

Parkland Corporation

Interim Condensed Consolidated Financial Statements (Unaudited)
For the three and nine months ended September 30, 2020



Parkland Corporation
Consolidated Balance Sheets
(Unaudited)

(\$ millions)	Note	September 30, 2020	December 31, 2019
Assets			
Current assets			
Cash and cash equivalents		356	244
Restricted cash		22	13
Accounts receivable		733	1,083
Income taxes receivable		33	–
Inventories		557	780
Risk management and other derivatives	10	43	25
Prepaid expenses and other		78	59
		1,822	2,204
Property, plant and equipment	4	3,811	3,747
Intangible assets	6	931	965
Goodwill	7	1,864	1,811
Long-term receivables		86	88
Other long-term assets	8	283	301
Deferred tax assets		181	167
		8,978	9,283
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities		1,364	1,358
Dividends declared and payable		16	15
Income taxes payable		16	52
Long-term debt - current portion	9	122	115
Provisions and other liabilities - current portion	12	220	345
Risk management and other derivatives	10	14	11
		1,752	1,896
Long-term debt	9	3,663	3,823
Provisions and other liabilities	12	1,006	956
Deferred tax liabilities		311	299
		6,732	6,974
Shareholders' equity			
Shareholders' capital	13	2,428	2,382
Contributed surplus		39	27
Accumulated other comprehensive income (loss)		(30)	(10)
Sol Put Option reserve	12	(494)	(494)
Retained earnings (deficit)		(55)	53
Non-controlling interest ("NCI")	14	358	351
		2,246	2,309
		8,978	9,283

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Corporation

Consolidated Statements of Income (Loss) (Unaudited)

(\$ millions, unless otherwise stated)	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Sales and operating revenue	18	3,505	4,605	10,537	13,674
Expenses					
Cost of purchases		2,842	3,919	8,817	11,577
Operating costs		236	260	738	794
Marketing, general and administrative		77	100	240	290
Acquisition, integration and other costs	15	9	28	38	77
Depreciation and amortization	4.6	163	160	465	435
Finance costs	16	63	61	192	195
Foreign exchange (gain) loss		(18)	13	10	(31)
(Gain) loss on asset disposals		2	7	1	7
(Gain) loss on risk management and other derivatives	10	(11)	7	(42)	2
Other (gains) and losses	17	9	4	18	6
Earnings (loss) before income taxes		133	46	60	322
Current income tax expense (recovery)		31	36	19	148
Deferred income tax expense (recovery)		11	(16)	(7)	(54)
Net earnings (loss)		91	26	48	228
Net earnings (loss) attributable to:					
Parkland		76	24	29	206
NCI	14	15	2	19	22
Net earnings (loss) per share (\$ per share)	3				
Basic		0.51	0.16	0.19	1.41
Diluted		0.50	0.16	0.19	1.38
Weighted average number of common shares (000's of shares)	3	149,064	147,595	148,841	146,515
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	3	151,121	150,557	150,845	149,399

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Corporation

Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(\$ millions)	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Net earnings (loss)		91	26	48	228
Other comprehensive income (loss):					
Items that may be reclassified to consolidated statements of income (loss) in subsequent periods:					
Exchange differences on translation of foreign operations		(76)	26	14	(13)
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax	9	35	(15)	(30)	(18)
Other comprehensive income (loss)		(41)	11	(16)	(31)
Total comprehensive income (loss)		50	37	32	197
Total comprehensive income (loss) attributable to:					
Parkland		54	35	9	174
NCI	14	(4)	2	23	23

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Corporation

Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

(\$ millions)	Note	Shareholders' capital	Contributed surplus	Accumulated other comprehensive income (loss)	Sol Put Option reserve	Retained earnings (deficit)	NCI	Total shareholders' equity
As at January 1, 2020		2,382	27	(10)	(494)	53	351	2,309
Net earnings (loss)		—	—	—	—	29	19	48
Other comprehensive income (loss)		—	—	(20)	—	—	4	(16)
Shares issued on ConoMart Acquisition	15	1	—	—	—	—	—	1
Dividends		—	—	—	—	(137)	(16)	(153)
Share incentive compensation		—	17	—	—	—	—	17
Issued under dividend reinvestment plan, net of costs	13	33	—	—	—	—	—	33
Issued under share option plan	13	8	(1)	—	—	—	—	7
Issued on vesting of restricted share units	13	4	(4)	—	—	—	—	—
As at September 30, 2020		2,428	39	(30)	(494)	(55)	358	2,246
As at January 1, 2019		1,886	18	49	—	(152)	—	1,801
Net earnings (loss)		—	—	—	—	206	22	228
Other comprehensive income (loss)		—	—	(32)	—	—	1	(31)
NCI acquired on Sol Transaction		—	—	—	—	—	416	416
Shares issued on Sol Transaction	15	423	—	—	—	—	—	423
Dividends		—	—	—	—	(133)	—	(133)
Share incentive compensation		—	9	—	—	—	—	9
Issued under dividend reinvestment plan, net of costs	13	46	—	—	—	—	—	46
Issued under share option plan	13	11	(1)	—	—	—	—	10
Issued on vesting of restricted share units	13	(2)	(4)	—	—	—	—	(6)
Sol Put Option	12	—	—	—	(494)	—	—	(494)
Reclassification of net gain on Sol Transaction Hedge		—	—	(26)	—	—	—	(26)
As at September 30, 2019		2,364	22	(9)	(494)	(79)	439	2,243

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Corporation

Consolidated Statements of Cash Flows (Unaudited)

(\$ millions)	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Operating activities					
Net earnings (loss)		91	26	48	228
Adjustments for:					
Depreciation and amortization		163	160	465	435
(Gain) loss on asset disposals		2	—	1	—
Share incentive compensation		5	4	15	12
Change in risk management and other derivatives		14	(11)	(14)	(30)
Change in other liabilities and other assets	12	(27)	(13)	(3)	29
Change in fair value of Redemption Options	17	(36)	(31)	38	(68)
Change in redemption value of Sol Put Option	10,17	43	26	(11)	66
Deferred tax expense (recovery)		11	(16)	(7)	(54)
Share of earnings from investment in associate	8,17	(3)	(2)	(7)	(7)
Other operating activities		20	23	37	11
Net change in non-cash working capital related to operating activities	11	(88)	(119)	473	72
Cash generated from (used in) operating activities		195	47	1,035	694
Financing activities					
Net proceeds from (repayments of) the Credit Facility	9	(308)	(573)	(194)	459
Long-term debt repayments, excluding the Credit Facility	9	(403)	—	(425)	(20)
Proceeds from long-term debt, net of financing costs, excluding the Credit Facility	9	(1)	642	395	662
Payments on principal amount on leases	5	(40)	(30)	(114)	(88)
Change in provisions and other liabilities		18	31	(130)	37
Dividends paid to shareholders, net of dividend reinvestment plan		(33)	(30)	(103)	(86)
Dividends paid to non-controlling interest		(16)	—	(16)	—
Net change in non-cash working capital related to financing activities	11	—	(12)	—	(84)
Cash generated from (used in) financing activities		(783)	28	(587)	880
Investing activities					
Sol Transaction, net of Sol Transaction Hedge and cash assumed	15	—	—	—	(948)
USA Acquisitions and others	15	(7)	—	(85)	(27)
Dividends received from investment in associate, net of contributions	8	—	—	10	10
Expenditures on property, plant and equipment and intangible assets		(40)	(126)	(275)	(333)
Change in long-term receivables		(1)	—	8	(14)
Proceeds on asset disposals		2	7	10	10
Cash generated from (used in) investing activities		(46)	(119)	(332)	(1,302)
Increase (decrease) in net cash		(634)	(44)	116	272
Impact of foreign currency translation on cash		(10)	3	5	(6)
Net cash at beginning of period		1,022	347	257	40
Net cash at end of period		378	306	378	306
Represented by:					
Cash and cash equivalents		356	290	356	290
Restricted cash		22	16	22	16
Net cash		378	306	378	306
Supplementary cash flow information:					
Interest paid		(58)	(55)	(175)	(160)
Interest received		—	1	1	2
Income taxes paid		(18)	(59)	(88)	(125)

See accompanying notes to the interim condensed consolidated financial statements.

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020

(\$ millions, unless otherwise stated)

1. CORPORATE INFORMATION

Effective May 15, 2020, Parkland Fuel Corporation amended its articles to change its name to "Parkland Corporation" and adopted "Corporation Parkland" as its French name. Parkland Corporation ("Parkland") is an independent marketer, distributor and refiner of fuel and petroleum products and a convenience retailer. Parkland delivers refined fuels, propane and other high-quality petroleum products to motorists, businesses, consumers and wholesale customers across the Americas. Parkland exists under the Business Corporations Act (Alberta) in Canada and its corporate office is located at Suite 1800, 240 4 Ave SW, Calgary, Alberta, T2P 4H4, Canada. The interim condensed consolidated financial statements include the accounts of Parkland and its subsidiaries and any investments in associates and joint arrangements as at September 30, 2020.

2. BASIS OF PREPARATION

(a) Statement of compliance

Parkland's interim condensed consolidated financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 - Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"). The interim condensed consolidated financial statements do not include all disclosures required in the annual financial statements and should be read in conjunction with Parkland's annual consolidated financial statements for the year ended December 31, 2019 (the "Annual Consolidated Financial Statements").

The consolidated statements of income (loss) for the three and nine months ended September 30, 2019 were reclassified to conform to the presentation used in the current period and in the Annual Consolidated Financial Statements as follows:

- change in fair value of Redemption Options, change in redemption value of Sol Put Option and change in estimates of environmental provision, which were formerly included in finance and other costs, are now included in other (gains) and losses;
- share in earnings from investment in associate and other items formerly included in other income are now included in other (gains) and losses; and
- certain expenses within the Supply segment were reclassified from marketing, general and administrative to operating costs.

Assets under construction have been reclassified from Land improvements, Buildings and structures, and Plant and equipment to a separate category within property, plant and equipment.

These interim condensed consolidated financial statements were approved for issue by the Board of Directors on November 3, 2020.

(b) Basis of measurement

Parkland's interim condensed consolidated financial statements are prepared on a historical cost basis, except for certain items recorded at fair value as detailed in the Annual Consolidated Financial Statements.

(c) Presentation and functional currency

The interim condensed consolidated financial statements are presented in Canadian dollars, which is Parkland's functional currency.

(d) Accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Annual Consolidated Financial Statements, except for government grants as described below.

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

Government grants

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and Parkland will meet the attached conditions. When the grant relates to an expense item, Parkland recognizes it as income over the period necessary to match the grant with the costs that it is intended to compensate. Parkland presents such grants in the consolidated statements of income (loss) as a deduction in reporting the related expense. The presentation approach is applied consistently to all similar grants.

(e) Use of estimates and judgments

The preparation of Parkland's financial statements requires management to make estimates, assumptions and judgments (including those affected by and related to the future effects of the COVID-19 pandemic) that affect the reported amounts of revenue, expenses, assets, liabilities and accompanying disclosures. Accordingly, actual results may differ from estimated amounts as future confirming events occur. Significant estimates and judgments used in the preparation of the interim condensed consolidated financial statements are described in Parkland's Annual Consolidated Financial Statements.

(f) Change in segment presentation

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

3. NET EARNINGS (LOSS) PER SHARE

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net earnings (loss) attributable to Parkland	76	24	29	206
Weighted average number of common shares (000's of shares)	149,064	147,595	148,841	146,515
Effect of dilutive securities (000's of shares)	2,057	2,962	2,004	2,884
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	151,121	150,557	150,845	149,399
Net earnings (loss) per share (\$ per share)				
Basic	0.51	0.16	0.19	1.41
Diluted	0.50	0.16	0.19	1.38

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

4. PROPERTY, PLANT AND EQUIPMENT

Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under construction	Right-of-use assets	Total
Cost							
As at January 1, 2020	975	131	539	2,222	354	614	4,835
Additions and transfers	–	7	35	280	(78)	115	359
2020 USA Acquisitions	15	7	2	18	–	–	42
Change in ARO costs	(1)	–	(1)	29	–	(1)	26
Disposals and other adjustments	(5)	–	(1)	(23)	(4)	(43)	(76)
Exchange differences	8	1	5	14	3	8	39
As at September 30, 2020	984	141	592	2,540	275	693	5,225
Depreciation							
As at January 1, 2020	–	42	137	784	–	125	1,088
Depreciation	–	11	34	194	–	125	364
Disposals and other adjustments	–	–	(1)	(13)	–	(26)	(40)
Exchange differences	–	–	–	3	–	(1)	2
As at September 30, 2020	–	53	170	968	–	223	1,414
Net book value							
As at September 30, 2020	984	88	422	1,572	275	470	3,811

Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under construction	Right-of-use assets ⁽¹⁾	Total
Cost							
As at December 31, 2018	668	107	383	1,683	104	7	2,952
IFRS 16 Adjustment	–	–	–	–	–	239	239
Adjusted balance as at January 1, 2019	668	107	383	1,683	104	246	3,191
Sol Transaction	15	298	25	128	317	62	1,002
Additions and transfers	10	1	28	218	191	239	687
2019 USA Acquisitions	15	15	3	21	–	4	54
Change in ARO costs and other acquisitions	–	–	–	18	–	–	18
Disposals and other adjustments	(7)	(3)	(4)	(19)	(1)	(44)	(78)
Exchange differences	(9)	(2)	(7)	(16)	(2)	(3)	(39)
As at December 31, 2019	975	131	539	2,222	354	614	4,835
Depreciation							
As at January 1, 2019	–	27	92	564	–	2	685
Depreciation	–	16	47	237	–	142	442
Disposals and other adjustments	–	(1)	(1)	(11)	–	(15)	(28)
Exchange differences	–	–	(1)	(6)	–	(4)	(11)
As at December 31, 2019	–	42	137	784	–	125	1,088
Net book value							
As at December 31, 2019	975	89	402	1,438	354	489	3,747

⁽¹⁾ The January 1, 2019 right-of use assets were adjusted to conform with IFRS 16, which replaces IAS 17 and related interpretations.

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020

(\$ millions, unless otherwise stated)

5. LEASES

(a) Parkland as a lessee

The right-of-use assets carried as property, plant and equipment resulting from leases are presented below:

Right-of-use assets	Land, buildings and structures	Shipping vessels	Railcars	Equipment	Other ⁽¹⁾	Total
Cost						
As at January 1, 2020	306	124	90	8	86	614
Additions	38	45	1	5	26	115
Change in ARO costs	(1)	–	–	–	–	(1)
Disposals and other adjustments	(14)	(20)	(7)	(1)	(1)	(43)
Exchange differences	4	3	2	–	(1)	8
As at September 30, 2020	333	152	86	12	110	693
Depreciation						
As at January 1, 2020	39	41	24	2	19	125
Depreciation	33	49	22	2	19	125
Disposals and other adjustments	(3)	(14)	(7)	(1)	(1)	(26)
Exchange differences	–	1	–	–	(2)	(1)
As at September 30, 2020	69	77	39	3	35	223
Net book value						
As at September 30, 2020	264	75	47	9	75	470

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Equipment	Other ⁽¹⁾	Total
Cost							
As at January 1, 2019		187	–	37	4	18	246
Sol Transaction	15	59	83	–	–	30	172
Additions		86	58	55	4	36	239
2019 USA Acquisitions	15	–	–	–	–	4	4
Disposals and other adjustments		(28)	(15)	–	–	(1)	(44)
Exchange differences		2	(2)	(2)	–	(1)	(3)
As at December 31, 2019		306	124	90	8	86	614
Depreciation							
As at January 1, 2019		–	–	–	–	2	2
Depreciation		40	58	25	2	17	142
Disposals and other adjustments		(1)	(14)	–	–	–	(15)
Exchange differences		–	(3)	(1)	–	–	(4)
As at December 31, 2019		39	41	24	2	19	125
Net book value							
As at December 31, 2019		267	83	66	6	67	489

⁽¹⁾ Includes leases related to transloading and storage facilities, vehicles and certain specialized equipment.

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020

(\$ millions, unless otherwise stated)

(b) Amounts recognized in the consolidated statements of income (loss)

The consolidated statements of income (loss) include the following amounts relating to leases:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Depreciation charge on right-of-use assets	42	36	125	101
Interest expense on lease liabilities ⁽¹⁾	8	7	24	21
Other lease expenses ⁽²⁾	20	21	67	60
	70	64	216	182

⁽¹⁾ See Note 16.

⁽²⁾ Other lease expenses include payments for short-term, low-value and/or variable lease payments not included in lease liabilities, but included within operating costs and marketing, general and administrative expenses on the consolidated statements of income (loss).

6. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
As at January 1, 2020		909	311	102	95	1,417
Additions		–	1	3	13	17
Transfers and other adjustments		–	–	–	3	3
2020 USA Acquisitions and others ⁽¹⁾	15	16	15	2	–	33
Disposals		(5)	–	(1)	–	(6)
Exchange differences		11	4	2	1	18
As at September 30, 2020		931	331	108	112	1,482
Amortization						
As at January 1, 2020		320	54	38	40	452
Amortization		60	15	18	8	101
Disposals		(2)	–	(1)	–	(3)
Exchange differences		–	1	–	–	1
As at September 30, 2020		378	70	55	48	551
Net book value						
As at September 30, 2020		553	261	53	64	931

⁽¹⁾ Others include the acquisition of the On The Run trademark.

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

	Note	Customer relationships	Trade names	Other agreements	Software systems	Total
Cost						
As at December 31, 2018		654	250	61	67	1,032
IFRS 16 Adjustment		—	—	(3)	—	(3)
Adjusted balance as at January 1, 2019		654	250	58	67	1,029
Sol Transaction	15	256	59	29	—	344
Additions		1	—	—	28	29
2019 USA Acquisitions	15	9	5	6	—	20
Other Acquisitions		—	—	10	—	10
Exchange differences		(11)	(3)	(1)	—	(15)
As at December 31, 2019		909	311	102	95	1,417
Amortization						
As at January 1, 2019		239	36	19	24	318
Amortization		80	18	19	16	133
Exchange differences		1	—	—	—	1
As at December 31, 2019		320	54	38	40	452
Net book value						
As at December 31, 2019		589	257	64	55	965

7. GOODWILL

	Note	January 1, 2020 to September 30, 2020	January 1, 2019 to December 31, 2019
Goodwill, beginning of period		1,811	1,305
Sol Transaction	15	—	505
USA Acquisitions	15	34	21
Other Acquisitions		—	2
Exchange differences		19	(22)
Goodwill, end of period		1,864	1,811

8. OTHER LONG-TERM ASSETS

	Note	September 30, 2020	December 31, 2019
Investment in associate ⁽¹⁾		157	152
Redemption Options	10	85	109
Long-term prepaid expenses, deposits and other assets		41	40
		283	301

⁽¹⁾ Investment in associate includes an investment in Société Anonyme de la Raffinerie des Antilles ("SARA Refinery").

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

For the three and nine months ended September 30, 2020

(\$ millions, unless otherwise stated)

9. LONG-TERM DEBT

	September 30, 2020	December 31, 2019
Credit Facility (a)	427	610
Unamortized deferred financing costs	(2)	–
	425	610
Senior Notes (b)		
5.50% Senior Notes ⁽¹⁾	–	200
6.00% Senior Notes ⁽¹⁾	–	200
5.75% Senior Notes, due 2024	300	300
5.625% Senior Notes, due 2025	500	500
6.00% US\$500 Senior Notes, due 2026	666	648
6.50% Senior Notes, due 2027	300	300
5.875% US\$500 Senior Notes, due 2027	666	648
6.00% Senior Notes, due 2028	400	–
Unamortized premium: Redemption Options	31	27
Unamortized discount: deferred financing costs	(33)	(35)
	2,830	2,788
Other notes	11	14
Credit Facility, Senior Notes, and Other notes	3,266	3,412
Lease obligations ⁽²⁾	519	526
Total long-term debt	3,785	3,938
Less: current portion of Credit Facility, Senior Notes and Other notes	(4)	(3)
Less: current portion of Lease obligations	(118)	(112)
Long-term debt	3,663	3,823

⁽¹⁾ Parkland repaid the 5.50% Senior Notes and 6.00% Senior Notes prior to maturity on July 21, 2020.

⁽²⁾ Parkland has included extension options in the calculation of the lease liabilities in limited circumstances where it has the right to extend a lease term at its discretion and is reasonably certain to exercise the extension option.

Estimated principal repayments of the Credit Facility, Senior Notes, and other notes are as follows:

	2020	2021	2022	2023	2024	Thereafter	Interest included in minimum lease payments	Total
Credit Facility (a)	–	–	–	427	–	–	–	427
Senior Notes (b)								
5.75% Senior Notes, due 2024	–	–	–	–	300	–	–	300
5.625% Senior Notes, due 2025	–	–	–	–	–	500	–	500
6.00% US Senior Notes, due 2026	–	–	–	–	–	666	–	666
6.50% Senior Notes, due 2027	–	–	–	–	–	300	–	300
5.875% US Senior Notes, due 2027	–	–	–	–	–	666	–	666
6.00% Senior Notes, due 2028	–	–	–	–	–	400	–	400
Other notes	1	6	1	2	1	–	–	11
Undiscounted Future Lease Payments	48	142	99	81	58	250	(159)	519
	49	148	100	510	359	2,782	(159)	3,789

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(a) Credit Facility

On January 8, 2019, in connection with the Sol Transaction, the existing Credit Facility was amended and restated to expand the available facility and extend the maturity date. The facility was further amended on June 9, 2020, among other things, to expand the commitments under the existing syndicated facility by \$300 (the "Credit Facility"). The Credit Facility includes a combined revolving facility amount of US\$780 and \$700 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.

Details on the Credit Facility as at September 30, 2020 are as follows:

	Rate	Maturity date	Effective rate	Balance
\$400 Canadian Revolving Facility				
Canadian Prime Rate Loan	Prime + 0.70%	January 8, 2023	3.15%	–
\$300 Canadian Incremental Syndicated Tranche				
Canadian Prime Rate Loan	Prime + 1.20%	January 8, 2023	3.65%	–
US\$780 Revolving Facility				
US Prime Rate Loan	Prime + 0.70%	January 8, 2023	3.95%	–
US LIBOR Loan	LIBOR + 1.70%	January 8, 2023	1.86%	396
Other USD Loans	Various	January 8, 2023	4.45%	31
Outstanding borrowings under the Credit Facility				427

Security on the Credit Facility consists of the assignment of insurance and a floating charge demand debenture, creating a first floating charge over all of Parkland's property and assets, except for those secured under the Intermediation Facility (see Note 10). Additionally, certain subsidiaries have provided security in connection with the Credit Facility.

Parkland provides guarantees on behalf of its subsidiaries in the form of letters of credit and surety bonds in the ordinary course of business. As at September 30, 2020, these guarantees amounted to \$297 (December 31, 2019 - \$272) and are not recognized in the interim condensed consolidated financial statements. Maturity dates for these guarantees vary and are up to and including May 22, 2022.

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

(b) Senior Notes

The Senior Notes are unsecured obligations guaranteed by Parkland's subsidiaries, summarized as follows:

	Private placement date	Maturity date	Principal amount
5.75% Senior Notes	September 16, 2016	September 16, 2024	300
5.625% Senior Notes	May 9, 2017	May 9, 2025	500
6.00% US Senior Notes	March 23, 2018	April 1, 2026	666
6.50% Senior Notes	November 21, 2018	January 21, 2027	300
5.875% US Senior Notes	July 10, 2019	July 15, 2027	666
6.00% Senior Notes	June 23, 2020	June 23, 2028	400
			2,832

The Senior Notes contain covenants that limit Parkland's ability to incur additional debt, make certain restricted payments and investments, create liens, enter into transactions with affiliates, and consolidate, merge, transfer or sell all or substantially all of its property and assets. Interest on the Senior Notes is paid semi-annually and is recorded in finance costs. See Note 16.

6.00% Senior Notes, due 2028

On June 23, 2020, Parkland completed the private offering of \$400 aggregate principal amount of senior unsecured notes due June 23, 2028 (the "2020 Senior Notes"). The 6.00% Senior Notes due 2028 were priced at par and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears beginning December 23, 2020. Parkland used the net proceeds from the offering to repay its \$200 5.50% Senior Notes and the \$200 6.00% Senior Notes on July 21, 2020.

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5.50% Senior Notes and 6.00% Senior Notes

On July 21, 2020, Parkland repaid the 5.50% Senior Notes and the 6.00% Senior Notes. The \$200 5.50% Senior Notes were redeemed at par and the \$200 6.00% Senior notes were redeemed for 101.5% of the principal amount. The loss on the exercise of the prepayment option was recorded in finance costs.

(c) Net Investment Hedge

Parkland has designated certain USD-denominated debt and payable balances as a net investment hedge to mitigate foreign exchange risk related to foreign operations ("Net Investment Hedge") for which the US dollar is the functional currency. During the three and nine months ended September 30, 2020, Parkland recognized a foreign exchange gain, net of tax, of \$35 and a loss, net of tax, of \$30, respectively (2019 - loss, net of tax of \$15 and loss, net of tax of \$18) on these balances, representing the effective portion of the hedge in other comprehensive income (loss), offsetting exchange differences on translation of foreign operations.

10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT ACTIVITIES

Parkland's financial instruments consist of cash and cash equivalents, restricted cash, accounts receivable, long-term receivables, risk management and other derivative assets, substantially all accounts payable and accrued liabilities, dividends declared and payable, long-term debt, risk management and other derivative liabilities, prepaid expenses and other, and certain portions of other long-term assets and other liabilities.

(a) Fair value measurement hierarchy

The fair value hierarchy for Parkland's financial assets and liabilities measured at fair value is as follows:

Fair value as at September 30, 2020				
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	1	–	1
Currency forward exchange contracts	–	10	–	10
Other derivatives				
Emission credits and allowances	–	32	–	32
Risk management and other derivatives - assets	–	43	–	43
Risk management derivatives				
Commodities swaps, forwards and futures contracts	–	(1)	–	(1)
Other derivatives				
Emission credits and allowances	–	(13)	–	(13)
Risk management and other derivatives - liabilities	–	(14)	–	(14)
Other items included in other long-term assets				
Redemption Options (b)	–	85	–	85
Others	–	–	13	13
Other items included in other long-term assets	–	85	13	98
Other derivatives included in provisions and other liabilities				
Sol Put Option (c)	–	–	(490)	(490)
Other derivatives included in prepaid expenses and other				
Intermediation Facility Derivatives	–	3	–	3

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	Fair value as at December 31, 2019			Total
	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	
Risk management derivatives				
Commodities swaps, forwards and futures contracts	—	1	—	1
Other derivatives				
Emission credits and allowances	—	24	—	24
Risk management and other derivatives - assets	—	25	—	25
Risk management derivatives				
Commodities swaps, forwards and futures contracts	—	(8)	—	(8)
Other derivatives				
Emission credits and allowances	—	(3)	—	(3)
Risk management and other derivatives - liabilities	—	(11)	—	(11)
Other items included in other long-term assets				
Redemption Options (b)	—	109	—	109
Others	—	—	13	13
Other items included in other long-term assets	—	109	13	122
Other derivatives included in provisions and other liabilities				
Intermediation Facility Derivatives	—	(9)	—	(9)
Sol Put Option	—	—	(486)	(486)
Other derivatives included in provisions and other liabilities	—	(9)	(486)	(495)

There were no transfers between fair value measurement hierarchy levels during the nine months ended September 30, 2020.

(b) Redemption Options

The Senior Unsecured Notes contain optional redemption features that allow Parkland to redeem the notes prior to maturity at a premium (the "Redemption Options"). The Redemption Options are accounted for as embedded derivative financial instruments and carried at a fair value of \$85 as at September 30, 2020 (December 31, 2019 - \$109) within other long-term assets. The Redemption Options related to the 2020 Senior Notes were ascribed a fair value of \$9 on initial recognition on June 23, 2020. The carrying value of the notes was also increased by the same amount.

(c) Sol Put Option

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 Sol Investments SEZC ("SIL", previously named as Sol Investments Limited) 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 Business Combination Agreement (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 and is exercisable only once in a calendar year. The Sol Call Option has no separate value as it is exercisable at Parkland's discretion.

The Sol Put Option is carried at redemption value of \$490 as at September 30, 2020. During the three and nine months ended September 30, 2020, a change in redemption value representing a loss of \$43 and gain of \$11, respectively, (2019 - loss of \$20 and \$69) was recorded within other (gains) and losses. See Note 17. Significant unobservable inputs and assumptions include: (i) a contractually-defined trailing-twelve-month adjusted EBITDA of Sol multiplied by 8.5; (ii) other adjustments as defined in the Sol Agreement; and (iii) a discount rate of 5.000% (December 31, 2019 - 5.125%). An increase in adjusted EBITDA would result in an increase to the liability associated with the Sol Put Option. A 1% change in the discount rate would decrease or increase the liability associated with the Sol Put Option by \$4 (December 31, 2019 - \$7).

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(d) Other financial instruments

The carrying values of cash and cash equivalents, restricted cash, accounts receivable, accounts payable and accrued liabilities, and dividends declared and payable approximate their fair values as at September 30, 2020 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at September 30, 2020, as Parkland currently issues loans and advances to dealers and customers at market terms. The Senior Unsecured Notes have a carrying value of \$2,832 and an estimated fair value of \$2,961 as at September 30, 2020 (December 31, 2019 - \$2,796 and \$2,939 respectively). The carrying value of other long-term debt and other liabilities approximates fair value as at September 30, 2020, as the interest rate on the long-term debt is adjusted periodically or liabilities were recently incurred.

(e) Offsetting

Parkland enters into enforceable netting arrangements that allow for the offsetting of financial assets and liabilities. The following financial assets and financial liabilities are subject to offsetting on the consolidated balance sheets:

	September 30, 2020			December 31, 2019		
	Gross amount	Amount offset	Net	Gross amount	Amount offset	Net
Risk management and other derivatives – assets	49	(6)	43	29	(4)	25
Risk management and other derivatives – liabilities	(20)	6	(14)	(15)	4	(11)

II. SUPPLEMENTAL CASH FLOW INFORMATION

Net change in non-cash working capital

(a) Operating activities

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Accounts receivable	(11)	47	362	(31)
Inventories	(32)	17	243	(115)
Prepaid expenses and other	(7)	(1)	(14)	(55)
Accounts payable and accrued liabilities	(64)	(143)	(46)	198
Income taxes payable	17	(22)	(36)	42
Income taxes receivable	(5)	–	(33)	21
Deferred revenue	14	(17)	(3)	12
Total net change in non-cash working capital related to operating activities	(88)	(119)	473	72

(b) Financing activities

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Accounts receivable	–	(12)	–	(84)
Total net change in non-cash working capital related to financing activities	–	(12)	–	(84)

Parkland Corporation

Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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(\$ millions, unless otherwise stated)

12. PROVISIONS AND OTHER LIABILITIES

	Note	September 30, 2020	December 31, 2019
Intermediation Facility (a)		181	302
Intermediation Facility Derivatives (a)		–	9
Asset retirement obligations - current (b)		11	12
Environmental provision - current		1	–
Deferred revenue		22	22
Short-term deposits, provisions and other		5	–
Provisions and other liabilities - current		220	345
Sol Put Option (c)	10	490	486
Asset retirement obligations - non-current (b)		358	324
Environmental Provision - non-current		80	72
Employee benefits and other		36	34
Long-term deposits, provisions and other		32	28
DSU liability	13	10	12
Provisions and other liabilities - non-current		1,006	956

(a) 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. The Intermediation Facility involves structured purchases and sales of crude oil, refined products and other hydrocarbons (collectively, "Hydrocarbons"). The Intermediation Facility has a funding limit of: (i) up to US\$125 of accounts receivable balances; and (ii) the cost of Hydrocarbon inventory volumes up to 2,590 Mbbls. The Intermediation Facility is secured by Hydrocarbons and accounts receivable balances funded under the Intermediation Facility on a first-lien basis.

For the three and nine months ended September 30, 2020, a realized loss of \$1 and gain of \$34, respectively, (2019 - loss of \$5 and \$23) and an unrealized gain of nil and \$9, respectively, (2019 - gain of \$5 and loss of \$6) relating to the Intermediation Facility Derivatives are included within cost of purchases on the consolidated statements of income (loss).

(b) Asset retirement obligations

	Note	January 1, 2020 to September 30, 2020	January 1, 2019 to December 31, 2019
Asset retirement obligations, beginning of period		336	219
Additional provisions made in the period		9	22
Sol transaction and other acquisitions	15	3	102
Obligations settled during the period		(3)	(9)
Change due to passage of time, discount rate and inflation rate		20	6
Change due to foreign exchange		4	(4)
Asset retirement obligations, end of period		369	336
Current		11	12
Non-current		358	324
Asset retirement obligations, end of period		369	336

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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As at September 30, 2020, the inflation rate used to determine the value of future asset retirement costs ranged from 2.20% to 2.26% (December 31, 2019 - 2.20% to 2.26%) and the discount rates used to determine the present value of the future asset retirement costs ranged from 2.92% to 3.49% (December 31, 2019 - 3.43% to 3.86%). The total undiscounted estimated future cash flows required to settle Parkland's asset retirement obligations ("ARO") were \$607 as at September 30, 2020 (December 31, 2019 - \$601). These costs are expected to be paid up to the year 2068 (December 31, 2019 - 2068).

(c) Sol Put Option

	Note	January 1, 2020 to September 30, 2020	January 1, 2019 to December 31, 2019
Sol Put Option, beginning of period		486	—
Initial valuation, January 8, 2019		—	494
Change in redemption value of Sol Put Option	17	(11)	6
Exchange differences		15	(14)
Sol Put Option, end of period		490	486

See Note 10(c) for details.

13. SHAREHOLDERS' CAPITAL

(a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and an unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding. Changes to shareholders' capital are as follows:

	January 1, 2020 to September 30, 2020		January 1, 2019 to December 31, 2019	
	Number of common shares (000's)	Amount (\$ millions)	Number of common shares (000's)	Amount (\$ millions)
Shareholders' capital, beginning of period	148,205	2,382	133,668	1,886
Shares issued on Sol Transaction	—	—	12,231	423
Shares issued on ConoMart Acquisition	48	1	—	—
Issued under dividend reinvestment plan, net of costs	879	33	1,524	62
Issued under share option plan	369	8	482	12
Issued on vesting of restricted share units	49	4	300	(1)
Shareholders' capital, end of period	149,550	2,428	148,205	2,382

(b) Share options, restricted share units, and deferred share units

Details of share options, restricted share units ("RSUs") and deferred share units ("DSUs") held by officers and employees are summarized as follows:

(000's)	September 30, 2020	December 31, 2019
Number of share options outstanding	3,782	3,610
Number of share options outstanding and exercisable	2,435	2,235
Number of RSUs outstanding	1,903	981
Number of DSUs outstanding	284	250

Expenses related to share options, RSUs and DSUs for the three and nine months ended September 30, 2020 are \$5 and \$15, respectively (2019 - \$4 and \$12). The liability recorded for DSUs in provisions and other liabilities as at September 30, 2020 is \$10 (December 31, 2019 - \$12).

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited) For the three and nine months ended September 30, 2020

(\$ millions, unless otherwise stated)

(c) Base shelf prospectus

On August 17, 2020, Parkland filed a base shelf prospectus ("Shelf Prospectus") for common shares, preferred shares, subscription receipts, warrants, debentures, notes and other evidence of indebtedness, as well as convertible securities and units composed of one or more of the aforementioned (collectively, the "Securities") with an aggregate offering amount of up to \$2,000. The Shelf Prospectus allows for the offering of the Securities from time to time in one or more offerings. Terms of the Securities, including, but not limited to, prices or maturity dates, will be determined at the date of issue. The Shelf Prospectus expires on September 17, 2022.

14. NON-CONTROLLING INTEREST

Parkland's non-controlling interest ("NCI") represents a third party's 25% ownership interest in Sol. The businesses and assets included in Sol are predominantly located in the Caribbean and northern coast of South America. NCI is classified as a component of total equity.

Summarized financial information of Sol is provided below and is based on amounts before intercompany eliminations.

	September 30, 2020	December 31, 2019
Current assets	645	748
Non-current assets	1,549	1,541
Current liabilities	(299)	(382)
Non-current liabilities	(463)	(502)
Total equity	1,432	1,405
Attributable to Parkland	1,074	1,054
Attributable to NCI	358	351

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Sales and operating revenue	798	1,157	2,730	3,502
Cost of purchases	644	1,010	2,321	3,031
Adjusted gross profit ⁽¹⁾	157	151	435	470
Adjusted EBITDA attributable to NCI ⁽¹⁾	26	20	66	68
Net earnings (loss) attributable to NCI	15	2	19	22
Total comprehensive income (loss) attributable to NCI	(4)	2	23	23
Dividends paid to NCI	16	—	16	—

⁽¹⁾ See Note 19 for the calculation of Adjusted gross profit and Adjusted EBITDA attributable to NCI.

15. BUSINESS COMBINATIONS AND ACQUISITIONS

(a) USA Acquisitions

During the nine months ended September 30, 2020, Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interests of Kellerstrass Enterprises, LLC, as well as equity interests and the assets of certain of its affiliates (collectively the "Kellerstrass Acquisition") on February 14, 2020; and (ii) certain ConoMart retail sites located in and around Billings, Montana (collectively the "ConoMart Acquisition") on May 13, 2020 (collectively the "2020 USA Acquisitions"). The Kellerstrass Acquisition was accounted for as a business combination, and the ConoMart Acquisition was accounted for as an asset acquisition. Parkland expects to finalize the purchase price allocation for the Kellerstrass Acquisition no later than one year from the acquisition date.

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During the year ended December 31, 2019, Parkland successfully completed the acquisition of: (i) all of the issued and outstanding equity interests of Tropic Oil Company, Inc. as well as equity interest and the assets of certain of its affiliates (collectively "Tropic"); (ii) certain assets and liabilities of Ken Bettridge Distributing Inc. ("KB Oil"); and (iii) certain assets and liabilities of Mort Distributing Inc. ("Mort"), all of which were accounted for as individually separate business combinations (collectively the "2019 USA Acquisitions"). There were no changes to the fair values of the identifiable assets and liabilities of the 2019 USA Acquisitions. Parkland finalized the fair values of the identifiable assets and liabilities of KB Oil during the nine months ended September 30, 2020 and expects to finalize these amounts for Tropic and Mort no later than one year from the respective acquisition dates.

(b) Sol Transaction

Parkland successfully completed the acquisition of 75% of the outstanding shares of SIL on January 8, 2019 (the "Sol Transaction") for purchase price consideration of \$1,380, consisting of cash consideration of \$960 net of estimated cash assumed, working capital adjustments of \$9, gain on a US dollar currency hedge of \$12 and fair value of share consideration of \$423 (representing 12.2 million common shares calculated using the trading price of \$34.56 per share) in respect of the purchase price under the Sol Agreement. The issuance of common shares resulted in the non-controlling shareholders of SIL owning 9.9% of the outstanding shares of Parkland immediately after closing. The cash consideration of the Sol Transaction was primarily financed through the Credit Facility (see Note 9).

The businesses and assets included in the Sol Transaction are predominantly located in the Caribbean and northern coast of South America and consisted of: (i) Sol's retail businesses, which include 268 company-owned or company-leased sites and 239 dealer-owned and dealer-operated sites under brands such as Shell, Esso and Sol; (ii) Sol's supply and distribution businesses, which include owned or leased infrastructure assets including 32 import terminals, 7 pipelines, 3 marine berths and 10 charter ships; (iii) Sol's commercial and industrial businesses, which supply gasoline, diesel, fuel oil, propane and lubricants; and (iv) Sol's aviation businesses, which operate in 13 countries. The Sol Transaction provides Parkland access to key markets in 23 countries and comprehensive supply infrastructure in the Caribbean and northern coast of South America.

In addition, the Sol Agreement includes the Sol Call Option and the Sol Put Option. See Notes 10(c) and 12(c) for details. There were no changes to the fair values of the identifiable assets and liabilities of the Sol Transaction presented in the Annual Consolidated Financial Statements, which were finalized during the nine months ended September 30, 2020.

(c) Other information

Details of acquisition, integration and other costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Acquisition costs	2	12	5	19
Integration costs	2	16	4	43
Restructuring and other costs ⁽¹⁾	5	—	29	15
Acquisition, integration and other costs	9	28	38	77

⁽¹⁾ Restructuring and other costs for the three and nine months ended September 30, 2020 include \$4 and \$28 respectively in restructuring costs.

16. FINANCE COSTS

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Interest on leases	5	8	7	24	21
Interest on long-term debt		51	50	153	147
Amortization, accretion and other finance costs		4	4	15	27
		63	61	192	195

Parkland Corporation

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17. OTHER (GAINS) AND LOSSES

	Note	Three months ended September 30,		Nine months ended September 30,	
		2020	2019	2020	2019
Change in redemption value of Sol Put Option	12	43	20	(11)	69
Change in fair value of Redemption Options	10	(36)	(31)	38	(68)
Change in estimates of environmental provision ⁽¹⁾	12	7	20	9	23
Share in earnings from investment in associate		(3)	(2)	(7)	(7)
Other		(2)	(3)	(11)	(11)
		9	4	18	6

⁽¹⁾ As at September 30, 2020, the inflation rate used to determine the value of future costs related to environmental activities ranged from 2.20% to 2.26% (December 31, 2019 - 2.20% to 2.26%) and the discount rates used to determine the present value of the future costs related to environmental activities ranged from 2.92% to 3.13% (December 31, 2019 - 3.43% to 3.46%).

18. SALES AND OPERATING REVENUE

The following table presents Parkland's revenue disaggregated by product type, amount and segment:

	Canada ⁽⁵⁾		International		USA		Supply ⁽⁵⁾		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the three months ended September 30,										
Gas and diesel	1,557	2,107	662	917	359	302	285	394	2,863	3,720
Liquid petroleum gas ⁽¹⁾	21	20	9	11	3	3	74	91	107	125
Other fuel and petroleum products ⁽²⁾	–	–	90	183	1	1	133	271	224	455
Fuel and petroleum product revenue	1,578	2,127	761	1,111	363	306	492	756	3,194	4,300
Convenience store ⁽³⁾	105	102	4	11	37	34	–	–	146	147
Lubricants	9	12	16	21	81	62	–	–	106	95
Other non-fuel ⁽⁴⁾	29	38	17	14	10	7	3	4	59	63
Non-fuel revenue	143	152	37	46	128	103	3	4	311	305
Sales and operating revenue	1,721	2,279	798	1,157	491	409	495	760	3,505	4,605

	Canada ⁽⁵⁾		International		USA		Supply ⁽⁵⁾		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the nine months ended September 30,										
Gas and diesel	4,290	6,170	2,200	2,718	1,033	809	796	1,262	8,319	10,959
Liquid petroleum gas ⁽¹⁾	112	120	29	33	13	12	269	311	423	476
Other fuel and petroleum products ⁽²⁾	–	–	392	608	4	6	495	743	891	1,357
Fuel and petroleum product revenue	4,402	6,290	2,621	3,359	1,050	827	1,560	2,316	9,633	12,792
Convenience store ⁽³⁾	291	294	10	12	98	82	–	–	399	388
Lubricants	29	39	47	69	244	179	–	–	320	287
Other non-fuel ⁽⁴⁾	97	115	52	62	30	22	6	8	185	207
Non-fuel revenue	417	448	109	143	372	283	6	8	904	882
Sales and operating revenue	4,819	6,738	2,730	3,502	1,422	1,110	1,566	2,324	10,537	13,674

⁽¹⁾ Liquid petroleum gas includes propane and butane.

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

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

⁽⁴⁾ Other non-fuel includes rent, freight, tanks and parts installation, cylinder exchanges, and other products and services.

⁽⁵⁾ For comparative purposes, information for the three and nine months ended September 30, 2019 was restated due to changes in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020.

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Notes to the Interim Condensed Consolidated Financial Statements (Unaudited)

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19. SEGMENT INFORMATION

Parkland's reportable operating segments are differentiated by the nature of their products, services, and geographic boundaries. Parkland also reports activities not directly attributable to an operating segment under Corporate. As a result of a re-organization undertaken during the first quarter of 2020, the Canada Retail and Canada Commercial segments were combined to form the new Canada segment, with no changes to any other segment. The operations in each segment are defined as follows:

Canada

Canada (formerly "Canada Retail" and "Canada Commercial") supplies and supports a coast-to-coast network of retail gas stations, cardlock sites, bulk fuel, propane, heating oil, lubricants, and other related services to commercial, industrial, and residential customers. Canada operates under five key retail fuel brands: Ultramar, Esso, Fas Gas Plus, Chevron, and Pioneer. In addition, Canada operates a leading convenience store brand, On the Run / Marché Express, as well as other convenience store brands that will be migrated over time to the On the Run / Marché Express brand where appropriate. Canada also serves its commercial customer base through a family of brands including Ultramar, Bluewave Energy, Pipeline Commercial, Chevron, Columbia Fuels, and Sparlings Propane.

International

International represents the contributions of the Sol business that was acquired on January 8, 2019, which includes operations in 23 countries predominantly located in the Caribbean and northern coast of South America. International operates and services a network of retail service stations under brands including Sol, Esso and Shell. International also serves commercial, industrial and aviation businesses.

USA

USA operates and services a network of retail service stations and delivers gasoline, distillates, propane and lubricating oils in the United States. Brands operated by USA include SPF Energy, Farstad Oil, Superpumper, Rhinehart, Tropic, ConoMart, and Kellerstrass.

Supply

Supply is responsible for managing Parkland's fuel supply contracts, purchasing fuel from refiners, refining and marketing fuel, transporting and distributing fuel through ships, rail and highway carriers, storing fuel in owned and leased facilities, and serving wholesale and reseller customers. The profits are derived through refining, supply logistics management, aviation fuel sales, and wholesale fuel sales.

Corporate

Corporate 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.

General information

Depreciation and amortization, finance costs, acquisition, integration and other costs, (gain) loss on risk management and other derivatives – unrealized, (gain) loss on foreign exchange – unrealized, other (gains) and losses, (gain) loss on asset disposals and income taxes are not allocated to segments because they are not reviewed as part of segment information by the chief operating decision maker. Accordingly, there are certain asymmetries in the allocation of net earnings (loss) to segments with respect to these items.

The segregation of total assets and total liabilities is not practical, as the balance sheets of the reportable segments are not presented to or reviewed by the chief operating decision maker. Similarly, intersegment sales are not presented to or reviewed by the chief operating decision maker. Intersegment sales are eliminated from sales and operating revenue and cost of purchases of the selling segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Parkland Corporation

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(\$ millions, unless otherwise stated)

Geographic information

Sales and operating revenue from external customers	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Canada	2,049	2,715	5,709	8,052
United States	840	942	2,542	2,745
Other countries	616	948	2,286	2,877
Total	3,505	4,605	10,537	13,674

	September 30, 2020			
	Canada	United States	Other Countries	Consolidated
Property, plant and equipment	2,532	240	1,039	3,811
Intangible assets	540	120	271	931
Goodwill	1,153	192	519	1,864
Total	4,225	552	1,829	6,606

	December 31, 2019			
	Canada	United States	Other Countries	Consolidated
Property, plant and equipment	2,542	202	1,003	3,747
Intangible assets	572	92	301	965
Goodwill	1,165	151	495	1,811
Total	4,279	445	1,799	6,523

Parkland Corporation

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(\$ millions, unless otherwise stated)

Segment information	Canada ⁽⁶⁾		International		USA		Supply ⁽⁶⁾		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the three months ended September 30,												
Fuel and petroleum product volume (million litres)⁽¹⁾	2,309	2,484	1,112	1,204	653	455	1,250	1,479	–	–	5,324	5,622
Sales and operating revenue⁽²⁾	1,721	2,279	798	1,157	491	409	495	760	–	–	3,505	4,605
Cost of purchases												
Fuel and petroleum product cost of purchases	1,374	1,939	634	992	331	284	303	513	–	–	2,642	3,728
Non-fuel cost of purchases	93	94	10	18	94	77	3	2	–	–	200	191
Cost of purchases	1,467	2,033	644	1,010	425	361	306	515	–	–	2,842	3,919
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit, before the following:	204	188	127	119	32	22	189	243	–	–	552	572
Gain (loss) on risk management and other derivatives - realized	(1)	–	(3)	(1)	–	–	(1)	(5)	–	–	(5)	(6)
Gain (loss) on foreign exchange - realized	–	–	6	5	–	–	–	(2)	11	1	17	4
Other adjusting items to Adjusted gross profit ⁽⁵⁾	–	–	–	–	–	–	–	(5)	(1)	–	(1)	(5)
Fuel and petroleum product adjusted gross profit	203	188	130	123	32	22	188	231	10	1	563	565
Non-fuel adjusted gross profit	50	58	27	28	34	26	–	2	–	–	111	114
Total adjusted gross profit	253	246	157	151	66	48	188	233	10	1	674	679
Operating costs ⁽⁵⁾	106	116	36	43	34	26	60	75	–	–	236	260
Marketing, general and administrative ⁽⁵⁾	19	27	21	27	9	5	6	12	22	29	77	100
Other adjusting items to Adjusted EBITDA ⁽⁴⁾	–	(1)	(3)	(2)	–	–	–	–	–	–	(3)	(3)
Adjusted EBITDA including NCI	128	104	103	83	23	17	122	146	(12)	(28)	364	322
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	128	104	77	63	23	17	122	146	(12)	(28)	338	302
Attributable to NCI	–	–	26	20	–	–	–	–	–	–	26	20
Adjusted EBITDA including NCI	128	104	103	83	23	17	122	146	(12)	(28)	364	322
Acquisition, integration and other costs	–	–	–	–	–	–	–	–	–	–	9	28
Depreciation and amortization	–	–	–	–	–	–	–	–	–	–	163	160
Finance costs	–	–	–	–	–	–	–	–	–	–	63	61
(Gain) loss on foreign exchange - unrealized	–	–	–	–	–	–	–	–	–	–	(1)	17
(Gain) loss on asset disposals	–	–	–	–	–	–	–	–	–	–	2	7
(Gain) loss on risk management and other derivatives - unrealized	–	–	–	–	–	–	–	–	–	–	(16)	1
Other (gains) and losses	–	–	–	–	–	–	–	–	–	–	9	4
Other adjusting items ⁽⁵⁾⁽⁴⁾	–	–	–	–	–	–	–	–	–	–	2	(2)
Income tax expense (recovery)	–	–	–	–	–	–	–	–	–	–	42	20
Net earnings (loss)											91	26
Attributable to Parkland	–	–	–	–	–	–	–	–	–	–	76	24
Attributable to NCI	–	–	–	–	–	–	–	–	–	–	15	2
Property, plant and equipment and intangible asset additions	12	43	9	26	3	4	8	37	3	14	35	124
Property, plant and equipment, intangible asset and goodwill acquisitions ⁽⁷⁾	–	–	–	20	–	–	–	–	–	–	–	20

⁽¹⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽²⁾ See Note 18 for further details on sales and operating revenue.

⁽³⁾ Other adjusting items to Adjusted gross profit include the following: (i) Supply: a nil unrealized gain (2019 - \$5 of unrealized gain) on the Intermediation Facility Derivatives within fuel and petroleum product cost of purchases, and (ii) Corporate: \$1 (2019 - nil) gain on foreign exchange on cash pooling arrangements within gain (loss) on foreign exchange - realized.

⁽⁴⁾ Other adjusting items to Adjusted EBITDA include the following: (i) International: income from equity investments of \$3 (2019 - \$2), and (ii) Canada: customer finance income of nil (2019 - \$1).

⁽⁵⁾ Operating costs and marketing, general and administrative expenses are presented net of Canada Emergency Wage Subsidy ("CEWS") of \$9 and \$8 respectively (2019 - nil and nil) for the three months ended September 30, 2020, of which \$10 relates to Canada (operating costs - \$6; marketing, general and administrative expenses - \$4), \$4 relates to Supply (operating costs - \$3; marketing, general and administrative expenses - \$1) and \$3 relates to Corporate (operating costs - nil; marketing, general and administrative expenses - \$3).

⁽⁶⁾ For comparative purposes, information for the three months ended September 30, 2020 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020. Additionally, certain expenses within the Supply segment were reclassified from marketing, general and administrative to operating costs.

⁽⁷⁾ In 2019, Parkland revised the preliminary purchase price allocation of the Sol Transaction. These adjustments were applied retrospectively to the acquisition date, and the revised fair values of property, plant and equipment, intangible asset and goodwill acquisitions from the Sol Transaction are presented in the above table. These amounts were finalized during the three months ended March 31, 2020.

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(\$ millions, unless otherwise stated)

Segment information	Canada ⁽⁶⁾		International		USA		Supply ⁽⁶⁾		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
For the nine months ended September 30,												
Fuel and petroleum product volume (million litres)⁽¹⁾	6,497	7,404	3,730	3,537	1,865	1,180	3,916	4,362	–	–	16,008	16,483
Sales and operating revenue⁽²⁾	4,819	6,738	2,730	3,502	1,422	1,110	1,566	2,324	–	–	10,537	13,674
Cost of purchases												
Fuel and petroleum product cost of purchases	3,848	5,718	2,285	2,972	946	770	1,144	1,555	–	–	8,223	11,015
Non-fuel cost of purchases	276	290	36	59	278	210	4	3	–	–	594	562
Cost of purchases	4,124	6,008	2,321	3,031	1,224	980	1,148	1,558	–	–	8,817	11,577
Adjusted gross profit												
Fuel and petroleum product adjusted gross profit, before the following:	554	572	336	387	104	57	416	761	–	–	1,410	1,777
Gain (loss) on risk management and other derivatives - realized	(1)	–	23	(1)	–	–	21	(3)	–	–	43	(4)
Gain (loss) on foreign exchange - realized	(1)	–	3	–	–	–	(11)	5	(3)	–	(12)	5
Other adjusting items to Adjusted gross profit ⁽⁵⁾	4	–	–	–	–	–	(4)	6	3	–	3	6
Fuel and petroleum product adjusted gross profit	556	572	362	386	104	57	422	769	–	–	1,444	1,784
Non-fuel adjusted gross profit	141	158	73	84	94	73	2	5	–	–	310	320
Total adjusted gross profit	697	730	435	470	198	130	424	774	–	–	1,754	2,104
Operating costs ⁽⁵⁾	316	356	117	129	104	70	201	239	–	–	738	794
Marketing, general and administrative ⁽⁵⁾	59	84	63	74	31	19	21	28	66	85	240	290
Other adjusting items to Adjusted EBITDA ⁽⁴⁾	(1)	(2)	(9)	(9)	–	–	–	–	–	–	(10)	(11)
Adjusted EBITDA including NCI	323	292	264	276	63	41	202	507	(66)	(85)	786	1,031
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	323	292	198	208	63	41	202	507	(66)	(85)	720	963
Attributable to NCI	–	–	66	68	–	–	–	–	–	–	66	68
Adjusted EBITDA including NCI	323	292	264	276	63	41	202	507	(66)	(85)	786	1,031
Acquisition, integration and other costs											38	77
Depreciation and amortization											465	435
Finance costs											192	195
(Gain) loss on foreign exchange - unrealized											(2)	(26)
(Gain) loss on asset disposals											1	7
(Gain) loss on risk management and other derivatives - unrealized											1	(2)
Other (gains) and losses											18	6
Other adjusting items ⁽³⁾⁽⁴⁾											13	17
Income tax expense (recovery)											12	94
Net earnings (loss)											48	228
Attributable to Parkland											29	206
Attributable to NCI											19	22
Property, plant and equipment and intangible asset additions	44	113	42	67	10	9	152	94	13	27	261	310
Property, plant and equipment, intangible asset and goodwill acquisitions ⁽⁷⁾	–	–	–	1,699	96	24	–	–	–	–	96	1,723

⁽¹⁾ Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded.

⁽²⁾ See Note 18 for further details on sales and operating revenue.

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

⁽⁴⁾ Other adjusting items to Adjusted EBITDA include the following: (i) International: income from equity investments of \$9 (2019 - \$9), (ii) Canada: customer finance income of \$1 (2019 - \$2).

⁽⁵⁾ Operating costs and marketing, general and administrative expenses are both presented net of CEWS of \$23 and \$19, respectively (2019 - nil and nil) for the nine months ended September 30, 2020, of which \$24 relates to Canada (operating costs - \$14; marketing, general and administrative expenses - \$10), \$11 relates to Supply (operating costs - \$9; marketing, general and administrative expenses - \$2) and \$7 relates to Corporate (operating costs - nil; marketing, general and administrative expenses - \$7).

⁽⁶⁾ For comparative purposes, information for the nine months ended September 30, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in the first nine months of 2020. Additionally, certain expenses within the Supply segment were reclassified from marketing, general and administrative to operating costs.

⁽⁷⁾ In 2019, Parkland revised the preliminary purchase price allocation of the Sol Transaction. These adjustments were applied retrospectively to the acquisition date, and the revised fair values of property, plant and equipment, intangible asset and goodwill acquisitions from the Sol Transaction are presented in the above table. These amounts were finalized during the three months ended March 31, 2020.