(1)	(1)%	**283**	255	28	11 %
Marketing, General and Administrative	**26**	19	7	37 %	**85**	67	18	27 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[2]	**152**	199	(47)	(24)%	**658**	561	97	17 %
KPIs:								
Refinery utilization[3]	**91.6%**	87.8%	3.8p.p.		**93.7%**	77.6%	16.1p.p.	
Crude throughput[3] (000's bpd)	**50.4**	48.3	2.1	4 %	**51.5**	42.7	8.8	21 %

[1] Includes external gasoline, diesel, propane, crude oil and other volumes. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada Commercial and Canada Retail segments, are excluded from these reported volumes.
[2] Measure of segment profit. See Section 13 of this MD&A.
[3] See Section 13 of this MD&A for a description of this KPI.

The impact of IFRS 16 on the financial information of the Supply segment for the fourth quarter of 2019 and the year ended December 31, 2019 was as follows:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Sales and operating revenue	**544**	**–**	**544**	847	**2,887**	**–**	**2,887**	3,606
Fuel and petroleum product adjusted gross profit	**236**	**(2)**	**234**	282	**1,003**	**(6)**	**997**	859
Non-fuel adjusted gross profit	**14**	**–**	**14**	9	**23**	**–**	**23**	24
Adjusted gross profit	**250**	**(2)**	**248**	291	**1,026**	**(6)**	**1,020**	883
Operating Costs	**72**	**8**	**80**	73	**283**	**26**	**309**	255
Marketing, General and Administrative	**26**	**–**	**26**	19	**85**	**–**	**85**	67

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported
Supply	**152**	**(10)**	**142**	199	**658**	**(32)**	**626**	561

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume decreased by 269 million litres for the fourth quarter of 2019 and 270 million litres for the year ended December 31, 2019 driven primarily by lower sales in our wholesale business as a result of a strategic decision to focus on higher-margin customers.

Sales and operating revenue decreased $303 million for the fourth quarter of 2019 and $719 million for the year ended December 31, 2019 due to lower commodity prices and decreased Wholesale gas and diesel volume.

Adjusted gross profit decreased $41 million for the fourth quarter of 2019 due to lower refining margins relative to the same period of 2018, which exhibited exceptionally wide western Canadian crude differentials and higher refined product prices. Adjusted gross profit increased $143 million for the year ended December 31, 2019 due to strong refining margins throughout the year, specifically due to unplanned refinery outages along the west coast of the US in the second quarter, higher refinery utilization rates and other profitable supply sourcing initiatives. The increase in refinery utilization for the year ended December 31, 2019 as compared to 2018 is primarily a result of strong refinery reliability and the 2018 Turnaround, which began in early February 2018 and was completed in the first week of April 2018. In addition, Supply capitalized on its market insights and logistics expertise to capture margin through physical arbitrage for crude oil, refined products and LPGs throughout North America.

Operating Costs remained relatively consistent for the fourth quarter of 2019 as the increase in costs in preparation for the upcoming 2020 Turnaround was offset by a decrease resulting from the adoption of IFRS 16. Operating costs increased by $28 million for the year ended December 31, 2019 as a result of higher sulphuric acid and natural gas costs (related to a natural gas pipeline interruption in British Columbia during the second quarter of 2019) along with increased costs related to higher year-over-year utilization. Lower Operating Costs during the 2018 Turnaround in the first quarter of that year also contributed to the year-over-year increase. During the year ended December 31, 2018, $88 million of Turnaround costs were incurred of which $75 million was capitalized within maintenance capital expenditures and $13 million was expensed within Operating Costs. Parkland continues to drive ongoing cost improvements in our storage and distribution operations as part of our strategy to grow our supply advantage.

Marketing, General and Administrative expenses increased by $7 million for the fourth quarter of 2019 and by $18 million for the year ended December 31, 2019 primarily due to higher employee costs, along with the start up of the new supply and distribution business in Houston to support business initiatives across North America.

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. Average refinery crude throughput for the fourth quarter of 2019 was approximately 50,400 bpd, which was slightly higher than 48,300 bpd for the same period in 2018. As a result, Supply achieved 91.6% refinery utilization for the fourth quarter of 2019, compared to 87.8% utilization for the respective period in 2018. This increase resulted from additional processing of intermediate feedstocks in late 2018 in light of high pipeline transportation costs for un-contracted line space as these intermediate feedstocks are not reflected in the crude throughput and refinery utilization rate. However, despite the year-over-year increase, the refinery utilization was down from the third quarter of 2019 due to the ramp up of biofeed processing in late 2019 to meet British Columbia's low carbon fuel requirements and to establish Parkland as a leader in low-carbon fuel refining. These biofeeds are not reflected in the crude throughput and refinery utilization rate. A power outage at the Burnaby Refinery in the fourth quarter of 2019 also contributed to the drop in crude throughput and refinery utilization as compared to the third quarter. Average refinery crude throughput for the year ended December 31, 2019 was approximately 51,500 bpd, an increase from 42,700 bpd for the same period in 2018. As a result, refinery utilization was 93.7% for the year ended December 31, 2019, significantly higher than 77.6% for the year ended December 31, 2018, primarily as a result of the 2018 Turnaround, which began in early February 2018 and was completed in the first week of April 2018.

Canada Retail

Overview

Canada Retail (formerly "Retail") supplies and supports a coast-to-coast network of 1,863 retail gas stations in Canada. Parkland operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer. In addition, Parkland operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. Refer to Section 12 for a detailed description of Parkland's multi-brand strategy and business models. Canada Retail results fluctuate based on seasonality and generally experience higher volumes in the second and third quarters of the year during the summer driving season.

Canada Retail organic growth investment

Canada Retail continued to invest in organic growth initiatives including the initial launch of JOURNIE™ Rewards, On the Run / Marché Express site conversions and the addition of new private label products. Parkland remains focused on driving growth through

the creation of industry-leading customer value propositions, programs and campaigns, making our locations the first choice for customers.

Parkland continued to support the growth and development of the On the Run / Marché Express locations, successfully completing 65 conversions and adding 27 constructed and acquired NTI locations in 2019, resulting in a total of 268 On the Run / Marché Express stores including franchise locations.

Parkland recently announced the national launch of JOURNIE™ Rewards with CIBC as its strategic banking partner. National rollout with a soft launch began in select Ontario, British Columbia and Quebec markets in the fall of 2019 followed by a full national rollout in 2020 into Chevron, Fas Gas, Pioneer and Ultramar retail sites. JOURNIE™ will connect our national network of fuel retail sites and On The Run / Marché Express convenience stores under a single proprietary program to create a powerful and differentiated customer value proposition.

Strategic marketing initiatives continued to progress with programs designed to drive convenience store traffic, build basket size and enhance enterprise gross margin. Private label brands 59th Street Food Co.™ and Cargo™ were introduced across Canada with over 30 59th Street Food Co.™ product offerings in market in 2019 and additional items in the pipeline for 2020. Amazon Hub Lockers, which provide a self-service delivery location, were introduced in 48 locations, with additional installations planned for 2020. Implementation of strategic partnerships with select quick service restaurants ("QSRs") continued across the network. Parkland also delivered positive Company C-Store SSSG across most major merchandise categories.

Canada Retail segment performance highlights

Canada Retail Adjusted EBITDA decreased $22 million to $56 million for the fourth quarter of 2019 and $33 million to $283 million for the year ended December 31, 2019, primarily due to lower retail fuel margins from competitive pressures and higher Marketing, General and Administrative costs attributed to the development of the JOURNIE™ program, which was offset by the adoption of IFRS 16. The adoption of IFRS 16 increased Canada Retail Adjusted EBITDA by $8 million for the fourth quarter of 2019 and $26 million for the year ended December 31, 2019.

Company C-Store SSSG was 0.9% for the fourth quarter of 2019 and 2.5% for the year ended December 31, 2019 compared to strong growth of 8.2% and 6.3% for the same periods in 2018 respectively. The changes in growth rates are mainly due to lower cigarette sales in the fourth quarter of 2019. Excluding cigarettes, Company C-Store SSSG was 7.1% for the fourth quarter of 2019 and 5.5% for the year ended December 31, 2019 compared to 4.9% and 4.3% for the same periods in 2018 respectively. This growth trend was attributable to ongoing marketing programs including the new On the Run / Marché Express store concepts and rollout of the proprietary private label brand 59th Street Food Co™.

	As reported							
	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2019**	2018	Change	%	**2019**	2018	Change	%
Fuel and petroleum product volume[1] (million litres)	**1,718**	1,742	(24)	(1)%	**6,890**	6,905	(15)	— %
Sales and operating revenue	**1,536**	1,596	(60)	(4)%	**6,333**	6,913	(580)	(8)%
Fuel and petroleum product adjusted gross profit[2]	**119**	134	(15)	(11)%	**498**	541	(43)	(8)%
Non-fuel adjusted gross profit[2]	**34**	35	(1)	(3)%	**147**	148	(1)	(1)%
Adjusted gross profit[2][3]	**153**	169	(16)	(9)%	**645**	689	(44)	(6)%
Operating Costs	**75**	76	(1)	(1)%	**293**	314	(21)	(7)%
Marketing, General and Administrative	**22**	15	7	47 %	**69**	59	10	17 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[2]	**56**	78	(22)	(28)%	**283**	316	(33)	(10)%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	**6.93**	7.69	(0.76)	(10)%	**7.23**	7.83	(0.60)	(8)%
Operating Costs (cpl)	**4.37**	4.36	0.01	— %	**4.25**	4.55	(0.30)	(7)%
Marketing, General and Administrative (cpl)	**1.28**	0.86	0.42	49 %	**1.00**	0.85	0.15	18 %
Adjusted EBITDA (cpl)	**3.26**	4.48	(1.22)	(27)%	**4.11**	4.58	(0.47)	(10)%
Company Volume SSSG[6][7][8]	**(3.1)%**	3.7%	(6.8p.p.)		**(0.5)%**	0.8%	(1.3p.p.)	
Company C-Store SSSG[6][8]	**0.9 %**	8.2%	(7.3p.p.)		**2.5 %**	6.3%	(3.8p.p.)	
TTM net unit operating cost ("NUOC")[4][5] (cpl)	**3.12**	3.26	(0.14)	(4)%				

[1] Includes gasoline, diesel and propane volumes.
[2] Measure of segment profit. See Section 13 of this MD&A.
[3] Adjusted gross profit consists of: (i) fuel and petroleum product adjusted gross profit primarily from gasoline and diesel sales, and (ii) non-fuel adjusted gross profit primarily from convenience store merchandise sales, convenience store rents, car wash revenue, and other ancillary sales.
[4] Non-GAAP financial measure. See Section 13 of this MD&A.
[5] Amounts presented on a trailing-twelve-month ("TTM") basis.
[6] SSSG denotes same-store sales growth. See Section 13 of this MD&A for an explanation of this KPI.
[7] Company Volume SSSG includes gasoline and diesel volumes, but excludes propane volumes sold at retail sites.
[8] For comparative purposes, Company Volume SSSG and Company C-Store SSSG have been restated for a change in definition. See Section 13 of this MD&A.

The impact of IFRS 16 on the financial information of the Canada Retail segment for the fourth quarter of 2019 and the year ended December 31, 2019 was as follows:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Sales and operating revenue	**1,536**	**–**	**1,536**	1,596	**6,333**	**–**	**6,333**	6,913
Fuel and petroleum product adjusted gross profit	**119**	**–**	**119**	134	**498**	**–**	**498**	541
Non-fuel adjusted gross profit	**34**	**–**	**34**	35	**147**	**–**	**147**	148
Adjusted gross profit	**153**	**–**	**153**	169	**645**	**–**	**645**	689
Operating Costs	**75**	**6**	**81**	76	**293**	**22**	**315**	314
Marketing, General and Administrative	**22**	**2**	**24**	15	**69**	**4**	**73**	59

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	2019			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported
Canada Retail	**56**	**(8)**	**48**	78	**283**	**(26)**	**257**	316

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume remained relatively flat for the fourth quarter of 2019 and for the year ended December 31, 2019 and Parkland maintained market share.

Sales and operating revenue decreased $60 million for the fourth quarter of 2019 and $580 million for the year ended December 31, 2019, primarily due to low fuel and petroleum product commodity prices.

Fuel and petroleum product adjusted gross profit decreased $15 million for the fourth quarter of 2019 and $43 million for the year ended December 31, 2019, primarily due to market dynamics and competitive pressures. The Canada Retail team continued to focus on efforts in Company C-Store activities such as the implementation of the new On the Run / Marché Express store concepts and successful launch of our private label offering. Non-fuel adjusted gross profit remained relatively flat for the fourth quarter of 2019 and for the year ended December 31, 2019.

Operating Costs decreased $1 million for the fourth quarter of 2019 and $21 million for the year ended December 31, 2019, primarily as a result of lower facility rents recognized as expenses resulting from the adoption of IFRS 16 and a decrease in store labour costs due to the CORO conversions as well as effective cost control measures.

Marketing, General and Administrative expenses increased $7 million for the fourth quarter of 2019 and $10 million for the year ended December 31, 2019 due to one-time costs associated with the investment in key strategic initiatives for the JOURNIE™ program, investment in the On the Run / Marché Express new store concepts, rollout of our private label offering, and other strategic marketing initiatives to optimize contribution from the Canada Retail segment.

KPIs

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

Fuel and petroleum product adjusted gross profit on a cpl basis decreased by 0.76 cpl and 0.60 cpl for the fourth quarter of 2019 and for the year ended December 31, 2019, respectively, primarily due to competitive margin pressures in the market.

Operating Costs on a cpl basis remained flat for the fourth quarter of 2019 and decreased 0.30 cpl for the year ended December 31, 2019, primarily as a result of the adoption of IFRS 16 as of January 1, 2019, along with lower store labour costs due to the CORO Conversion and effective cost control measures.

Marketing, General and Administrative expenses on a cpl basis increased 0.42 cpl for the fourth quarter of 2019 and 0.15 cpl for the year ended December 31, 2019 due to the increase in Marketing, General and Administrative expenses as noted above.

Company Volume SSSG was (3.1)% for the fourth quarter of 2019 compared to 3.7% for the same period in 2018, as a result of competitive pressures in some markets and exceptionally strong volumes in the fourth quarter of 2018. Company Volume SSSG was (0.5)% for the year ended December 31, 2019 compared to 0.8% for the same period in 2018, primarily due to lower demand in the Western Canadian provinces.

Company C-Store SSSG was 0.9% for the fourth quarter of 2019, compared to strong growth of 8.2% for the same period in 2018. This change in growth rate is mainly due to lower cigarette sales in the fourth quarter of 2019. Excluding cigarettes, Company C-Store SSSG was 7.1% for the fourth quarter of 2019 compared to 4.9% for the same period in 2018. Company C-Store SSSG was 2.5% for the year ended December 31, 2019 compared to 6.3% for the same period in 2018; excluding cigarettes, Company C-Store SSSG was 5.5% for the year ended December 31, 2019 compared to 4.3% in the same period in 2018. This growth trend was attributable to ongoing marketing programs including the new On the Run / Marché Express store concepts and rollout of the proprietary private label brand 59th Street Food Co™. Parkland saw strong performance in Company C-Store SSSG across most merchandise categories.

NUOC improved 4% for both company and dealer sites in the trailing twelve months ended December 31, 2019 compared to the same period in 2018 due to lower facility rents included in Operating Costs and Marketing, General and Administrative expenses resulting from the adoption of IFRS 16, a decrease in store labour costs due to the CORO conversions as well as effective cost control measures.

Site count by brand and business model

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

	Ultramar	Esso	Fas Gas Plus	Chevron	Pioneer	Race Trac	Other	Total
Company sites	**169**	**74**	**89**	**170**	**127**	**1**	**11**	**641**
Dealer sites	**465**	**519**	**97**	**23**	**43**	**57**	**18**	**1,222**
Site count, as at December 31, 2019	**634**	**593**	**186**	**193**	**170**	**58**	**29**	**1,863**
Company sites	160	73	91	161	120	1	11	617
Dealer sites	484	517	98	19	38	63	19	1,238
Site count, as at December 31, 2018	644	590	189	180	158	64	30	1,855
Net change in site count	(10)	3	(3)	13	12	(6)	(1)	8

The change in site count is attributable to network plan optimization and routine site count fluctuations as a result of new site builds (also known as new-to-industry, or NTI sites), new dealers, site conversions, site sales, site closures, or site rebranding. The site count for the company sites increased by 24 in the year ended December 31, 2019 from 617 to 641 as a resulting of adding 31 new sites and closing 7 sites.

International

Parkland successfully completed the acquisition of 75% of the outstanding shares of Sol Investments SEZC ("SIL", previously named as Sol Investments Limited) on January 8, 2019 (the "Sol Transaction"). With sales and operations in 23 countries, Sol is the largest independent fuel marketer in the Caribbean and was a privately held company owned by the Simpson Group through Sol Limited prior to closing. Refer to Section 12 for a detailed description of the International segment.

International segment performance highlights

International delivered excellent performance achieving Adjusted EBITDA attributable to Parkland of $73 million in the fourth quarter of 2019 and $281 million for the year ended December 31, 2019. Adjusted EBITDA attributable to Parkland represents Parkland's 75% interest in International. The Sol Transaction closed on January 8, 2019. However, had it closed on January 1, 2019, Parkland's share of Adjusted EBITDA would be approximately $284 million for the year ended December 31, 2019. The adoption of IFRS 16 resulted in an increase in International's Adjusted EBITDA of $15 million for the fourth quarter of 2019 and $57 million for the year ended December 31, 2019, largely due to shipping vessel contracts. Regional performance was ahead of Parkland's expectations as a result of strong volumes and cost control, partially offset by lower margins experienced during the third and fourth quarters.

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

($ millions, unless otherwise noted)	As reported					
	Three months ended December 31,			Year ended December 31,		
	2019	2018	Change	**2019**	2018	Change
Retail volume[1][3] (million litres)	**460**	—	460	**1,811**	—	1,811
Commercial and other volume[3] (million litres)	**1,121**	—	1,121	**3,307**	—	3,307
Fuel and petroleum product volume[1][3] (million litres)	**1,581**	—	1,581	**5,118**	—	5,118
Sales and operating revenue[3]	**1,444**	—	1,444	**4,946**	—	4,946
Fuel and petroleum product adjusted gross profit[2][3]	**142**	—	142	**528**	—	528
Non-fuel adjusted gross profit[2][3]	**29**	—	29	**113**	—	113
Adjusted gross profit[2][3]	**171**	—	171	**641**	—	641
Operating Costs[3]	**49**	—	49	**178**	—	178
Marketing, General and Administrative[3]	**30**	—	30	**104**	—	104
Other income[3]	**(4)**	—	(4)	**(20)**	—	(20)
Other adjusting items[3]	**(2)**	—	(2)	**5**	—	5
Adjusted EBITDA including NCI[3]	**98**	—	98	**374**	—	374
Less: Adjusted EBITDA attributable to NCI	**25**	—	25	**93**	—	93
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[2]	**73**	—	73	**281**	—	281
KPIs:						
Fuel and petroleum product adjusted gross profit (cpl)	**8.98**	—	8.98	**10.32**	—	10.32
Operating Costs (cpl)	**3.10**	—	3.10	**3.48**	—	3.48
Marketing, General and Administrative (cpl)	**1.90**	—	1.90	**2.03**	—	2.03
Adjusted EBITDA (cpl)[4]	**6.16**	—	6.16	**7.32**	—	7.32

(1) Includes gasoline, diesel and propane volumes.
(2) Measure of segment profit. See Section 13 of this MD&A.
(3) At 100% Sol interest.
(4) 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.

The impact of IFRS 16 on the financial information of International for the fourth quarter of 2019 and the year ended December 31, 2019 was as follows:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Sales and operating revenue	**1,444**	**–**	**1,444**	—	**4,946**	**–**	**4,946**	—
Fuel and petroleum product adjusted gross profit	**142**	**(16)**	**126**	—	**528**	**(60)**	**468**	—
Non-fuel adjusted gross profit	**29**	**–**	**29**	—	**113**	**–**	**113**	—
Adjusted gross profit	**171**	**(16)**	**155**	—	**641**	**(60)**	**581**	—
Operating Costs	**49**	**4**	**53**	—	**178**	**14**	**192**	—
Marketing, General and Administrative	**30**	**1**	**31**	—	**104**	**3**	**107**	—
Other income	**(4)**	**–**	**(4)**	—	**(20)**	**–**	**(20)**	—

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre IFRS 16[1]**	Adjusted EBITDA as reported
International	**73**	**(15)**	**58**	—	**281**	**(57)**	**224**	—

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

Q4 2019 and Q4 2019 YTD

International's Adjusted EBITDA for the fourth quarter of 2019 was in line with Parkland's expectations, and Adjusted EBITDA for the year ended December 31, 2019 was ahead of Parkland's expectations.

Fuel and petroleum product volume was 1,581 million litres for the fourth quarter of 2019, primarily consisting of 460 million litres sold through retail channels and 1,121 million litres sold through commercial and other channels. Fuel and petroleum product volume for the year ended December 31, 2019 was 5,118 million litres, consisting of 1,811 million litres sold through retail channels and 3,307 million litres sold through commercial and other channels. The fourth quarter saw strong volumes in numerous markets in wholesale, commercial and other channels as a result of initiatives to drive growth, and exceeded Parkland's expectations for the Sol Transaction.

Sales and operating revenue were $1,444 million for the fourth quarter of 2019 and $4,946 million for the year ended December 31, 2019. Fuel and petroleum product revenue and non-fuel revenue were $1,395 million and $49 million, respectively, for the fourth quarter of 2019. Fuel and petroleum product revenue and non-fuel revenue were $4,754 million and $192 million, respectively, for the year ended December 31, 2019.

Adjusted gross profit from fuel and petroleum products and non-fuel products was $142 million and $29 million, respectively, for the fourth quarter of 2019. Adjusted gross profit from fuel and petroleum products and non-fuel products was $528 million and $113 million, respectively, for the year ended December 31, 2019. Fuel and petroleum product adjusted gross profit was primarily generated from sales of gasoline, diesel and aviation fuel. Non-fuel adjusted gross profit was primarily generated from service revenue, lubricants, rental revenue and convenience store royalties. Although lower margins on a cpl basis were experienced during the fourth quarter of 2019, adjusted gross profit was positively impacted for the fourth quarter of 2019 and the year ended December 31, 2019 from strong volumes, particularly in wholesale, commercial and other channels as a result of initiatives to drive growth.

Operating Costs were $49 million for the fourth quarter of 2019 and $178 million for the year ended December 31, 2019, primarily consisting of employee costs, transportation costs, depot throughput fees, repairs and maintenance, and other operating expenses. Marketing, General and Administrative expenses were $30 million for the fourth quarter of 2019 and $104 million for the year ended December 31, 2019, primarily consisting of employee costs, marketing costs, IT, professional fees and general administrative expenses. Both Operating Costs and Marketing, General and Administrative expenses were lower than anticipated during the fourth quarter of 2019 and the year ended December 31, 2019 due to effective cost control strategies in operations and back-office implemented since the Sol Transaction.

Other income included in Adjusted EBITDA primarily consists of earnings from Sol's 29% interest in the SARA Refinery, located in Martinique.

Parkland's proportionate share of Adjusted EBITDA from Sol's 29% interest in the SARA Refinery amounts to $6 million and $18 million for the fourth quarter of 2019 and the year ended December 31, 2019 respectively, which is excluded from Parkland's consolidated Adjusted EBITDA (see Note 11 of the Annual Consolidated Financial Statements).

KPIs

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

Fuel and petroleum product adjusted gross profit on a cpl basis was 8.98 cpl for the fourth quarter of 2019 and 10.32 cpl for the year ended December 31, 2019. The lower fuel and petroleum product adjusted gross profit on a cpl basis for the fourth quarter of 2019 as compared to the year ended December 31, 2019 was driven by lower margins.

Operating Costs on a cpl basis was 3.10 cpl for the fourth quarter of 2019 and 3.48 cpl for the year ended December 31, 2019. Marketing, General and Administrative expenses on a cpl basis were 1.90 cpl for the fourth quarter of 2019 and 2.03 cpl for the year ended December 31, 2019. Operating Costs and Marketing, General and Administrative expenses on a cpl basis were more favourable than expected and were lower during the fourth quarter as compared to the year ended December 31, 2019, primarily as a result of cost control initiatives and stronger 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 brand and business model

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

	Sol	Esso	Shell	Other	Total
Company-owned or company-leased	**42**	**97**	**118**	**2**	**259**
Dealer-owned and dealer-operated	**26**	**58**	**94**	**59**	**237**
Site count, as at December 31, 2019	**68**	**155**	**212**	**61**	**496**

Canada Commercial

Overview

Canada Commercial (formerly "Commercial") delivers bulk fuel, bulk and cylinder exchange propane, heating oil, lubricants and other related products and services to commercial, industrial, wholesale and residential customers across Canada through a national delivery network and operates an extensive cardlock network. Parkland has a family of regionally relevant brands in this segment which include Bluewave Energy, Ultramar, Pipeline Commercial, Chevron, Columbia Fuels, Sparlings Propane and PNE Propane. Parkland's Canada Commercial customer base is diverse, supplying a broad cross-section of industries across Canada including agriculture, construction, fishing, forestry, oil & gas, and transportation. Parkland also sells propane and heating oil to residential customers. Refer to Section 12 for a detailed description of Parkland's multi-brand strategy and business models.

Canada Commercial is continuing to evolve its brand portfolio across the business into a national platform and service offering. Early in 2019 in eastern Canada, Parkland rebranded Bluewave Energy locations to Ultramar, enabling Parkland to leverage the strength of its Ultramar branded retail network to drive future growth and sustained profitability through a fuel delivery network ("National Fuelling Network" or "NFN"). Canada Commercial goes to market through five regional operating centres ("ROCs"), which enables us to meet local market needs effectively and maintain a high level of customer service.

Canada Commercial segment performance highlights

Adjusted EBITDA increased $6 million for both the fourth quarter of 2019 and for the year ended December 31, 2019 as compared to the same periods in 2018. The increase was mainly driven by Canada Commercial's margin optimization strategy, the adoption of IFRS 16, and a blenders tax credit approved by the US government ("US Tax Blenders Credit"). Legislation establishing this credit was approved in December 2019 retroactively for the years 2018 and 2019 and through December 2022. The associated $8 million US Tax Blenders Credit received during the fourth quarter of 2019 relating to 2018 and 2019 was partially offset by the lower economic activity in Western Canada.

	As reported							
	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2019**	2018	Change	%	**2019**	2018	Change	%
Gas and diesel volume (million litres)	**676**	690	(14)	(2)%	**2,627**	2,751	(124)	(5)%
Propane volume (million litres)	**128**	130	(2)	(2)%	**409**	427	(18)	(4)%
Fuel and petroleum product volume[1] (million litres)	**804**	820	(16)	(2)%	**3,036**	3,178	(142)	(4)%
Sales and operating revenue	**708**	714	(6)	(1)%	**2,630**	2,880	(250)	(9)%
Fuel and petroleum product adjusted gross profit[2]	**84**	74	10	14 %	**279**	272	7	3 %
Non-fuel adjusted gross profit[2]	**12**	13	(1)	(8)%	**53**	55	(2)	(4)%
Adjusted gross profit[2]	**96**	87	9	10 %	**332**	327	5	2 %
Operating Costs	**48**	48	—	— %	**186**	191	(5)	(3)%
Marketing, General and Administrative	**15**	12	3	25 %	**49**	43	6	14 %
Other income	**–**	—	—	— %	**(2)**	—	(2)	100 %
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[2]	**33**	27	6	22 %	**99**	93	6	6 %
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	**10.45**	9.02	1.43	16 %	**9.19**	8.56	0.63	7 %
Operating Costs (cpl)	**5.97**	5.85	0.12	2 %	**6.13**	6.01	0.12	2 %
Marketing, General and Administrative (cpl)	**1.87**	1.46	0.41	28 %	**1.61**	1.35	0.26	19 %
Adjusted EBITDA (cpl)	**4.10**	3.29	0.81	25 %	**3.26**	2.93	0.33	11 %
TTM operating ratio[3][4]	**70.8%**	71.6%	(0.8)p.p.					

[1] Includes gasoline, diesel and propane volumes.
[2] Measure of segment profit. See Section 13 of this MD&A.
[3] Non-GAAP financial measure. See Section 13 of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

The impact of IFRS 16 on the financial information of the Canada Commercial segment for the fourth quarter of 2019 and the year ended December 31, 2019 was as follows:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Sales and operating revenue	**708**	**–**	**708**	714	**2,630**	**–**	**2,630**	2,880
Fuel and petroleum product adjusted gross profit	**84**	**–**	**84**	74	**279**	**–**	**279**	272
Non-fuel adjusted gross profit	**12**	**–**	**12**	13	**53**	**–**	**53**	55
Adjusted gross profit	**96**	**–**	**96**	87	**332**	**–**	**332**	327
Operating Costs	**48**	**2**	**50**	48	**186**	**6**	**192**	191
Marketing, General and Administrative	**15**	**–**	**15**	12	**49**	**1**	**50**	43
Other income	**–**	**–**	**–**	—	**(2)**	**–**	**(2)**	—

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported
Canada Commercial	**33**	**(2)**	**31**	27	**99**	**(7)**	**92**	93

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume decreased 16 million litres for the fourth quarter of 2019 and 142 million litres for the year ended December 31, 2019. The delivered diesel business volume decline was primarily due to focus on high-grading our customer portfolio as well as continued structural changes in the forestry industry in British Columbia. In the Alberta oil and gas sector, volume declines were due to lower rig count and new well curtailment. Similarly, unseasonably warm weather in eastern Canada impacted volumes in the agricultural, residential home heat and construction sectors.

Sales and operating revenue decreased $6 million for the fourth quarter of 2019 and $250 million for the year ended December 31, 2019 primarily due to lower volumes.

Adjusted gross profit increased by $9 million for the fourth quarter of 2019 and $5 million for the year ended December 31, 2019 compared to the same periods in 2018 due to higher fuel margins and the $8 million favourable impact of the US Tax Blenders Credit, despite a decrease in sales and operating revenue of $6 million and $250 million for the respective periods.

Operating Costs remained consistent for the fourth quarter of 2019 and decreased for the year ended December 31, 2019 compared to the same periods in 2018. This was primarily due to the adoption of IFRS 16 as of January 1, 2019 and continued efforts to maintain a strong emphasis on cost management, brand strength and the business transition to a regional operating model across the Canada Commercial segment.

Marketing, General and Administrative expenses increased for the fourth quarter of 2019 and for the year ended December 31, 2019 compared to the same periods in 2018. This is mainly driven by one-time costs to establish the ROCs. Parkland continues to maintain a strong emphasis on cost management across the Canada Commercial segment.

KPIs

In the Canada Commercial segment, KPIs related to adjusted gross profit were impacted by lower volumes on a cpl basis. The adoption of IFRS 16 as of January 1, 2019 did impact KPIs except those associated with Adjusted gross profit.

Fuel and petroleum product adjusted gross profit on a cpl basis increased 16% for the fourth quarter of 2019 and 7% for the year ended December 31, 2019 as compared to the same periods in 2018 due to high-grading our customer portfolio and the favourable impact of the US Tax Blenders Credit.

Operating Costs on a cpl basis increased by 0.12 cpl for both the fourth quarter of 2019 and for the year ended December 31, 2019 as compared to the same periods in 2018, primarily due to lower volumes in the respective periods.

Marketing, General and Administrative expenses on a cpl basis increased 0.41 cpl for the fourth quarter of 2019 and 0.26 cpl for the year ended December 31, 2019 as compared to the same periods in 2018 due to lower volumes and increased expenses related to one-time costs to continue the growth in the ROCs.

TTM Operating ratio decreased 0.8 p.p. for the year ended December 31, 2019 as a result of increased Adjusted gross profit for the year ended December 31, 2019 as compared to the same period in 2018.

USA

Overview

The USA segment (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, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming. The USA segment is a platform for growth in the United States and provides Parkland export opportunities for products from western Canada. Brands in this segment include Farstad Oil, Rhinehart Oil, Tropic Oil, Superpumper, and Harts. Please refer to Section 12 for a detailed overview of the USA business models.

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 fuels and lubricants across the central and southern Florida region. The Tropic Acquisition established a new Regional Operating Centre ("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.

2018 USA Acquisitions

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

Rhinehart Acquisition

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

USA segment performance highlights

USA's Adjusted EBITDA increased by $4 million for the fourth quarter of 2019 and $28 million for the year ended December 31, 2019 compared to the respective periods in 2018 primarily due to the 2019 USA Acquisitions and the 2018 USA Acquisitions as well as Parkland's continued focus on its strategy to drive new business, grow organically and manage costs. USA also benefited from strong diesel margins by sourcing product from the Canadian market via rail using Parkland's integrated supply network for the year ended December 31, 2019. The Northern ROC experienced reduced retail fuel margins for the fourth quarter of 2019 as a result of a delayed response in retail price changes in the market when compared to price increases at the rack. The adoption of IFRS 16 had a negligible impact on the USA Adjusted EBITDA for the fourth quarter of 2019 and for the year ended December 31, 2019.

	As reported							
	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2019**	2018	Change	%	**2019**	2018	Change	%
Retail volume (million litres)	**65**	63	2	3 %	**256**	173	83	48%
Wholesale and Commercial volume (million litres)	**556**	259	297	115 %	**1,545**	889	656	74%
Fuel and petroleum product volume[1] (million litres)	**621**	322	299	93 %	**1,801**	1,062	739	70%
Sales and operating revenue	**547**	349	198	57 %	**1,657**	1,043	614	59%
Fuel and petroleum product adjusted gross profit[2]	**29**	16	13	81 %	**86**	42	44	105%
Non-fuel adjusted gross profit[2]	**28**	22	6	27 %	**101**	54	47	87%
Adjusted gross profit[2]	**57**	38	19	50 %	**187**	96	91	95%
Operating Costs	**33**	21	12	57 %	**103**	55	48	87%
Marketing, General and Administrative	**9**	6	3	50 %	**28**	13	15	115%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[2]	**15**	11	4	36 %	**56**	28	28	100%
KPIs:								
Fuel and petroleum product adjusted gross profit (cpl)	**4.67**	4.97	(0.30)	(6)%	**4.78**	3.95	0.83	21%
Operating Costs (cpl)	**5.31**	6.52	(1.21)	(19)%	**5.72**	5.18	0.54	10%
Marketing, General and Administrative (cpl)	**1.45**	1.86	(0.41)	(22)%	**1.55**	1.22	0.33	27%
Adjusted EBITDA (cpl)	**2.42**	3.42	(1.00)	(29)%	**3.11**	2.64	0.47	18%
TTM operating ratio[3][4]	**70.1%**	70.8%	(0.7p.p.)					

[1] Includes gasoline, diesel and propane volumes.
[2] Measure of segment profit. See Section 13 of this MD&A.
[3] Non-GAAP financial measure. See Section 13 of this MD&A.
[4] Amounts presented on a trailing-twelve-month ("TTM") basis.

The impact of IFRS 16 on the financial information of the USA segment for the fourth quarter of 2019 and the year ended December 31, 2019 was as follows:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Sales and operating revenue	**547**	**–**	**547**	349	**1,657**	**–**	**1,657**	1,043
Fuel and petroleum product adjusted gross profit	**29**	**–**	**29**	16	**86**	**–**	**86**	42
Non-fuel adjusted gross profit	**28**	**–**	**28**	22	**101**	**–**	**101**	54
Adjusted gross profit	**57**	**–**	**57**	38	**187**	**–**	**187**	96
Operating Costs	**33**	**–**	**33**	21	**103**	**2**	**105**	55
Marketing, General and Administrative	**9**	**–**	**9**	6	**28**	**–**	**28**	13

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 Impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported
USA	**15**	**–**	**15**	11	**56**	**(2)**	**54**	28

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

Fuel and petroleum product volume increased 299 million litres for the fourth quarter of 2019 and 739 million litres for the year ended December 31, 2019 compared to the respective periods in 2018 primarily due to the 2019 USA Acquisitions and the full year impact of the 2018 USA Acquisitions as well as organic growth. The increase in volumes drove a $198 million increase in sales and operating revenue for the fourth quarter of 2019 and a $614 million increase in sales and operating revenue for the year ended December 31, 2019.

Adjusted gross profit increased $19 million for the fourth quarter of 2019 and $91 million for the year ended December 31, 2019, primarily due to the 2019 USA Acquisitions and the full year impact of the 2018 USA Acquisitions as well as organic growth in diesel products resulting from access to additional volume sourced by railcars. Adjusted gross profit for the fourth quarter of 2019 and for the year ended December 31, 2019 also benefited from strong lubricant margins, which had a favourable impact given the sales product mix as a result of the Rhinehart Acquisition.

Operating Costs increased $12 million for the fourth quarter of 2019 and $48 million for the year ended December 31, 2019, primarily due to the 2019 USA Acquisitions and the full year impact of the 2018 USA Acquisitions.

Marketing, General and Administrative expenses increased $3 million for the fourth quarter of 2019 and $15 million for the year ended December 31, 2019, primarily due to the increased costs to support the larger business resulting from the 2019 USA Acquisitions, the full year impact of the 2018 USA Acquisitions, and the build out of national supply and marketing capabilities.

KPIs

KPIs in the USA segment were negligibly impacted by the adoption of IFRS 16 as of January 1, 2019. However, KPIs for USA have significantly changed for the fourth quarter of 2019 and for the year ended December 31, 2019 as compared to the comparative periods, primarily due to the Rhinehart Acquisition, which has a different business sales mix and operating model as discussed in the "Rhinehart Acquisition" section above.

Fuel and petroleum product adjusted gross profit on a cpl basis decreased 6% for the fourth quarter of 2019 primarily due to a change in sales mix with the Tropic Acquisition, which includes high volume marine fuelling operations at lower margins than overall USA operations. Fuel and petroleum product adjusted gross profit on a cpl basis increased 21% for the year ended December 31, 2019, primarily due to the Rhinehart Acquisition, which has a different business sales mix with added focus on lubricants and ancillary products.

Operating Costs on a cpl basis decreased 19% and Marketing, General and Administrative expenses on a cpl basis decreased 22% for the fourth quarter of 2019 due to the Tropic Acquisition, which has higher fuel and petroleum product volumes and lower Operating Costs and Marketing, General and Administrative expenses. Operating Costs on a cpl basis and Marketing, General and Administrative expenses on a cpl basis increased 10% and 27% respectively for the year ended December 31, 2019, primarily due to the Rhinehart Acquisition, which has a higher cost operating model, in addition to the building of the infrastructure needed to support continuing growth.

The TTM operating ratio improved from 70.8% to 70.1%, reflecting our commitment to successfully implementing cost control measures while driving strategic business and volume growth.

Corporate

The Corporate segment includes centralized administrative services and expenses incurred to support operations. Due to the nature of these activities, these costs are not specifically allocated to Parkland's operating segments. Parkland's objective is to manage corporate expenses tightly so that they increase at a slower pace than Parkland's adjusted gross profit. As a result, Corporate's Marketing, General and Administrative expenses as a percentage of total adjusted gross profit improved to 3.8% for the fourth quarter of 2019 from 5.5% for the same period in 2018, and improved to 4.0% for the year ended December 31, 2019, compared to 5.6% for the same period in 2018.

Corporate segment performance highlights

	As reported							
	Three months ended December 31,				Year ended December 31,			
($ millions, unless otherwise noted)	**2019**	2018	Change	%	**2019**	2018	Change	%
Marketing, General and Administrative	**28**	32	(4)	(13)%	**113**	111	2	2%
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[1]	**(27)**	(30)	3	(10)%	**(112)**	(111)	(1)	1%
Acquisition, integration and other costs								
Acquisition costs	**2**	9	(7)	(78)%	**21**	19	2	11%
Integration costs	**12**	15	(3)	(20)%	**55**	55	—	—%
Other costs	**–**	—	—	— %	**15**	3	12	400%
	14	24	(10)	(42)%	**91**	77	14	18%
KPI:								
Corporate Marketing, General and Administrative expenses as a % of total adjusted gross profit	**3.8%**	5.5%	(1.7p.p.)		**4.0%**	5.6%	(1.6p.p.)	

[1] Measure of segment profit. See Section 13 of this MD&A.

The following table outlines the impact of IFRS 16 on Adjusted EBITDA as reported for the fourth quarter of 2019 and the year ended December 31, 2019:

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported	**As reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	As reported
Marketing, General and Administrative	**28**	**1**	**29**	32	**113**	**4**	**117**	111
Acquisition, integration and other costs	**14**	**–**	**14**	24	**91**	**–**	**91**	77

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

	Three months ended December 31,				Year ended December 31,			
	2019			2018	**2019**			2018
($ millions)	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported	**Adjusted EBITDA as reported**	**IFRS 16 impact**	**Pre-IFRS 16[1]**	Adjusted EBITDA as reported
Corporate	**(27)**	**(1)**	**(28)**	(30)	**(112)**	**(4)**	**(116)**	(111)

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

Corporate Adjusted EBITDA expense remained relatively unchanged for the fourth quarter of 2019 and for the year ended December 31, 2019 as compared to the same periods in 2018.

As Parkland continues to grow organically and via acquisitions, its operations have become more integrated, requiring more efficient and effective Corporate functions to support the larger integrated businesses and build internal capabilities. Despite this organizational growth, Marketing, General and Administrative expenses remained relatively consistent for the fourth quarter of 2019 and for the year ended December 31, 2019 as compared to the same periods in 2018.

The adoption of IFRS 16 had an immaterial impact on Corporate Adjusted EBITDA expense for the fourth quarter of 2019 and for the year ended December 31, 2019.

Acquisition, integration and other costs reflected in the Corporate segment decreased $10 million for the fourth quarter of 2019 as compared to the same period in 2018. The decrease for the fourth quarter of 2019 is mainly due to lower acquisition and integration costs compared to the same quarter in 2018, where costs associated with the Sol Transaction and TSA II exits occurred. However, Acquisition, integration and other costs increased $14 million for the year ended December 31, 2019 as compared to the same period in 2018. The increase is primarily driven by acquisition costs relating to the 2019 USA Acquisitions, integration costs pertaining to the Sol Transaction, as well as the one-time costs related to the Alberta office consolidation to Calgary during the third quarter of 2019.

On a consolidated basis, Corporate Marketing, General and Administrative expenses as a percentage of total adjusted gross profit favourably decreased by 1.7 p.p. for the fourth quarter of 2019 and 1.6 p.p. for the year ended December 31, 2019, primarily due to a disciplined approach to cost management that has resulted in these costs increasing at a slower pace than total adjusted gross profit.

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

Parkland is committed to ensuring a safe working environment that protects our employees, customers and the environment. Parkland is committed to reducing injuries and incidents in our workplaces and at customer sites, actively involving our workers in enhancing, tracking and measuring our performance, and training our workers to ensure they have the knowledge and skills necessary to perform their work safely. Parkland has a number of internal HS&E programs in place, including "Stop, Think, Act", which reinforces a strong safety culture among all employees in the workplace, and "Drive to Zero", which aims to reduce safety incidents at Parkland down to zero.

The table below presents Parkland's consolidated lost time injury frequency ("LTIF") and total recordable injury frequency ("TRIF") calculated on a trailing-twelve-month basis, including the results of the Sol Transaction, 2019 USA Acquisitions and 2018 USA Acquisitions since the dates of their respective transaction closure. The improvement in safety metrics demonstrates Parkland's commitment to safety.

	December 31, 2019	December 31, 2018
TTM LTIF[1]	**0.17**	0.20
TTM TRIF[1]	**1.52**	1.62

[1] Key performance indicator. See Section 13 of this MD&A.

4. QUARTERLY FINANCIAL DATA

					Pre-IFRS 16			
($ millions, unless otherwise noted)	2019[7]				2018[7]			
For the three months ended	**Dec 31**	Sep 30	Jun 30	Mar 31	Dec 31	Sep 30	Jun 30	Mar 31
Financial Summary								
Sales and operating revenue	**4,779**	4,605	4,854	4,215	3,506	3,811	3,783	3,342
Adjusted gross profit[1]	**728**	679	728	697	587	465	513	430
Adjusted EBITDA including NCI[1]	**327**	322	370	339	285	200	249	153
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")[1]	**302**	302	346	315	285	200	249	153
Supply	**152**	147	216	143	199	121	170	71
Canada Retail	**56**	91	63	73	78	87	82	69
International	**73**	63	74	71	—	—	—	—
Canada Commercial	**33**	12	10	44	27	10	18	38
USA	**15**	17	13	11	11	8	5	4
Corporate	**(27)**	(28)	(30)	(27)	(30)	(26)	(26)	(29)
Net earnings	**186**	26	111	91	77	49	60	20
Net earnings attributable to Parkland	**176**	24	105	77	77	49	60	20
Net earnings per share ($ per share)								
Per share – basic	**1.19**	0.16	0.72	0.53	0.58	0.37	0.45	0.15
Per share – diluted	**1.17**	0.16	0.70	0.52	0.57	0.36	0.45	0.15
Distributable cash flow[2]	**149**	122	168	125	151	118	118	29
Per share[2][3]	**1.01**	0.82	1.14	0.84	1.14	0.89	0.89	0.22
Adjusted distributable cash flow[2]	**142**	125	156	137	175	144	139	110
Per share[2][3]	**0.96**	0.84	1.06	0.93	1.32	1.08	1.05	0.84
Dividends	**44**	45	45	43	41	39	41	38
Dividends declared per share outstanding	**0.2985**	0.2985	0.2985	0.2951	0.2934	0.2934	0.2934	0.2902
Dividend payout ratio[2]	**30%**	37%	27%	35%	27%	33%	35%	131%
Adjusted dividend payout ratio[2]	**31%**	36%	29%	32%	23%	27%	29%	35%
Total assets	**9,283**	9,157	9,104	8,998	5,661	5,736	5,592	5,492
Shares outstanding (millions)	**148**	148	147	146	134	133	132	132
Weighted average number of common shares (millions)	**148**	148	147	145	133	133	132	131
Total Funded Debt to Credit Facility EBITDA ratio[2]	**2.79**	2.58	2.47	2.71	2.47	2.62	2.39	2.74
Interest coverage ratio[2]	**5.32**	5.97	6.47	7.18	6.52	5.91	6.08	6.00
Growth capital expenditures attributable to Parkland[2]	**69**	71	52	29	57	29	13	10
Maintenance capital expenditures attributable to Parkland[2]	**91**	46	45	50	52	28	31	76
Operating Summary								
Fuel and petroleum product volume (million litres)[4]	**5,925**	5,622	5,525	5,336	4,354	4,211	4,202	4,211
Fuel and petroleum product adjusted gross profit (cpl)[5]:								
Canada Retail	**6.93**	7.65	6.75	7.59	7.69	7.78	8.00	7.88
International	**8.98**	10.22	10.71	11.95	—	—	—	—
Canada Commercial	**10.45**	7.50	7.29	10.75	9.02	6.86	8.08	9.84
USA	**4.67**	4.84	5.08	4.53	4.97	3.27	3.66	3.65
Refinery Utilization[6]	**91.6%**	96.2%	94.9%	92.0%	87.8%	97.7%	90.9%	33.2%

[1] Measure of segment profit. See Section 13 of this MD&A.
[2] Non-GAAP financial measure. See Section 13 of this MD&A.
[3] Calculated using the weighted average number of common shares.
[4] Fuel and petroleum product volume represents external volumes only. Intersegment volumes, including volumes produced by the Burnaby Refinery and transferred to the Canada Retail and Canada Commercial segments, are excluded from this reported volume.
[5] "cpl" stands for cents-per-litre and is a key performance indicator. See Section 13 of this MD&A.
[6] Key performance indicator. See Sections 3 and 13 of this MD&A.
[7] 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three months ended December 31, 2019 on page 28 of this MD&A.

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

- Fuel and petroleum product volumes, Adjusted gross profit, Adjusted EBITDA and Total assets in each quarter in 2019 were higher as compared to the same periods in 2018 due to the above noted factors and the impact of the adoption of IFRS 16 on Adjusted EBITDA. The fluctuations in Supply Adjusted EBITDA over the last eight quarters were largely driven by crack spreads, which change based on market conditions and affect refining margins.
- Net earnings grew throughout 2018 and 2019 due to the Sol Transaction, the 2019 USA Acquisitions and the 2018 USA Acquisitions. Exceptions to the growth trend are: the third quarter of 2019, due to increased finance costs primarily to fund the Sol Transaction and an increase in the redemption value of Sol Put Option due to a decrease in discount rate; the third quarter of 2018, due to relatively lower refining crack spreads; and the first quarter of 2018 as a result of the 2018 Turnaround.

5. DIVIDENDS, DISTRIBUTABLE CASH FLOW AND DIVIDEND PAYOUT RATIO

($ millions, unless otherwise noted)	Three months ended December 31, 2019	2018	Year ended December 31, 2019	2018
Cash generated from operating activities	**203**	200	**897**	461
Exclude: Adjusted EBITDA attributable to NCI, net of tax	**(22)**	—	**(83)**	—
	181	200	**814**	461
Reverse: Change in other liabilities and other assets	**(20)**	43	**(49)**	43
Exclude: Change in other liabilities	**–**	(13)	**14**	(15)
Reverse: Net change in non-cash working capital	**68**	(28)	**(4)**	111
Include: Maintenance capital expenditures attributable to Parkland[1]	**(91)**	(52)	**(232)**	(187)
Include: Proceeds on asset disposals	**11**	1	**21**	3
Distributable cash flow[1]	**149**	151	**564**	416
Reverse: Acquisition, integration and other costs	**14**	24	**91**	77
Reverse: Payments on principal amount on leases	**(29)**	—	**(117)**	—
Exclude: Payments on principal amount on leases attributable to NCI	**5**	—	**19**	—
Reverse: 2020 Turnaround maintenance capital expenditures	**3**	—	**4**	—
Reverse: 2018 Turnaround maintenance capital expenditures	**–**	—	**–**	75
Adjusted distributable cash flow[1]	**142**	175	**561**	568
Weighted average number of common shares (millions)	**148**	133	**147**	132
Distributable cash flow per share[1][2]	**1.01**	1.14	**3.84**	3.15
Reverse: Acquisition, integration and other costs	**0.10**	0.18	**0.62**	0.58
Reverse: Payments on principal amount on leases	**(0.20)**	—	**(0.80)**	—
Reverse: Payments on principal amount on leases attributable to NCI	**0.03**	—	**0.13**	—
Reverse: 2020 Turnaround maintenance capital expenditures	**0.02**	—	**0.03**	—
Reverse: 2018 Turnaround maintenance capital expenditures	**–**	—	**–**	0.57
Adjusted distributable cash flow per share[1][2]	**0.96**	1.32	**3.82**	4.30
Dividends	**44**	41	**177**	159
Dividend payout ratio[1]	**30 %**	27 %	**31 %**	38 %
Reverse: Acquisition, integration and other costs	**(3)%**	(4)%	**(4)%**	(6)%
Reverse: Payments on principal amount on leases	**6 %**	— %	**6 %**	— %
Exclude: Payments on principal amount on leases attributable to NCI	**(1)%**	— %	**(1)%**	— %
Reverse: 2020 Turnaround maintenance capital expenditures	**(1)%**	— %	**– %**	— %
Reverse: 2018 Turnaround maintenance capital expenditures	**– %**	— %	**– %**	(4)%
Adjusted dividend payout ratio[1]	**31 %**	23 %	**32 %**	28 %
Dividends paid to shareholders, net of dividend reinvestment plan	**28**	24	**114**	102

[1] Non-GAAP financial measure. See Section 13 of this MD&A.
[2] Calculated using the weighted average number of common shares.

Dividends

Dividends paid to shareholders increased for the fourth quarter of 2019 and for the year ended December 31, 2019, primarily due to an increase in the number of common shares outstanding driven by the Sol Transaction, shares issued under the dividend reinvestment and stock option plans, and vesting of restricted share units. Furthermore, there was a $0.02 increase in annual dividend to $1.194 per share, effective March 22, 2019. The dividend reinvestment plan participation rate as at the dividend record date of December 20, 2019 was 30.5% (December 21, 2018 - 37.0%).

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

Q4 and Q4 YTD Performance – 2019 vs. 2018

The dividend payout ratio increased from 27% to 30% for the fourth quarter of 2019 compared to the same period in 2018 due to higher dividends declared and lower distributable cash flow driven by higher maintenance capital expenditures partially offset by the increase in Adjusted EBITDA resulting from the Sol Transaction.

For the year ended December 31, 2019, the dividend payout ratio improved from 38% to 31% as compared to the same period in 2018 due to higher distributable cash flow. This was primarily resulting from higher Adjusted EBITDA largely driven by the Sol Transaction and 2019 USA Acquisitions and the adoption of IFRS 16, which was partially offset by higher maintenance capital expenditures, increased income tax expense, and higher interest payments driven by the Sol Transaction.

Excluding the impact of acquisition, integration and other costs, the maintenance capital expenditures related to the 2020 Turnaround, and the payments on principal amount of leases presented as financing activities on adoption of IFRS 16, adjusted distributable cash flow decreased $33 million and $7 million for the fourth quarter of 2019 and for the year ended December 31, 2019, respectively. The adjusted dividend payout ratio increased by 8 p.p. to 31% for the fourth quarter of 2019 and by 4 p.p. to 32% for the year ended December 31, 2019 compared to the same periods in 2018, primarily due to a higher level of dividends and lower adjusted distributable cash flow as a result of higher maintenance capital expenditures, income tax expense and interest payments, partially offset by an increase in Adjusted EBITDA driven by the Sol Transaction, the 2019 USA Acquisitions and continued success in Supply.

6. CASH FLOWS AND LIQUIDITY

Cash flows

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

	Three months ended December 31,			Year ended December 31,		
($ millions)	**2019[1]**	2018[1]	2017[1]	**2019[1]**	2018[1]	2017[1]
Cash generated from (used in) operating activities	**203**	200	95	**897**	461	262
Cash generated from (used in) investing activities	**(245)**	(135)	(16)	**(1,547)**	(494)	(2,784)
Net cash generated (used) before financing activities	**(42)**	65	79	**(650)**	(33)	(2,522)
Cash generated from (used in) financing activities	**(1)**	(46)	(73)	**879**	49	2,519
Increase (decrease) in net cash	**(43)**	19	6	**229**	16	(3)
Impact of foreign currency translation on cash	**(6)**	1	—	**(12)**	1	—
Net cash, beginning of period	**306**	20	17	**40**	23	26
Net cash, end of period	**257**	40	23	**257**	40	23

[1] 2019 results reflect the adoption of IFRS 16 as of January 1, 2019. 2018 and 2017 comparative figures reflect the accounting standards in effect for those years. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16. Please see the reconciliation of IFRS 16's impact on Adjusted EBITDA for the three months and year ended December 31, 2019 on page 28 of this MD&A.

Operating activities

Q4 2019 vs. Q4 2018

Cash generated from operating activities was $203 million for the fourth quarter of 2019, primarily due to Adjusted EBITDA of $302 million. This was partially offset by:

- a net change in non-cash working capital outflow of $68 million largely attributable to higher accounts receivable and inventories driven by the Sol Transaction;
- $45 million of interest paid on long-term debt primarily relating to Senior Notes and the credit facility balance used to fund the Sol Transaction;
- a $30 million payment for income taxes; and
- $14 million in acquisition, integration and other costs primarily relating to the 2019 USA Acquisitions, the integration activities for the Sol Transaction, as well as the one-time Alberta office consolidation.

In contrast, operating activities generated $200 million of cash for the fourth quarter of 2018 primarily due to $285 million of Adjusted EBITDA, partially offset by $51 million of interest paid on long-term debt used for financing acquisitions and $24 million of acquisition, integration and other costs relating to the completions of the Sol Transaction and TSA II exit in the first quarter of 2019, as the costs associated with pre-work of the Sol Transaction and TSA II exit were incurred in the fourth quarter of 2018.

2019 vs. 2018

Cash generated from operating activities was $897 million for the year ended December 31, 2019 primarily due to Adjusted EBITDA of $1,265 million. This was partially offset by:

- $205 million of interest paid on long-term debt primarily relating to the Senior Notes issued in 2019 and credit facility balance used to fund the Sol Transaction;
- $155 million in income tax payments; and
- $91 million in acquisition, integration and other costs, which were incurred primarily in connection with the Sol Transaction, the Alberta office consolidation to Calgary, TSA II exit pertaining to the Burnaby Refinery transition to JDE, which was successfully completed on April 1, 2019, and other consolidation initiatives.

In contrast, operating activities generated $461 million of cash for the year ended December 31, 2018 primarily due to $887 million of Adjusted EBITDA, partially offset by a net change in non-cash working capital outflow of $111 million driven by lower accounts payable and accrued liabilities, $111 million of interest paid on long-term debt, $77 million of acquisition, integration and other costs relating to the closing and integration activities for the 2018 USA Acquisitions and costs relating to the completions of the Sol Transaction and TSA II exit in the first quarter of 2019, as the costs associated with pre-work of the Sol Transaction and TSA II exit were incurred in 2018, and $64 million for payments of income taxes.

Investing activities

Q4 2019 vs. Q4 2018

During the fourth quarter of 2019, investing activities used $245 million of cash primarily due to $156 million capital expenditures, largely for growth and maintenance projects in the Canada Retail segment and maintenance projects at the Burnaby Refinery and Sol, as well as $74 million for the 2019 USA Acquisitions. In contrast, the $135 million used in investing activities for the same period in 2018 was primarily due to $90 million of capital expenditures to support growth and operations and $40 million for the 2018 USA Acquisitions.

2019 vs. 2018

During the year ended December 31, 2019, investing activities used $1,547 million of cash primarily due to $948 million for the Sol Transaction, $489 million capital expenditures to support growth and operations, and $101 million for 2019 USA Acquisitions. In comparison, investing activities during the same period in 2018 used $494 million of cash mainly due to $285 million spent on growth and maintenance capital expenditures and $220 million used for the 2018 USA Acquisitions.

Financing activities

Q4 2019 vs. Q4 2018

During the fourth quarter of 2019, financing activities used $1 million of cash, primarily attributable to $29 million of payments made on principal amount on leases as a result of the adoption of IFRS 16 and cash dividends paid of $28 million, partially offset by net long-term debt proceeds of $57 million. In contrast, the $46 million of cash used during the fourth quarter of 2018 was primarily due to a $93 million decrease in the Intermediation Facility liability due to lower commodity prices and $24 million payment of cash dividends to shareholders, which were partially offset by net long-term debt proceeds of $57 million.

Cash dividends paid to shareholders, net of the dividend reinvestment plan, remained relatively consistent as compared to the same period in 2018. During the fourth quarter of 2019, Parkland paid a monthly dividend of $0.0995 per share (2018 - $0.0978 per share).

2019 vs. 2018

During the year ended December 31, 2019, $1,158 million of net long-term debt proceeds primarily used for the Sol Transaction, partially offset by $117 million of payments made on the principal amount on leases, which are now included in financing activities instead of operating activities as a result of the adoption of IFRS 16, and dividend payments to shareholders and non-controlling interest of $114 million and $84 million respectively, resulted in net cash flow from financing activities of $879 million. During the year ended December 31, 2018, net long-term debt proceeds of $196 million related to the credit facility was partially offset by $102 million payment of cash dividends to shareholders, and a $59 million decrease in other liabilities resulted in net cash flow from financing activities of $49 million.

Cash dividends paid to shareholders increased by $12 million to $114 million due to an increase in outstanding common shares and dividends paid per share. During the year ended December 31, 2019, Parkland paid a monthly dividend ranging from $0.0978 per share to $0.0995 per share (2018 - $0.0962 per share to $0.0978 per share).

Contractual commitments

Parkland has contracted obligations under various debt agreements, operating leases, capital leases, capital expenditures and other contractual commitments exceeding a five-year period. The following table provides an analysis of contractual maturities for financial liabilities:

December 31, 2019 ($ millions)	Less than one year	Years 2 and 3	Years 4 and 5	Thereafter	Interest included in minimum lease payments	Total
Accounts payable and accrued liabilities	1,358	–	–	–	–	1,358
Dividends declared and payable	15	–	–	–	–	15
Risk management and other derivative liabilities	11	–	–	–	–	11
Long-term debt commitments[1]	5	407	912	2,096	–	3,420
Interest on long-term debt commitments[2]	188	358	303	195	–	1,044
Undiscounted future lease payments	150	201	124	218	(167)	526
Provisions and other liabilities[3]	–	848	–	23	–	871
Contractual commitments for property, plant and equipment	107	–	–	–	–	107
	1,834	1,814	1,339	2,532	(167)	7,352

[1] Undiscounted principal.

[2] Includes interest on the Credit Facility, Senior Notes and Other Notes.

[3] Includes the Intermediation Facility, the Sol Put Option, and other items. Excludes the asset retirement and other obligations.

Fuel and petroleum products and other purchase commitments

In addition to the commitments in the above table, Parkland has entered into purchase orders and contracts during the normal course of business for the purchase of goods and services, which may terminate on short notice. Such obligations include commodity purchase obligations transacted at market prices. Furthermore, Parkland has entered into various purchase agreements that require

it to purchase minimum amounts or quantities of fuel and petroleum products over certain time periods, which vary based on volumes and other factors. Parkland has generally exceeded such minimum requirements in the past and expects to continue doing so for the foreseeable future. Failure to satisfy the minimum purchase requirements could result in the termination of the contracts, change in pricing of products, and payments to the applicable suppliers of a predetermined amount of the commitments.

Available sources of liquidity

Parkland's sources of liquidity as at December 31, 2019 are cash and cash equivalents as well as available funds under its Credit Facility and Intermediation Facility. While it is typical for Parkland's cash flows to have seasonal fluctuations, such fluctuations do not materially impact Parkland's liquidity, and management believes cash flows from operations will be adequate to fund maintenance capital expenditures, interest, income taxes and dividends. Growth capital expenditures in the next twelve months will be funded by cash flows from operations. 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 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 "Credit Facility"). The Credit Facility includes: a combined revolving facility amount of US$780 million and $400 million with a maturity date of January 8, 2023. 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.

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

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

($ millions)	**December 31, 2019**	December 31, 2018
Cash and cash equivalents	**244**	40
Unused credit facilities	**748**	449
	992	489

Financial covenants and metrics

As at December 31, 2019, Parkland was in compliance with all debt covenants. Debt covenant ratios are tested on a trailing-twelve-month basis. The financial covenants of the Credit Facility are as follows:

	Ratio	**Covenant restriction**	**Management long-term target**	**Actual debt covenant ratios as at**	
				December 31, 2019	December 31, 2018
1.	Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	**0.38**	0.09
2.	Total Funded Debt to Credit Facility EBITDA ratio	< 5.00	2.00 - 3.50	**2.79**	2.47
3.	Interest coverage ratio	> 3.00	> 3.00	**5.32**	6.52

The Senior Funded Debt and Total Funded Debt to Credit Facility EBITDA ratios are well below the covenant restrictions of 3.50 and 5.00, respectively, 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 13 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 December 31, 2019	Three months ended December 31, 2018	Year ended December 31, 2019	Year ended December 31, 2018
Growth capital expenditures				
Supply	**7**	—	**35**	1
Canada Retail	**46**	43	**106**	81
International	**9**	—	**30**	—
Canada Commercial	**8**	10	**30**	19
USA	**–**	—	**1**	—
Corporate	**1**	4	**26**	8
Growth capital expenditures	**71**	57	**228**	109
Maintenance capital expenditures				
Supply	**40**	23	**106**	129
Canada Retail	**19**	16	**34**	30
International	**20**	—	**66**	—
Canada Commercial	**5**	9	**21**	20
USA	**7**	4	**15**	7
Corporate	**5**	—	**7**	1
Maintenance capital expenditures	**96**	52	**249**	187
Net additions to property, plant and equipment and intangible assets	**167**	109	**477**	296
Growth capital expenditures attributable to Parkland[1]	**69**	57	**221**	109
Maintenance capital expenditures attributable to Parkland[1]	**91**	52	**232**	187
Additions to property, plant and equipment and intangible assets attributable to Parkland	**160**	109	**453**	296

[1] Non-GAAP financial measure. See Section 13 of this MD&A.

During the fourth quarter of 2019 and the year ended December 31, 2019, Parkland's combined growth and maintenance capital expenditures increased $58 million and $181 million, respectively, compared to the same periods in 2018.

The increase in growth capital expenditures is due to a focus on network development and improving our customer value proposition in Canada Retail. Investment focused on the construction and acquisition of 27 new-to-industry retail sites, as well as retail station rebrands and refreshes including investments in the new On the Run / Marché Express store concepts. Additionally, growth capital supported projects at the Burnaby Refinery, and continued focus on the national propane growth strategy in Canada Commercial.

The increase in maintenance capital expenditures is primarily due to the Sol Transaction, preparation for the upcoming 2020 Turnaround, and other capital projects at the Burnaby Refinery. However, during the year ended December 31, 2018, $88 million of Turnaround costs were incurred, of which $75 million was capitalized within maintenance capital expenditures and $13 million was expensed within Operating Costs. Further, the 2018 Turnaround costs were not repeated for the same periods in 2019, resulting in lower maintenance capital expenditures for Supply. Other major capital expenditure activities in 2019 include equipment purchases to support the integration of the acquisitions as well as fleet and equipment purchases to support new and existing customer contracts.

See guidance on 2020 maintenance and growth capital expenditures in Section 9.

Committed capital expenditures

Contractual commitments for the acquisition of property, plant and equipment as at December 31, 2019 were $107 million (December 31, 2018 - $65 million). These contractual commitments are expected to be incurred primarily over the next 12 months, and relate mainly to the 2020 Turnaround and other ongoing maintenance projects at the Burnaby Refinery, and building new and upgrading existing retail service stations, including projects to retrofit and rebrand the On the Run / Marché Express brand. We plan to fund these commitments using cash and cash equivalents, cash flows from operations, and available borrowing under the Credit Facility.

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

8. RISK FACTORS

Key business risks

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

Parkland performs an annual company-wide risk assessment using a systematic approach led by the Risk Management team that includes significant engagement from Parkland's Senior Leadership Team, Senior Management Team and individuals across the business. Current and emerging risks are assessed using Parkland's uniform company-wide risk matrix considering controls and mitigating factors to determine residual risk rankings. Parkland also considers the velocity of risks (the time it takes for a risk to manifest itself) enabling Management to effectively develop risk response plans and prioritize resources. There are determined levels of accountability, responsibility and ownership for each risk based on an escalating scale. Key residual risk exposures are reassessed regularly by cross-functional teams. Reporting to the Board of Directors on identified risks and Management action plans is done on a quarterly basis. In 2018, Parkland conducted a comprehensive enterprise risk management assessment to incorporate the Board's views on key risks to which Parkland is exposed. Throughout 2019, Management and the Board continued to assess key risks and incorporate the Board's additional views on previously identified key risks as well as any additional risks identified in 2019.

Parkland's key risks are summarized into groups as follows:

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

Current investors and prospective purchasers of Parkland's securities should consider carefully the following risk factors, as well as the other information contained in documents filed by Parkland pursuant to applicable securities laws, including our Annual

Information Form. If any event arising from these risks occurs, our business, prospects, financial condition, results of operations or cash flows, the value and trading price of Parkland's securities and its ability to pay dividends could be materially and adversely affected.

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

(1) Macroeconomic conditions

Parkland's business is subject to a number of general economic factors, many of which are out of Parkland's control, which may materially and adversely affect Parkland's business, prospects, results of operations, and/or financial condition. These include recessionary economic cycles and downturns in the business cycles of the industries in which our customers conduct business, as well as downturns in the principal regional economies where operations are located. More specifically, Parkland's sales and operating revenue, Adjusted EBITDA and net earnings may be negatively influenced by changes in international, national, regional or local economic variables and consumer confidence.

External factors that affect economic variables and consumer confidence over which Parkland exercises no influence include global trade tensions, unemployment rates, levels of personal disposable income, and regional or economic conditions. Changes in economic conditions could adversely affect consumer spending patterns, travel and tourism in certain of Parkland's market areas. Some of Parkland's sites are located in markets which are more severely affected by weak economic conditions.

Country risk

The businesses operated by Sol are subject to the risks normally associated with any business conducted in emerging markets or third world countries including political or social unrest, changes in laws and regulations, changes in the tax regimes, uncertainty regarding the enforceability of contractual, property, and other legal rights in local courts, unpredictable government actions, and delays in obtaining or the inability to obtain necessary governmental permits or the reimbursement of refundable tax from fiscal authorities. These risks may negatively impact operations and revenues.

The economic and political systems of certain jurisdictions in which Parkland operates are less predictable than others, resulting in an increased risk of sudden and unforeseen regulatory changes or governmental or administrative action that could have a material and adverse effect on Parkland's future cash flows, earnings, results of operations and/or financial condition. Moreover, some of these jurisdictions present an increased risk of incidents of bribery, collusion, kickbacks, theft, improper commissions, facilitation payments, conflicts of interest and related party transactions, and may require additional compliance procedures with applicable anti-corruption legislation including the US Foreign Corrupt Practices Act and the Canadian Corruption of Foreign Public Officials Act (see "Regulatory Risk" for additional information).

(2) Risks relating to acquisitions

Significant acquisition and related costs

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

Failure to realize the anticipated benefits of acquisitions

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

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

Potential undisclosed liabilities associated with acquisitions

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

(3) IT systems

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

(4) Balance Sheet resiliency

Parkland has incurred additional borrowings in connection with the recent acquisitions, which increased our interest expense and debt service obligations, and may have a negative effect on our results of operations. The increased leverage could have other important consequences for purchasers, including the following:

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

(5) Operational resiliency

Economic crude supply

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

Risks relating to scheduled and unscheduled maintenance

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

Trans Mountain Pipeline integrity

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

has established systems, processes and resources to make the most economic supply decisions within the logistical and operational constraints. Safety of operation is of first priority, with optimization decisions always driven by economics. In addition to the TMPL line capacity, the Burnaby Refinery has the ability to receive material volumes of crude by rail, truck, and marine as needed.

Severe weather risk

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

Public utility power supply

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

(6) Health, Safety and (7) Environment

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

Parkland has a Health, Safety and Environmental ("HS&E") management system in place that establishes safety leadership, employee awareness and training, hazard recognition and mitigation, as well as various controls, systems, processes, and tools to mitigate these risks and to be prepared to respond and remediate in the event Parkland experiences any such occurrences. Parkland has also obtained insurance in accordance with industry practice in an effort to address and mitigate such risks, and has operational and emergency response procedures and safety and environmental programs in place to reduce potential loss exposure. Although Parkland has a comprehensive insurance program in effect, there can be no assurance that the potential liabilities will not exceed the applicable coverage limits under our insurance policies. Consistent with industry practice, not all hazards and risks are covered by insurance and no assurance can be given that insurance will be consistently available or available on an economically feasible basis. Parkland maintains insurance coverage for most environmental risk areas, excluding underground tanks at service stations. Although not insured, these risks are managed through ongoing monitoring, inventory reconciliations and tank replacement programs. Liability for uninsured risks could significantly increase expenses and the occurrence of a significant event for which Parkland is not fully insured could materially and adversely affect Parkland's business, prospects, results of operations and financial condition.

Parkland is committed to ensuring a safe and healthy working environment that protects its employees, customers and the environment. As part of this commitment, Parkland's HS&E program includes comprehensive policies and procedures designed to manage and mitigate risks. Additionally, employees actively engage in safety initiatives through monthly HS&E committee meetings representing all areas of Parkland's business. For example, Parkland launched its "Drive to Zero" program in 2014 with the objective of achieving zero injuries and zero serious incidents. In addition, Parkland is advancing risk, contractor safety and process safety management initiatives to further reduce related risks and advance our maturity in these areas.

Environmental risks relating to refinery operations

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

Parkland may be adversely affected by federal and provincial legislation, regulations and initiatives designed to reduce greenhouse gas emissions, which may increase costs and adversely affect our ability to operate the Burnaby Refinery. There are international agreements (e.g. Paris Climate Agreement and Kyoto Protocol), national agreements (e.g. carbon tax, cap-and-trade or efficiency standards) and provincial legislation (e.g. British Columbia's Greenhouse Gas Industrial Reporting and Control Act) that aim to limit or reduce greenhouse gas emissions and are currently in various stages of implementation. The ultimate effect of such greenhouse gas legislations, regulations and initiatives on Parkland's operation of the Burnaby Refinery, and the timing of these effects, will depend on a number of factors. Such factors include, among others, the sectors covered, the greenhouse gas emission reductions required, the extent to which Parkland would be entitled to receive emission allowance allocations or would need to purchase compliance instruments on the open market or through auctions, the price and availability of emission allowances and credits, and the extent to which Parkland is able to recover the costs incurred through the pricing of its products in the competitive marketplace.

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

(8) Regulatory risk

Parkland operates in highly regulated jurisdictions in multiple countries. Failure to appropriately operate within each regulatory jurisdiction could lead to fines, penalties and unfavourable tax assessments that could adversely affect our business and our operating results. Inability to comply with these laws and regulations can have a material adverse effect on our operating results and financial condition. Furthermore, transportation fuel sales are taxed by the federal, provincial, state and, in some cases, municipal governments. Material increases in taxes, changes to environmental regulations, or changes in tax legislation are possible and could have a material effect on our profitability.

Parkland has put in place mitigation efforts by hiring qualified personnel who are members of professional and industry associations and experienced in overseeing compliance requirements. Parkland will continue to strengthen in-house expertise through ongoing hiring and training. However, any changes in the laws or regulations that are adverse to us or our properties could affect our operating and financial performance. In addition, new regulations are proposed from time to time, which, if adopted, could have a material adverse effect on our operating results and financial condition.

Climate change regulation

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

Competition law compliance

Parkland is increasingly subject to scrutiny from regulatory bodies as a result of ongoing high-profile acquisitions and its growing size. As Parkland grows and acquires businesses, it becomes increasingly challenging and complex to monitor compliance with

the Competition Act. This includes monitoring the dissemination of competitively sensitive information and managing channel conflict within Parkland. Furthermore, failure to comply with the Competition Act could require us to divest certain assets or result in Parkland being subject to other remedies such as margin controls in certain markets. Such remedies could have a material adverse effect on our operating results and financial condition.

The risk is partially mitigated by training and awareness programs, retention of key people from the acquisitions, compliance certificates executed by key people and the appointment of a compliance officer to implement policies and procedures. Additionally, Parkland employees are subject to internal and external ethical standards, including the Code of Conduct.

Operating in new jurisdictions

The Sol assets operate in jurisdictions that are new to Parkland. As is the case with any new jurisdiction, Parkland must familiarize itself with the relevant legislation and regulations of the new jurisdiction including local labour laws and environmental laws. While Parkland will benefit from the experience and expertise of Sol's management and employees, acclimatizing to new jurisdictions may be an expensive and resource-intensive process.

(9) Information / Security breach

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

Parkland mitigates this risk by operating redundant data centres to ensure business continuity in case of unforeseen events and has safeguards in place to mitigate cyber security threats. Additionally, Parkland has specific programs to ensure compliance and adherence to regulatory guidelines as well as controls in place to ensure the privacy of customer and payment information.

Parkland continues to invest in technologies to support its current business and future acquisitions. Parkland utilizes best practices in its IT operations to consistently and securely support its stakeholders and is continuously improving its methodologies to integrate people, processes and technologies across our enterprise.

(10) Pricing pressure

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

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

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, Redemption Options, the Sol Put Option and certain other items.

Commodities swaps, forwards and futures contracts and US dollar forward contracts

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

derivative contracts form a component of Parkland's overall risk management program, only the US dollar forward window contract to hedge the foreign currency risks related to the US dollar purchase price of the Sol Transaction (the "Sol Transaction Hedge") was accounted for as a cash flow hedge. On January 8, 2019, the Sol Transaction Hedge contract was exercised in connection with the closing of the Sol Transaction. See Note 13 of the Annual Consolidated Financial Statements for further details on the Sol Transaction Hedge.

Intermediation Facility Derivatives

In 2017, Parkland entered into an International Swaps and Derivatives Association ("ISDA") intermediation agreement with a financial institution (the "Intermediation Facility") to fund a portion of the working capital requirements of the Burnaby Refinery that includes a daily settlement feature, which is accounted for as a derivative financial instrument carried at fair value (the "Intermediation Facility Derivatives"). On December 14, 2019, the Intermediation Facility was amended to extend the expiry to December 31, 2021. See Note 16 of the Annual Consolidated Financial Statements for discussion of the Intermediation Facility.

Emission credits and allowances

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

Redemption Options

The Senior Notes contain Redemption Options that allow Parkland to redeem the notes prior to maturity at a premium. The Redemption Options are accounted for as an embedded derivative financial instrument. For more information on Parkland's financial instruments and related financial risk factors, see Note 13 of the Annual Consolidated Financial Statements.

Sol Put Option

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

Net Investment Hedge

Parkland has designated certain USD-denominated debt balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge"). The effective portion of the hedge is recognized in other comprehensive income (loss). See Note 12 of the Annual Consolidated Financial Statements for further details on the Net Investment Hedge.

Fair value measurement

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

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

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

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

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

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

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

($ millions)	**Three months ended December 31,**		**Year ended December 31,**	
	2019	2018	**2019**	2018
Gain (loss) on risk management and other derivatives - realized[1]	**–**	(13)	**(4)**	(20)
Gain (loss) on risk management and other derivatives - unrealized[1]	**(3)**	24	**(1)**	3
Gain (loss) on risk management and other derivatives	**(3)**	11	**(5)**	(17)
Change in fair value of Redemption Options[2]	**23**	(21)	**91**	(24)
Change in redemption value of Sol Put Option[2]	**63**	—	**(6)**	—
Gain (loss) on Intermediation Facility Derivatives - realized[3]	**(1)**	49	**(24)**	20
Gain (loss) on Intermediation Facility Derivatives - unrealized[3]	**(9)**	13	**(15)**	15
Impact on consolidated statements of income	**73**	52	**41**	(6)

[1] Gains and losses on risk management and other derivatives are primarily driven by commodities swaps, forward contracts and changes in relative strength of the Canadian to US dollar on swap contracts.
[2] Recognized in other (gains) and losses. See above for a description of the Redemption Options and the Sol Put Option.
[3] Recognized in cost of purchases. See Section 8 for a description of the Intermediation Facility.

Credit risk

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

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

Foreign currency risk

Parkland is exposed to foreign currency risk due to fluctuations in the US dollar to Canadian dollar ("USD/CAD") exchange rate relating to Parkland's operating activities, such as purchasing and selling certain products and services in US dollars, and the use of the Intermediation Facility, Credit Facility and Senior Notes. Parkland may mitigate foreign currency risk through a variety of means, including entering into US dollar forward contracts or foreign currency options, as appropriate. For the year ended December 31, 2019, a $0.10 change in the USD/CAD exchange rate on financial instruments denominated in US dollars, with all other variables held constant, would have caused a $19 million decrease in net earnings (2018 - $51 million decrease) and $97 million decrease in other comprehensive income (2018 - $40 million increase). The increase in overall sensitivity to total comprehensive income is primarily attributable to an increase in the Credit Facility debt and the new 5.875% US Senior Notes in 2019 to partially fund the Sol Transaction. The decrease in sensitivity to net earnings was due to the Net Investment Hedge.

Interest rate risk

Interest rate risk arises from the impact of fluctuating interest rates on net earnings, cash flows and valuations. Parkland is exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate and LIBOR rate, which can impact its borrowing costs. Parkland monitors and analyzes the interest rate risk on a regular basis and mitigates interest rate risk by considering refinancing, credit line renewals, hedging options and issuing long-term debt at a fixed rate, as appropriate. As at December 31, 2019, a 100-basis point change in these interest rates, with all other variables held constant, would have caused an increase or decrease to net earnings of approximately $7 million (2018 - $1 million). The increased sensitivity is due to higher variable rate borrowings related to the Sol Transaction, compared to the same period in 2018.

Liquidity risk

Liquidity risk is the risk that Parkland will not be able to meet its financial obligations as they become due. Parkland's process for managing liquidity risk includes forecasting spending and cash flow requirements, considering seasonality of working capital needs and ensuring, to the extent possible, that it has access to multiple sources of capital including: cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates.

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

	Standard & Poor's	Dominion Bond Rating Service	Moody's	Fitch
Corporate	**BB**	**BB**	Not rated	**BB**
5.50% Senior Notes, due 2021	**BB**	**BB**	Not rated	**BB**
6.00% Senior Notes, due 2022	**BB**	**BB**	Not rated	**BB**
5.75% Senior Notes, due 2024	**BB**	**BB**	Not rated	**BB**
5.625% Senior Notes, due 2025	**BB**	**BB**	Not rated	**BB**
6.00% US Senior Notes, due 2026	**BB**	**BB**	**Ba3**	**BB**
6.50% Senior Notes, due 2027	**BB**	**BB**	Not rated	**BB**
5.875% US Senior Notes, due 2027	**BB**	**BB**	**Ba3**	**BB**

Refer to Section 6 of this MD&A for further discussion on Parkland's liquidity and capital resources.

Commodity price risk

Commodity price risk is the risk that Parkland is exposed to unfavourable commodity price movements that will result in a financial loss, including movements in crude oil, heavy oil, LPGs and refined products. Parkland enters into derivative instruments including the Intermediation Facility Derivatives and commodities swaps, forwards and futures contracts to mitigate commodity price risk volatility as part of its risk management strategy. These financial instruments are subject to financial controls, risk management and monitoring procedures.

Risk management derivatives and Intermediation Facility Derivatives are recorded at fair value and are sensitive to commodity price movements. As at December 31, 2019, a 5% change in commodity prices, including crude oil, heavy oil, LPGs and refined products, with all other variables held constant, would change net earnings by approximately $5 million (2018 - $10 million) due to the change in the fair values of risk management derivatives and Intermediation Facility Derivatives, driven primarily by the impact of open contracts.

Other risks

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

9. OUTLOOK

Parkland is pleased to announce our 2020 Adjusted EBITDA guidance of approximately $1,130 million with an anticipated variance of up to 5% (the "2020 Guidance Range"). The 2020 Guidance Range includes 75% of Sol's Adjusted EBITDA. Further, Parkland expects to invest approximately $275 million in maintenance capital expenditures attributable to Parkland, including approximately $60 million relating to the 2020 Turnaround, and approximately $300 million in growth capital expenditures attributable to Parkland in 2020 (collectively, "the 2020 Capital Program").

The 2020 Guidance Range reflects the key assumptions for refining, fuel and non-fuel margin forecasts based on our view of future market conditions, and the impact of the 2020 Turnaround. Additionally, the low end of our 2020 Guidance Range accounts for potential adverse market conditions or interruptions to our operations as well as the potential for lower margins than currently observable, while the high end of our 2020 Guidance Range accounts for greater than expected contributions from acquisition synergies, , organic growth and higher margins than currently observable.

The 2020 Capital Program supports our 3-5% annual average Adjusted EBITDA organic growth target and is focused on network development, expanding digital capabilities, improving customer value proposition, enhancing our supply and logistics capability and investing in our low carbon advantage. 2020 Turnaround maintenance capital expenditures exclude an additional $25 million of operating expenses related to the turnaround.

Other than as disclosed above, the factors and assumptions that contribute to Parkland's assessment of the 2020 Guidance Range are consistent with existing Parkland disclosure and such guidance range is subject to risks and uncertainties inherent in Parkland's business. Readers are directed to Section 8 of this MD&A and Parkland's Annual Information Form for a description of such factors, assumptions, risks and uncertainties. Refer to Parkland's press release issued on March 5, 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 December 31, 2019.

In accordance with the provisions of NI 52-109, Parkland has limited the scope of its design of DC&P and ICFR to exclude controls, policies and procedures of businesses acquired not more than 365 days before December 31, 2019, as Parkland closed the Sol Transaction on January 8, 2019, and acquired individually immaterial businesses in the second and fourth quarters 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 December 31, 2019**
Current assets	**827**
Non-current assets	**2,099**
Current liabilities	**415**
Non-current liabilities	**509**

($ millions)	**Year ended December 31, 2019**
Sales and operating revenue	**4,937**
Net earnings	**131**

Changes in internal controls over financial reporting

Other than as described above, there were no changes in Parkland's ICFR during the year ended December 31, 2019 that materially affected, or are reasonably likely to materially affect, Parkland's ICFR. Internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems that are determined to be effective can provide only reasonable, but not absolute assurance, that financial information is accurate and complete. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Off-balance sheet arrangements

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

Guarantees

As at December 31, 2019, Parkland provided $2,314 million (December 31, 2018 - $866 million) of unsecured guarantees to counterparties of commodities swaps and purchase and supply agreements of crude oil, fuel and other petroleum products.

Letters of credit and surety bonds

Parkland provides guarantees in the form of letters of credit and surety bonds in the ordinary course of business. As at December 31, 2019, these guarantees amount to $272 million (December 31, 2018 - $233 million) and are not recognized in the Annual Consolidated Financial Statements. Maturity dates of these guarantees vary and are up to and including June 29, 2021.

Shares outstanding

As at December 31, 2019, Parkland had approximately 148 million common shares, 4 million share options and 1 million restricted share units outstanding. The share options consist of approximately 2 million share options that are currently exercisable into common shares.

Related party transactions

See Note 25 of the Annual Consolidated Financial Statements for details on related party relationships and transactions.

11. ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

Parkland's significant accounting policies and significant accounting estimates, assumptions and judgments are contained in the Annual Consolidated Financial Statements. Refer to Notes 2 and 3 of the Annual Consolidated Financial Statements 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. The following provides a summary of Parkland's most critical accounting estimates in determining the value of items recognized in the Annual Consolidated Financial Statements and most critical judgments in applying accounting policies. Refer to Notes 2 and 3 of the Annual Consolidated Financial Statements for detailed discussion of these items.

Asset retirement and other obligations

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

Contingencies and legal matters

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

Business combinations

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

Asset impairment

Asset impairment tests require the allocation of assets to CGU ("Cash Generating Units") or CGU groups, which requires significant judgment and interpretation with respect to the integration between assets, the existence of active markets, similar exposure to market risks, shared resources and assets, and the way in which management monitors the operations.

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

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

Depreciation and amortization

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

Fair value of financial instruments

The fair value of financial instruments is determined wherever possible based on observable market data. If not available, Parkland uses third-party models, independent price publications, market exchanges, investment dealer quotes and valuation methodologies that utilize observable data that includes forward commodity prices, foreign exchange and interest rates to estimate the fair value of financial instruments, including derivatives. Actual values may significantly differ from these estimates.

Income taxes

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

Changes in accounting policies and disclosures

IFRS 16 – Leases

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

previous lease standard in effect during those periods. See Note 3 of the Annual Consolidated Financial Statements for further information.

12. SEGMENT DESCRIPTIONS

Supply

Overview

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

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

Contracts - Supply maintains fuel supply contracts with multiple oil refiners, and wholesale and trading suppliers. This diversity of supply contracts, combined with strategic storage and logistics infrastructure, allows Parkland to obtain fuel at competitive prices and enhances fuel supply security for Parkland-owned sites and for all Parkland customers.

Purchases - Supply sources fuel from third-party suppliers and sells, at an arm's length transfer price, to Parkland's Canada Retail, Canada Commercial, USA and International segments as well as external wholesaler customers. Supply also provides transportation services to Parkland segments. Parkland utilizes its leased rail car fleet and leverages its network of North American relationships with a view to match purchase and sales contracts and execute on a strategy of geographic arbitrage.

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

Burnaby Refinery

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

Canada Retail

Overview

Canada Retail supplies and supports a network of 1,863 retail gas stations in Canada. Parkland operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer. In addition, Parkland operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. Parkland's multi-brand strategy provides a robust offering to satisfy many fuel market segments. Canada Retail's convenience store offerings include private label brands 59th Street Food Co.™ and Cargo™, as well as Amazon Hub Lockers and M&M Frozen Foods introduced at specific locations.

Business models

Canada Retail operates under two main business models:

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

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

The Ultramar Acquisition, which closed on June 28, 2017, and the Chevron Acquisition, which closed on October 1, 2017, added 654 sites and 129 sites to our network, respectively. The acquired businesses have operating models or mixes of operating models that slightly differ from the pre-acquisition business (the "Base Business").

Ultramar Retail operating model

Ultramar Company sites include company-operated sites where Parkland earns higher margins but is fully responsible for managing the site, including hiring employees to operate the site. This is different from the Base Business Company sites, which are managed by independent retailers who earn a commission on fuel sales and where Parkland collects a percentage rent from the retailer based on the convenience store sales. As a result, the introduction of the Ultramar Company sites increased Canada Retail fuel margins and fuel and petroleum product adjusted gross profit, while also increasing Operating Costs, Marketing, General and Administrative expenses and net unit operating costs ("NUOC") for the Canada Retail segment. Parkland is currently in the process of migrating Ultramar COCO sites to the CORO model as part of the CORO Conversion. The CORO Conversion is expected to lower adjusted gross profit, but is also expected to lower Operating Costs and Marketing, General and Administrative expenses, create a uniform Company retail platform to realize synergies, and provide Parkland with higher overall returns.

Chevron Retail operating model

The sites acquired as part of the Chevron Acquisition are entirely Company sites under the CORO model while Parkland's Base Business contains a mix of mostly Dealer sites along with Company sites. Company sites earn higher fuel margins but run higher Operating Costs and Marketing, General and Administrative expenses compared to Dealer sites. As a result, the introduction of Chevron Retail increases fuel margins, fuel and petroleum product adjusted gross profit, Operating Costs, Marketing, General and Administrative expenses and NUOC for the Canada Retail segment.

Seasonality

Generally, Canada Retail results fluctuate based on seasonality and experience higher volumes and Adjusted EBITDA in the second and third quarters of the year during the summer driving season.

International

Overview

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

Sol has an integrated supply chain backed by an extensive distribution network, a premier brand portfolio and an exceptional team. The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and north eastern coast of South America and consist of: (i) Sol's retail businesses, which include 259 company-owned or company-leased sites and 237 dealer-owned and dealer-operated sites under brands such as Esso, Shell and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including import terminals, pipelines, marine berths and charter ships; (iii) Sol's commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) Sol's aviation operations. The Sol Transaction, which extends Parkland's supply reach globally and builds on Parkland's supply advantage strategy, provides Parkland with a significant North American and Caribbean growth platform for future strategic initiatives, as well as access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and north eastern coast of South America.

Parkland closed the Sol Transaction for a preliminary purchase consideration of $1,380 million, consisting of cash consideration of $960 million net of estimated cash assumed, preliminary working capital adjustments of $9 million, gain on a US dollar currency

hedge of $12 million and fair value of share consideration of $423 million (representing 12.2 million common shares calculated using the trading price of $34.56 per share) pursuant to the Sol Business Combination Agreement (the "Sol Agreement"). The preliminary purchase price is subject to change as a result of customary post-closing activities and will be finalized no later than one year from the acquisition date.

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

International operates and generates profits from the following channels:

- **Retail** - International's retail business includes Company and Dealer sites under the Esso, Shell and Sol brands. Sol is also the owner of the Sol Shop convenience store brand. The new Sol convenience stores have proprietary food and drink offers. The main pillars in the new food service offer are made-to-order hot food, bakery, cold food and hot and chilled beverages. These new convenience stores take advantage of the newest technology, minimizing the time from order to serve.
- **Commercial** - International's commercial business delivers and supplies gasoline, diesel, fuel oil, propane and lubricants to customers in various geographies and sectors, including power, oil and gas and mining companies. Furthermore, International's aviation business operates at 12 airports in the region, supplying aviation fuel and services to airlines.
- **Supply and Distribution** - International's supply and distribution business includes owned or leased infrastructure assets, including import terminals, pipelines, marine berths and a fleet of charter ships.

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

Business models

International Retail operates under two main business models:

- Company-owned or company-leased sites are owned or leased by International and operated by a dealer or employees of the International segment. Sites operating under industry models such as "company-owned, dealer-operated" ("CODO"), "company-leased, dealer-operated" ("CLDO") and "company-owned, company-operated" ("COCO") are included in this model. In CODO and CLDO sites, the dealer owns the convenience store and fuel inventory. In COCO sites, International owns the convenience store and fuel inventory.
- Dealer-owned and dealer-operated sites, also known as "DODO", are owned, managed and operated by the dealer. International secures long-term fuel supply contracts with the dealer and supplies fuel to the dealer. The dealer owns the fuel inventory. Convenience store inventory is usually owned by the dealer. Other operating model variants where the site is not owned or leased by International are also included in this category.

International operating model

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

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

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

Seasonality

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

Canada Commercial

Overview

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

Seasonality

Canada Commercial results fluctuate based on seasonality, degree days in its residential home heat business and local GDP, which is influenced by factors such as the Alberta oil and gas sector rig count. Average rig count in Alberta decreased by 21%[4] in the fourth quarter of 2019 and 29%[4] in the year ended December 31, 2019 as compared to the same periods in 2018. This segment generally experiences higher volumes and Adjusted EBITDA in the first and fourth quarters of the year as a result of higher demand for diesel, propane and heating oil in the winter.

USA

Overview

USA supports a network of gas stations and delivers bulk fuel, lubricants and other related products and services to customers throughout Arizona, Colorado, Florida, Minnesota, Montana, New Mexico, North Dakota, South Dakota, Utah and Wyoming. USA is a platform for growth in the United States and provides Parkland export opportunities for products from Western Canada. Brands

[4] Source: boereport.com.

in this segment include Farstad Oil, Superpumper, Tropic Oil, Rhinehart Oil, and Harts. USA operates and generates profits from the following channels:

- **Wholesale & Commercial** - USA manages fuel supply contracts, purchases fuel from suppliers, distributes through rail and highway carriers, and serves wholesale customers, retailers, small resellers, commercial operators, and marine customers. USA operates a large fleet of trucks that deliver wholesale fuels and commercial lubricants to customers.
- **Retail** - USA operates and services a network of retail service stations under the Company and Dealer models, USA has 51 Company sites, often co-branded with a major brand in the forecourt. USA supplies to 239 Dealer sites, which include a number of multi-site dealer chains with both branded and unbranded relationships. Refer to the "Canada Retail" section above for a description of Company and Dealer sites. USA offers a diverse product mix through various brands at its convenience stores.
- **Lubricants** - USA delivers ExxonMobil and Ridgeline lubricants, chemicals, ancillary automotive products, and equipment to commercial, industrial, marine and wholesale customers through an extensive delivery network in the regions in which Parkland operates.

Seasonality

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

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.

13. 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 27 - Segment Information of the Annual Consolidated Financial Statements as Parkland's segment profit. These measures are used by the chief operating decision maker to make decisions about resource allocation to the segment and to assess its performance. In accordance with IFRS, adjustments and eliminations made in preparing an entity's financial statements and allocations of revenue, expenses, and gains or losses shall be included in determining reported segment profit or loss only if they are included in the measure of the segment's profit or loss that is used by the chief operating decision maker. As such, these measures are unlikely to be comparable to measures of segment profit and loss presented by other issuers, who may calculate these measures differently. Refer to Note 27 of the Annual Consolidated Financial Statements for a full reconciliation of Adjusted EBITDA and adjusted gross profit for each of Parkland's operating segments.

Adjusted EBITDA

Parkland views Adjusted EBITDA as the key measure for the underlying core operating performance of business segment activities at an operational level. Adjusted EBITDA is used by management to set targets for Parkland (including annual guidance and variable compensation targets) and is used to determine Parkland's ability to service debt, finance capital expenditures and provide for dividend payments to shareholders. 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, (vii) other gains and losses including changes in value of Sol Put Option and Redemption Options, and (viii) other adjusting items. Note that Adjusted EBITDA for Q1 2019 and periods thereafter includes the adoption of IFRS 16 as of January 1, 2019. Prior periods' Adjusted EBITDA have not been restated to reflect the adoption of IFRS 16.

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

	Three months ended December 31,		**Year ended December 31,**	
($ millions)	**2019**	2018	**2019**	2018
Net earnings	**186**	77	**414**	206
Add:				
Depreciation and amortization	**145**	79	**580**	301
Finance costs				
Interest on leases	**8**	—	**29**	1
Interest on long-term debt	**50**	35	**197**	128
Amortization, accretion and other costs	**7**	6	**34**	18
Other (gains) and losses				
Change in fair value of Redemption Options	**(23)**	21	**(91)**	24
Change in redemption value of Sol Put Option	**(63)**	—	**6**	—
Others	**(25)**	—	**(2)**	—
(Gain) loss on asset disposals	**(4)**	—	**3**	23
Acquisition, integration and other costs	**14**	24	**91**	77
(Gain) loss on risk management and other derivatives - unrealized	**3**	(24)	**1**	(3)
(Gain) loss on foreign exchange - unrealized	**(21)**	47	**(47)**	53
Other adjusting items[1]	**11**	(16)	**10**	(12)
Income tax (recovery) expense	**39**	36	**133**	71
Adjusted EBITDA including NCI	**327**	285	**1,358**	887
Less:				
Attributable to NCI	**25**	—	**93**	—
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	**302**	285	**1,265**	887

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

Adjusted gross profit

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

	Three months ended December 31,		Year ended December 31,	
($ millions)	**2019**	2018	**2019**	2018
Sales and operating revenue	**4,779**	3,506	**18,453**	14,442
Cost of purchases	**(4,040)**	(2,899)	**(15,617)**	(12,425)
(Gain) loss on risk management and other derivatives - realized	**–**	(13)	**(4)**	(20)
(Gain) loss on foreign exchange - realized	**(20)**	9	**(15)**	10
Other adjusting items[1]	**9**	(16)	**15**	(12)
Adjusted gross profit	**728**	587	**2,832**	1,995
Fuel and petroleum product adjusted gross profit	**611**	508	**2,395**	1,714
Non-fuel adjusted gross profit	**117**	79	**437**	281
Adjusted gross profit	**728**	587	**2,832**	1,995

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

Non-GAAP financial measures

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

Non-GAAP financial measure	Description	Formula	Why we use the measure and why it is useful
Credit Facility earnings before interest, taxes, depreciation and amortization ("Credit Facility EBITDA")[1]	Debt covenant earnings metric defined in Parkland's Credit Facility	Credit Facility EBITDA[1] = Adjusted EBITDA + share incentive compensation + acquisition pro-forma EBITDA adjustment[2] + acquisition, integration and other costs adjustment[2] – IFRS 16 impact on Adjusted EBITDA	We use this metric to monitor Parkland's ability to service debt and meet current and future commitments.
Senior Funded Debt to Credit Facility EBITDA ratio[1]	Debt covenant ratio metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Senior Funded Debt as a ratio	Senior Funded Debt to Credit Facility EBITDA[1] = Senior Funded Debt ÷ Credit Facility EBITDA Senior Funded Debt = [current portion of long-term debt + bank indebtedness + non-current portion of long-term debt (excluding Senior Notes) – long-term debt attributable to NCI + letters of credit – letters of credit attributable to NCI] – cash and cash equivalents and restricted cash + cash and cash equivalents and restricted cash attributable to NCI	We use these ratios to demonstrate compliance with debt covenants and provide users with an indication of Parkland's ability to repay debt. To manage Parkland's financing requirements, we may adjust capital spending or dividends paid to shareholders, or issue new shares or new debt. These metrics are also used to monitor and guide Parkland's overall financial strength and capital structure flexibility.
Total Funded Debt to Credit Facility EBITDA ratio[1]	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to Total Funded Debt as a ratio	Total Funded Debt to Credit Facility EBITDA[1] = Total Funded Debt ÷ Credit Facility EBITDA Total Funded Debt = Senior Funded Debt + Senior Notes	
Interest coverage ratio[1]	Debt covenant metric defined in Parkland's Credit Facility, where Credit Facility EBITDA is compared to interest[2] as a ratio	Interest coverage ratio[1] = Credit Facility EBITDA ÷ interest[2]	We use this ratio to provide us with an indication of Parkland's ability to pay interest on its outstanding debt, in addition to demonstrating compliance with debt covenants.
Net unit operating cost ("NUOC")[1]	Retail industry metric that represents adjusted fuel gross profit required per litre for the segment to break even on Operating Costs and Marketing, General and Administrative ("MG&A") expenses	NUOC[1] = [Operating Costs + MG&A expenses – non-fuel adjusted gross profit] ÷ fuel and petroleum product volume	We use this metric to measure performance of the Canada Retail segment. We believe it provides transparency and predictive value for Operating Costs and MG&A expenses in relation to fuel sales within the segment.
TTM operating ratio[1]	Operating metric that represents operating costs and MG&A expenses as a percentage of gross profit	TTM operating ratio[1] = [Operating Costs + MG&A expenses] ÷ adjusted gross profit	We use this ratio to measure performance of the Canada Commercial, USA and International segments as we believe it provides transparency and predictive value on Operating Costs and MG&A expenses.
Corporate Marketing, General and Administrative expenses as a % of adjusted gross profit	Ratio that measures percentage of corporate expenses in relation to Parkland's adjusted gross profit	Corporate MG&A as a % of adjusted gross profit = corporate MG&A expenses ÷ consolidated adjusted gross profit	We use this metric to measure the effectiveness of Parkland's corporate operations in relation to Parkland's overall business. We believe this metric provides transparency and predictive value for corporate MG&A in relation to Parkland's entire adjusted gross profit.

[1] Calculated on a trailing-twelve-month basis.
[2] Determined pursuant to the terms of the Credit Facility.

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

Non-GAAP financial measure reconciliations

Credit Facility EBITDA

($ millions)	Three months ended March 31, 2019	June 30, 2019	September 30, 2019	December 31, 2019	Trailing twelve months ended December 31, 2019
Adjusted EBITDA	**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 January 8, 2019. This amount is used for debt covenant calculation purposes only.

($ millions)	Three months ended March 31, 2018	June 30, 2018	September 30, 2018	December 31, 2018	Trailing twelve months ended December 31, 2018
Adjusted EBITDA	153	249	200	285	887
Share incentive compensation	—	4	5	4	13
	153	253	205	289	900
Acquisition pro-forma adjustment[1]					14
Acquisition, integration and other costs adjustment[2]					(1)
Credit Facility EBITDA					913

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

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

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

($ millions)	December 31, 2019	December 31, 2018
Senior Funded Debt:		
Long-term debt - current portion	**115**	4
Long-term debt - non-current portion (excluding Senior Notes)	**1,035**	89
Long term debt - attributable to NCI	**(22)**	—
Letters of credit[1]	**41**	29
Exclude: letters of credit attributable to NCI[1]	**(2)**	—
Less: cash and cash equivalents	**(244)**	(40)
Exclude: cash and cash equivalents attributable to NCI[1]	**48**	—
Less: IFRS 16 lease obligations	**(526)**	—
Senior Funded Debt	**445**	82
Senior Notes	**2,788**	2,170
Total Funded Debt	**3,233**	2,252
Credit Facility EBITDA	**1,159**	913
Senior Funded Debt to Credit Facility EBITDA ratio	**0.38**	0.09
Total Funded Debt to Credit Facility EBITDA ratio	**2.79**	2.47

[1] Calculated pursuant to the terms of the Credit Facility.

Interest coverage ratio

For the trailing twelve months ended ($ millions)	December 31, 2019	December 31, 2018
Credit Facility EBITDA	**1,159**	913
Interest[1]	**218**	140
Interest coverage ratio	**5.32**	6.52

[1] Calculated pursuant to the terms of the Credit Facility.

TTM NUOC

Canada Retail

($ millions, unless otherwise noted)	Three months ended March 31, 2019[2]	June 30, 2019[2]	September 30, 2019[2]	December 31, 2019[2]	Trailing twelve months ended December 31, 2019
Operating Costs	**69**	**73**	**76**	**75**	**293**
Marketing, General and Administrative	**16**	**17**	**14**	**22**	**69**
Less: Non-fuel adjusted gross profit	**(36)**	**(36)**	**(41)**	**(34)**	**(147)**
	49	**54**	**49**	**63**	**215**
Fuel and petroleum product volume[1] (million litres)	**1,608**	**1,733**	**1,831**	**1,718**	**6,890**
NUOC					**3.12**

($ millions, unless otherwise noted)	Three months ended March 31, 2018[3]	June 30, 2018[3]	September 30, 2018[3]	December 31, 2018[3]	Trailing twelve months ended December 31, 2018
Operating Costs	76	82	80	76	314
Marketing, General and Administrative	15	14	15	15	59
Less: Non-fuel adjusted gross profit	(35)	(40)	(38)	(35)	(148)
	56	56	57	56	225
Fuel and petroleum product volume[1] (million litres)	1,586	1,725	1,852	1,742	6,905
NUOC					3.26

[1] Includes gasoline, diesel, and propane volumes.
[2] 2019 results reflect the adoption of IFRS 16 as of January 1, 2019.
[3] 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

TTM operating ratio

Canada Commercial

($ millions)	Three months ended March 31, 2019[1]	June 30, 2019[1]	September 30, 2019[1]	December 31, 2019[1]	Trailing twelve months ended December 31, 2019
Operating Costs	**53**	**45**	**40**	**48**	**186**
Marketing, General and Administrative	**12**	**10**	**12**	**15**	**49**
	65	**55**	**52**	**63**	**235**
Adjusted gross profit	**108**	**65**	**63**	**96**	**332**
TTM operating ratio					**70.8%**

($ millions)	Three months ended March 31, 2018[2]	June 30, 2018[2]	September 30, 2018[2]	December 31, 2018[2]	Trailing twelve months ended December 31, 2018
Operating Costs	57	45	41	48	191
Marketing, General and Administrative	9	11	11	12	43
	66	56	52	60	234
Adjusted gross profit	104	74	62	87	327
TTM operating ratio					71.6%

[1] 2019 results reflect the adoption of IFRS 16 as of January 1, 2019.
[2] 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for the adoption of IFRS 16.

USA

($ millions, unless otherwise noted)	Three months ended March 31, 2019[1]	June 30, 2019[1]	September 30, 2019[1]	December 31, 2019[1]	Trailing twelve months ended December 31, 2019
Operating Costs	**21**	**23**	**26**	**33**	**103**
Marketing, General and Administrative	**6**	**8**	**5**	**9**	**28**
	27	**31**	**31**	**42**	**131**
Adjusted gross profit	**38**	**44**	**48**	**57**	**187**
TTM operating ratio					**70.1%**

($ millions, unless otherwise noted)	Three months ended March 31, 2018[2]	June 30, 2018[2]	September 30, 2018[2]	December 31, 2018[2]	Trailing twelve months ended December 31, 2018
Operating Costs	10	11	13	21	55
Marketing, General and Administrative	2	2	3	6	13
	12	13	16	27	68
Adjusted gross profit	16	18	24	38	96
TTM operating ratio					70.8%

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

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

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

($ millions)	Three months ended December 31, 2019[1]	2018[2]	Year ended December 31, 2019[1]	2018[2]
Corporate Marketing, General and Administrative expenses	**28**	32	**113**	111
Parkland's adjusted gross profit	**728**	587	**2,832**	1,995
Corporate Marketing, General and Administrative expenses as a % of Parkland's adjusted gross profit	**3.8%**	5.5%	**4.0%**	5.6%

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

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

Key Performance Indicators ("KPIs")

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

KPI	Description	Calculation	Why we use the KPI and why it is useful	Comments
Company C-Store same-store sales growth ("Company C-Store SSSG")	Company C-Store SSSG refers to sales growth generated by retail convenience stores at Company sites. The effects of opening and closing stores, temporary closures (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. Beginning in Q2 2019, this KPI excludes lottery sales, but includes lottery commissions to be consistent with industry practice. Prior periods comparatives included in this MD&A have been restated to conform with recent presentation.	Same-store sales growth is a metric commonly used in the retail industry that provides meaningful information to investors in assessing the health and strength of Parkland's brands and retail network, which ultimately impacts financial performance.	
Company Volume same-store sales growth ("Company Volume SSSG")	Company Volume SSSG refers to fuel and petroleum product sales growth at active Company sites. The effects of opening and closing stores, temporary closures (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 14 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.

14. FORWARD-LOOKING INFORMATION

Caution regarding forward-looking information

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

- commitment to delivering competitive and sustainable returns to shareholders by being the partner of choice for our customers and suppliers, and how we plan to accomplish this mission;
- commitment to drive organic growth by innovatively pursuing opportunities to increase gross profit, focusing on delivering a great customer experience and continuously improving efficiencies;
- strategy to reliably and consistently purchase large volumes of the full range of refined products produced by refineries with which we do business;
- goal to deliver a supply advantage by leveraging market inefficiencies, being a partner of choice for refiners, safely and reliably operating the Burnaby Refinery and increasing our import and export capabilities;

- expected exercise of the Sol Put Option or the Sol Call Option to acquire the remaining outstanding shares of SIL and the terms thereof;
- expectations regarding the anticipated benefits and synergies of completed acquisitions, including the timing of the synergies, success and implementation of the systems integration and its additions to Parkland's fuel sales, Adjusted EBITDA and distributable cash flow;
- business and growth strategies, including the manner in which such strategies will be implemented;
- anticipation of building on the On the Run / Marché Express convenience store franchise system and related trademarks in Canada, providing a strong retail platform for Parkland to expand and support its retail offering across Canada, including, but not limited to, the success of the Flagship and Retrofit site concepts and the profitability of the private label brand, 59th Street Food Co.™;
- national rollout of the JOURNIE™ program and the timing and benefits to be derived thereof;
- ability to use market inefficiencies to its advantage by acting on arbitrage opportunities as well as leveraging unbranded volume, transportation, relationships and strategic storage capabilities;
- strategy to optimize the value of other products that are not sold through its "owned" marketing channels;
- platform for growth in North America and the Caribbean;
- ability to build and leverage relationships with the objective of being the buyer of choice for prospective vendors;
- ability to effectively integrate acquisitions to drive operational efficiency, create synergies and generate shareholder value;
- ability to operate the Burnaby Refinery profitably;
- ability to deliver competitive returns to shareholders;
- expectations regarding the effects of seasonality on demand for products offered by the Canada Commercial, Canada Retail and International business segments;
- ability to meet payment obligations as they come due;
- capital investment philosophy;
- future dividend payments;
- anticipated sources of liquidity to fund maintenance capital, interest, income taxes, targeted dividends and other committed capital expenditures;
- expected sources for growth capital expenditures, future acquisitions and debt servicing payments;
- expectations regarding Annual Synergies, the 2020 Guidance Range and the business outlook contained in this MD&A;
- ability to adjust capital spending and to adjust dividends paid to shareholders; and
- expectations regarding the benefits, including benefits to consumers and marketplace efficiencies, and financial projections of the Sol Transaction and 2019 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:

- the regulatory framework that governs the operation of Parkland's business;
- Parkland's ability to successfully integrate completed acquisitions into Parkland's operations;
- Parkland's ability to realize synergies and cost reductions from the implementation of integration initiatives, increased purchasing power, and contract renegotiations, among other items;
- commodity prices and volumes for gasoline, diesel, propane, lubricants, heating oil and other high-quality petroleum products;
- refining crack spreads per barrel;
- financial market conditions, including interest rates and US dollar foreign exchange rates;
- ability to successfully expand Parkland's business into the Caribbean;
- ability of suppliers to meet commitments;

- ability to retain key management;
- Parkland's future debt levels;
- Parkland's ability to generate sufficient cash flows from operations to meet its current and future obligations;
- future capital expenditures to be made by Parkland;
- access to, and terms of, future sources of funding for Parkland's capital program; and
- Parkland's ability to continue to compete in a competitive landscape, as well as the additional factors referenced in the Annual Information Form.

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

- general market conditions;
- ability to execute on our business and growth strategy and realize the benefits therefrom;
- ability to realize the benefits from our core capabilities;
- ability to capture value in each step of the value chain;
- ability to realize the expected benefits, synergies and opportunities from acquisitions;
- ability to secure future capital to support and develop our business, including the issuance of additional common shares;
- ability to secure funding to finance the consideration payable to acquire the remaining portion of the 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;
- the competitive environment of our industry in North America and the Caribbean;
- environmental impact;
- risk of changes to environmental and regulatory laws;
- risk of pending or future litigation;
- interest rate and foreign exchange rate fluctuations;
- potential undisclosed liabilities (including environmental) associated with the Sol Transaction and the 2019 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.

15. FOURTH QUARTER SEGMENT INFORMATION

Segment information	Supply		Canada Retail		International		Canada Commercial		USA		Corporate		Consolidated	
Three months ended December 31,[1]	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018	**2019**	2018
Fuel and petroleum product volume (million litres)[2]	**1,201**	1,470	**1,718**	1,742	**1,581**	—	**804**	820	**621**	322	**–**	—	**5,925**	4,354
Sales and operating revenue[3]	**544**	847	**1,536**	1,596	**1,444**	—	**708**	714	**547**	349	**–**	—	**4,779**	3,506
Cost of purchases														
Fuel and petroleum product cost of purchases	**278**	525	**1,323**	1,352	**1,254**	—	**588**	600	**397**	244	**–**	—	**3,840**	2,721
Non-fuel cost of purchases	**3**	9	**60**	75	**20**	—	**24**	27	**93**	67	**–**	—	**200**	178
Cost of purchases	**281**	534	**1,383**	1,427	**1,274**	—	**612**	627	**490**	311	**–**	—	**4,040**	2,899
Adjusted gross profit														
Fuel and petroleum product adjusted gross profit, before the following:	**249**	304	**119**	134	**141**	—	**84**	74	**29**	16	**–**	—	**622**	528
Gain (loss) on risk management and other derivatives - realized	**(3)**	(13)	**–**	—	**3**	—	**–**	—	**–**	—	**–**	—	**–**	(13)
Gain (loss) on foreign exchange - realized	**(19)**	4	**–**	—	**(2)**	—	**–**	—	**–**	—	**1**	5	**(20)**	9
Other adjusting items[4]	**9**	(13)	**–**	—	**–**	—	**–**	—	**–**	—	**–**	(3)	**9**	(16)
Fuel and petroleum product adjusted gross profit	**236**	282	**119**	134	**142**	—	**84**	74	**29**	16	**1**	2	**611**	508
Non-fuel adjusted gross profit	**14**	9	**34**	35	**29**	—	**12**	13	**28**	22	**–**	—	**117**	79
Total adjusted gross profit	**250**	291	**153**	169	**171**	—	**96**	87	**57**	38	**1**	2	**728**	587
Other income	**–**	—	**–**	—	**(4)**	—	**–**	—	**–**	—	**–**	—	**(4)**	—
Operating costs	**72**	73	**75**	76	**49**	—	**48**	48	**33**	21	**–**	—	**277**	218
Marketing, general and administrative	**26**	19	**22**	15	**30**	—	**15**	12	**9**	6	**28**	32	**130**	84
Other adjusting items[4]	**–**	—	**–**	—	**(2)**	—	**–**	—	**–**	—	**–**	—	**(2)**	—
Adjusted EBITDA including NCI	**152**	199	**56**	78	**98**	—	**33**	27	**15**	11	**(27)**	(30)	**327**	285
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	**152**	199	**56**	78	**73**	—	**33**	27	**15**	11	**(27)**	(30)	**302**	285
Attributable to NCI	**–**	—	**–**	—	**25**	—	**–**	—	**–**	—	**–**	—	**25**	—
Adjusted EBITDA including NCI	**152**	199	**56**	78	**98**	—	**33**	27	**15**	11	**(27)**	(30)	**327**	285
Depreciation and amortization													**145**	79
Finance costs													**65**	41
(Gain) loss on asset disposals													**(4)**	—
Acquisition, integration and other costs													**14**	24
(Gain) loss on risk management and other derivatives – unrealized													**3**	(24)
(Gain) loss on foreign exchange – unrealized													**(21)**	47
Other (gains) and losses													**(111)**	21
Other adjusting items[4]													**11**	(16)
Income tax (recovery) expense													**39**	36
Net earnings													**186**	77
Attributable to Parkland													**176**	77
Attributable to NCI													**10**	—
Property, plant and equipment and intangible asset additions	**47**	23	**65**	59	**29**	—	**13**	19	**7**	4	**6**	4	**167**	109
Property, plant and equipment, intangible asset and goodwill acquisitions	**–**	—	**–**	2	**–**	—	**–**	—	**67**	45	**–**	—	**67**	47

[1] 2019 results reflect the adoption of IFRS 16 on January 1, 2019. 2018 comparative figures reflect the accounting standards in effect for that year. Specifically, they are not restated to reflect the impact of IFRS 16, which is allowed under the modified retrospective approach for IFRS 16 adoption.
[2] Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.
[3] See Note 26 of the Annual Consolidated Financial Statements for further details on sales and operating revenue.
[4] Other adjusting items included an unrealized loss of $9 (2018 - unrealized gain of $13) on Intermediation Facility Derivatives within fuel and petroleum product cost of purchases.

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