

**Parkland Corporation**

Consolidated Financial Statements  
For the year ended December 31, 2020



## Management's responsibility for the consolidated financial statements

The consolidated financial statements and the notes to the consolidated financial statements are the responsibility of the management of Parkland Corporation. They have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, which have been adopted in Canada. Financial information that is presented in the Management's Discussion and Analysis is consistent with the consolidated financial statements.

In preparation of these consolidated financial statements, estimates are sometimes necessary because a precise determination of certain assets and liabilities is dependent on future events. Management believes such estimates have been based on careful judgments and are properly reflected in the accompanying consolidated financial statements.

Management is responsible for the reliability and integrity of the consolidated financial statements, the notes to the consolidated financial statements and other financial information contained in this report. In order to ensure that management fulfils its responsibilities for financial reporting, we have established an organizational structure that provides appropriate delegation of authority, division of responsibilities, and selection and training of properly qualified personnel. Management is also responsible for the development of internal controls over the financial reporting process.

The Board of Directors (the "Board") is assisted in exercising its responsibilities by the audit committee (the "Committee") of the Board. The Committee meets regularly with management and the independent auditors to satisfy itself that management's responsibilities are properly discharged, to review the consolidated financial statements and to recommend approval of the consolidated financial statements to the Board.

PricewaterhouseCoopers LLP, the independent auditors appointed by the shareholders, have audited Parkland Corporation's consolidated financial statements in accordance with Canadian generally accepted auditing standards and provided an independent professional opinion. The auditors have full and unrestricted access to the Committee to discuss the audit and their related findings as to the integrity of the financial reporting process.

(signed) "Robert B. Espey"

**Robert B. Espey**

President and Chief Executive Officer

(signed) "Marcel Teunissen"

**Marcel Teunissen**

Chief Financial Officer

March 4, 2021

## Independent auditor's report

To the Shareholders of Parkland Corporation

### Our opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Parkland Corporation and its subsidiaries (together, the Company) as at December 31, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board (IFRS).

### What we have audited

The Company's consolidated financial statements comprise:

- the consolidated balance sheets as at December 31, 2020 and 2019;
- the consolidated statements of income (loss) for the years then ended;
- the consolidated statements of comprehensive income (loss) for the years then ended;
- the consolidated statements of changes in shareholders' equity for the years then ended;
- the consolidated statements of cash flows for the years then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

### Basis for opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada. We have fulfilled our other ethical responsibilities in accordance with these requirements.

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements for the year ended December 31, 2020. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p data-bbox="136 485 803 520"><b>Impairment assessment of Goodwill</b></p> <p data-bbox="136 552 803 642">Refer to note 2 – Summary of significant accounting policies and note 9 – Goodwill to the December 31, 2020 consolidated financial statements.</p> <p data-bbox="136 674 803 1503">Goodwill is tested for impairment annually, or more frequently if events or circumstances indicate that the carrying value of goodwill may be impaired. Impairment is determined by assessing the recoverable amount of each cash generating unit (CGU) group, as compared to each CGU group’s carrying amount. When the carrying amount of a CGU group exceeds its recoverable amount, goodwill is considered impaired and is written down to its recoverable amount. The carrying value of goodwill, as at December 31, 2020, was \$1,864 million. Management performed its annual impairment test for goodwill and no impairment was identified. Management determined the recoverable amount for each CGU group using a fair value less cost of disposal (FVLCO) approach. FVLCO for each CGU group was calculated using the Company’s adjusted earnings before interest, taxes, depreciation and amortization (adjusted EBITDA) forecast, adjusted for allocation of corporate and other costs, implied earnings multiples and estimated costs of disposal. The adjusted EBITDA forecast was determined by management with reference to current year results and the Board of Directors approved budget. The implied earnings multiples were determined with reference to average multiples of comparable public companies for the respective CGU group and consideration of recently completed transactions. The estimated costs of disposal were established with reference to recently completed market transactions.</p> <p data-bbox="136 1535 803 1852">We considered this a key audit matter due to (i) the significance of the goodwill balance and (ii) the significant judgment made by management in determining the recoverable amount of the CGU group, including the use of significant assumptions in determining the adjusted EBITDA forecasts and implied earnings multiples. This resulted in a high degree of subjectivity and audit effort in performing audit procedures to test the significant assumptions. Professionals with specialized skill and knowledge in the field of valuation assisted us in performing our procedures.</p>	<p data-bbox="803 485 1474 552">Our approach to addressing the matter involved the following procedures, among others:</p> <ul data-bbox="862 583 1474 1440" style="list-style-type: none"><li data-bbox="862 583 1474 1314">• Tested how management determined the recoverable amount of the goodwill, for each CGU group, which included the following:<ul data-bbox="959 674 1474 1314" style="list-style-type: none"><li data-bbox="959 674 1474 800">◦ Evaluated the appropriateness of the methodology used and tested the mathematical accuracy of the FVLCO models provided by management.</li><li data-bbox="959 800 1474 867">◦ Tested the underlying data used in the discounted cash flow model.</li><li data-bbox="959 867 1474 1062">◦ Evaluated the reasonableness of the adjusted EBITDA forecast by comparing it to the current and past performance of the Company’s CGU groups, available third party published industry data and evidence obtained in other areas of the audit.</li><li data-bbox="959 1062 1474 1257">◦ Involved professionals with specialized skill and knowledge in the field of valuation assisting in the assessment of the overall reasonability of the FVLCO model and the implied earnings multiples based on comparative market data.</li><li data-bbox="959 1257 1474 1314">◦ Tested the underlying data used in the FVLCO model.</li></ul></li><li data-bbox="862 1314 1474 1440">• Tested the disclosures made in the consolidated financial statements, particularly with regards to the sensitivity of the adjusted EBITDA forecast and earnings multiples used.</li></ul>

### **Other information**

Management is responsible for the other information. The other information comprises the Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of management and those charged with governance for the consolidated financial statements**

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

### **Auditor's responsibilities for the audit of the consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion.

Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is John M. Williamson.

**(Signed - PricewaterhouseCoopers LLP/s.r.l/s.e.n.c.r.l)**

Chartered Professional Accountants

Calgary, Alberta

March 4, 2021

**Parkland Corporation**  
Consolidated Balance Sheets

(\$ millions)	Note	December 31, 2020	December 31, 2019
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		262	244
Restricted cash		34	13
Accounts receivable	4	790	1,083
Inventories	5	650	780
Income taxes receivable		36	—
Risk management and other derivatives	12	47	25
Prepaid expenses and other		59	59
		<b>1,878</b>	2,204
Property, plant and equipment	6	3,806	3,747
Intangible assets	8	949	965
Goodwill	9	1,864	1,811
Long-term receivables		80	88
Other long-term assets	10	354	301
Deferred tax assets	22	163	167
		<b>9,094</b>	9,283
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities		1,212	1,358
Dividends declared and payable		16	15
Income taxes payable		19	52
Long-term debt - current portion	11	114	115
Provisions and other liabilities - current portion	15	233	345
Risk management and other derivatives	12	31	11
		<b>1,625</b>	1,896
Long-term debt	11	3,861	3,823
Provisions and other liabilities	15	1,036	956
Deferred tax liabilities	22	306	299
		<b>6,828</b>	6,974
<b>Shareholders' equity</b>			
Shareholders' capital	16	2,440	2,382
Contributed surplus		50	27
Accumulated other comprehensive income (loss)		(28)	(10)
Sol Put Option reserve	15	(494)	(494)
Retained earnings (deficit)		(49)	53
Non-controlling interest ("NCI")	17	347	351
		<b>2,266</b>	2,309
		<b>9,094</b>	9,283

See accompanying notes to the consolidated financial statements.

Approved on behalf of the Board of Directors:  
(signed) "James Pantelidis"

**James Pantelidis**  
Chairman of the Board  
March 4, 2021

(signed) "Steven Richardson"

**Steven P. Richardson**  
Chairman of the Audit Committee

## Parkland Corporation

### Consolidated Statements of Income (Loss)

For the years ended (\$ millions, unless otherwise stated)	Note	December 31, 2020	December 31, 2019
Sales and operating revenue	24	14,011	18,453
<b>Expenses</b>			
Cost of purchases		11,675	15,617
Operating costs	19	992	1,086
Marketing, general and administrative	19	325	405
Acquisition, integration and other costs	18	52	91
Depreciation and amortization	6.8	609	580
Finance costs	20	250	260
Foreign exchange (gain) loss	12	5	(32)
(Gain) loss on asset disposals		2	3
(Gain) loss on risk management and other derivatives	12	(41)	5
Other (gains) and losses	21	(12)	(109)
<b>Earnings (loss) before income taxes</b>		<b>154</b>	<b>547</b>
Current income tax expense (recovery)	22	32	193
Deferred income tax expense (recovery)	22	10	(60)
<b>Net earnings (loss)</b>		<b>112</b>	<b>414</b>
Net earnings (loss) attributable to:			
Parkland		82	382
NCI	17	30	32
Net earnings (loss) per share (\$ per share)			
Basic	3	0.55	2.60
Diluted		0.54	2.55
Weighted average number of common shares (000's of shares)	3	149,074	146,890
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	3	150,909	149,685

See accompanying notes to the consolidated financial statements.

## Parkland Corporation

### Consolidated Statements of Comprehensive Income (Loss)

For the years ended (\$ millions, unless otherwise stated)	Note	December 31, 2020	December 31, 2019
Net earnings (loss)		112	414
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		(56)	(54)
Exchange differences on USD-denominated debt designated as a hedge of the net investment in foreign operations ("Net Investment Hedge"), net of tax	11	32	10
Items that will not be reclassified to consolidated statements of income (loss) in subsequent periods:			
Remeasurements on employee benefit plans		(5)	—
Other comprehensive income (loss)		(29)	(44)
Total comprehensive income (loss)		83	370
Total comprehensive income (loss) attributable to:			
Parkland		64	349
NCI	17	19	21

See accompanying notes to the consolidated financial statements.

## Parkland Corporation

### Consolidated Statements of Changes in Shareholders' Equity

(\$ 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		<b>2,382</b>	<b>27</b>	<b>(10)</b>	<b>(494)</b>	<b>53</b>	<b>351</b>	<b>2,309</b>
Net earnings (loss)		—	—	—	—	<b>82</b>	<b>30</b>	<b>112</b>
Other comprehensive income (loss)		—	—	<b>(18)</b>	—	—	<b>(11)</b>	<b>(29)</b>
Shares issued on ConoMart Acquisition	18	<b>1</b>	—	—	—	—	—	<b>1</b>
Dividends		—	—	—	—	<b>(184)</b>	<b>(23)</b>	<b>(207)</b>
Share incentive compensation		—	<b>25</b>	—	—	—	—	<b>25</b>
Issued under dividend reinvestment plan, net of costs	16	<b>47</b>	—	—	—	—	—	<b>47</b>
Issued under share option plan	16	<b>11</b>	<b>(1)</b>	—	—	—	—	<b>10</b>
Issued on vesting of restricted share units	16	<b>(1)</b>	<b>(1)</b>	—	—	—	—	<b>(2)</b>
As at December 31, 2020		<b>2,440</b>	<b>50</b>	<b>(28)</b>	<b>(494)</b>	<b>(49)</b>	<b>347</b>	<b>2,266</b>
As at January 1, 2019		1,886	18	49	—	(152)	—	1,801
Net earnings (loss)		—	—	—	—	<b>382</b>	<b>32</b>	<b>414</b>
Other comprehensive income (loss)		—	—	<b>(33)</b>	—	—	<b>(11)</b>	<b>(44)</b>
NCI acquired on Sol Transaction		—	—	—	—	—	<b>414</b>	<b>414</b>
Shares issued on Sol Transaction	18	<b>423</b>	—	—	—	—	—	<b>423</b>
Dividends		—	—	—	—	<b>(177)</b>	<b>(84)</b>	<b>(261)</b>
Share incentive compensation		—	<b>19</b>	—	—	—	—	<b>19</b>
Issued under dividend reinvestment plan, net of costs	16	<b>62</b>	—	—	—	—	—	<b>62</b>
Issued under share option plan	16	<b>12</b>	<b>(1)</b>	—	—	—	—	<b>11</b>
Issued on vesting of restricted share units	16	<b>(1)</b>	<b>(9)</b>	—	—	—	—	<b>(10)</b>
Sol Put Option	15	—	—	—	<b>(494)</b>	—	—	<b>(494)</b>
Reclassification of net gain on Sol Transaction Hedge		—	—	<b>(26)</b>	—	—	—	<b>(26)</b>
As at December 31, 2019		<b>2,382</b>	<b>27</b>	<b>(10)</b>	<b>(494)</b>	<b>53</b>	<b>351</b>	<b>2,309</b>

See accompanying notes to the consolidated financial statements.

## Parkland Corporation

### Consolidated Statements of Cash Flows

For the years ended (\$ millions, unless otherwise stated)	Note	December 31, 2020	December 31, 2019
<b>Operating activities</b>			
Net earnings (loss)		112	414
Adjustments for:			
Depreciation and amortization		609	580
(Gain) loss on asset disposals		2	—
Share incentive compensation	16	25	23
Change in risk management and other derivatives		(2)	(8)
Change in other liabilities and other assets	15	(15)	49
Change in fair value of Redemption Options	21	(34)	(91)
Change in redemption value of Sol Put Option	12.21	23	6
Deferred tax expense (recovery)	22	10	(60)
Share of earnings from investment in associate	10.21	(8)	(8)
Other operating activities		32	(12)
Net change in non-cash working capital related to operating activities	14	180	4
Cash generated from (used in) operating activities		934	897
<b>Financing activities</b>			
Net proceeds from (repayments of) the Credit Facility	11	84	542
Long-term debt repayments, excluding the Credit Facility	11	(425)	(47)
Proceeds from long-term debt, net of financing costs, excluding the Credit Facility	11	396	663
Payments on principal amount on leases	7	(149)	(117)
Change in provisions and other liabilities		(114)	36
Dividends paid to shareholders, net of dividend reinvestment plan		(136)	(114)
Dividends paid to non-controlling interest		(23)	(84)
Cash generated from (used in) financing activities		(367)	879
<b>Investing activities</b>			
Sol Transaction, net of Sol Transaction Hedge and cash assumed	18	—	(948)
USA Acquisitions and others	18	(209)	(101)
Dividends received from investment in associate, net of contributions	10	10	4
Expenditures on property, plant and equipment and intangible assets		(345)	(489)
Change in long-term receivables		13	(34)
Proceeds on asset disposals		16	21
Cash generated from (used in) investing activities		(515)	(1,547)
Increase (decrease) in net cash		52	229
Impact of foreign currency translation on cash		(13)	(12)
Net cash at beginning of year		257	40
Net cash at end of year		296	257
<b>Represented by:</b>			
Cash and cash equivalents		262	244
Restricted cash		34	13
Net cash		296	257
<b>Supplementary cash flow information:</b>			
Interest paid		(236)	(205)
Interest received		1	3
Income taxes paid		(102)	(155)

See accompanying notes to the consolidated financial statements.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 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 consolidated financial statements include the accounts of Parkland and its subsidiaries and any investments in associates and joint arrangements as at December 31, 2020.

#### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Parkland's consolidated financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements were approved for issue by the Board of Directors on March 4, 2021.

##### (a) Basis of measurement

Parkland's consolidated financial statements are prepared on a historical cost basis, except for certain items recorded at fair value as detailed in the accounting policies disclosed below.

##### (b) Presentation and functional currency

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

The following items within the consolidated statements of income (loss), consolidated balance sheets, and consolidated statements of cash flows were reclassified to conform to the current year's presentation:

- share in earnings from investment in associate and other items formerly included in other income are now included in other (gains) and losses;
- 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, and from software systems to a separate category within intangible assets;
- certain assets have been reclassified from the other category to land, buildings and structures, and plant and equipment within right-of-use assets.

##### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of Parkland and its subsidiaries. Subsidiaries are all entities over which Parkland has control. Control is achieved when Parkland is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. All intercompany transactions, balances, and unrealized gains and losses are eliminated upon consolidation. Subsidiaries are consolidated from the date control is obtained by Parkland and de-consolidated from the date control ceases.

Non-controlling interest ("NCI") represents the portion of equity ownership in subsidiaries not attributable to Parkland shareholders. NCI is initially measured as the proportionate share of its interest in the acquiree's identifiable net assets as at the date of acquisition and subsequently adjusted for the proportionate share of net earnings and other comprehensive income (loss) attributable to the NCI, as well as any dividends or distributions paid to the NCI.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

#### **(d) Business combinations and goodwill**

Business combinations are accounted for using the acquisition method. Goodwill is measured at cost, being the difference between the acquisition date fair value of consideration transferred, including the recognized amount of any non-controlling interest in the acquiree over the net fair value amount of the identifiable assets acquired and the liabilities assumed, all measured as at the acquisition date. Consideration transferred includes the fair value of assets transferred (including cash and contingent consideration, if any), liabilities incurred by Parkland on behalf of the acquiree, and equity interests issued by Parkland. Goodwill is allocated to the cash-generating units ("CGUs") or group of CGUs ("CGU group") expected to benefit from the business combination.

The fair values of property, plant and equipment recognized as a result of a business combination are based on either the cost approach or market approach, as applicable. Under the cost approach, the current replacement cost or reproduction cost for each major asset is calculated. Under the market approach, the market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties each act knowledgeably and willingly.

The fair values of banners and trademarks acquired in a business combination are determined using an income approach. The fair values of franchise agreements and other intangible assets, such as customer relationships, are determined using an income approach or multi-period excess earnings approach. This method is based on the discounted cash flows expected to be derived from ownership of the assets. The present value of the cash flows represents the value of the intangible asset. The fair value of off-market leases acquired in a business combination is determined based on the present value of the difference between market rates and rates in the existing leases.

The fair values of inventories acquired in a business combination are determined based on the estimated selling price in the ordinary course of business less the estimated costs of sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

Acquisition-related costs are expensed as incurred and are included in acquisition, integration and other costs.

#### **(e) Foreign currency translation**

The functional currency for each of Parkland's individual entities is the currency of the primary economic environment in which the entity operates. Transactions in foreign currencies are translated to the respective functional currencies at the exchange rates applicable on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to the appropriate functional currency at the exchange rate at the consolidated balance sheet date. Foreign exchange gains and losses are recorded in the consolidated statements of income (loss). Non-monetary assets measured in a foreign currency at historical cost are translated using the exchange rate at the date of the transaction.

On consolidation, the financial statements of foreign operations are translated into Canadian dollars. The assets and liabilities of foreign operations are translated into Canadian dollars at the exchange rate prevailing at the consolidated balance sheet date. Revenue and expenses of foreign operations are translated into Canadian dollars at the exchange rates that approximate those on the dates of the transactions. Foreign exchange differences arising on translation for consolidation are recognized in other comprehensive income (loss).

#### **(f) Joint arrangements**

Joint arrangements represent activities where Parkland has joint control established by a contractual agreement. Joint control requires unanimous consent for financial and operational decisions. A joint arrangement can be classified as either a joint operation or a joint venture. Classification of a joint arrangement requires judgment. In determining classification, Parkland considers the legal structure of the joint arrangement and whether the contractual rights and obligations of the arrangement give Parkland direct rights to the assets and obligations for the liabilities within the normal course of business.

Where Parkland has rights to the assets and obligations for the liabilities of a joint arrangement, such arrangements are classified as a joint operation with Parkland's share of the assets, liabilities, revenue and expenses included in the consolidated financial statements.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

#### For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

Where Parkland has rights to the net assets of an arrangement, the arrangement is classified as a joint venture and accounted for using the equity method of accounting. Under the equity method, Parkland's initial investment is recognized at cost and subsequently adjusted for Parkland's share of the joint venture's total comprehensive income or loss, less distributions received.

#### **(g) Investments in associates**

An associate is an entity for which Parkland has significant influence and thereby has the power to participate in the financial and operational decisions but does not control or jointly control the investee. Investments in associates are accounted for using the equity method of accounting and are recognized at cost and subsequently adjusted for the proportionate share of the investee's net assets. Parkland's consolidated financial statements include its share of the investee's net earnings and other comprehensive income (loss) until the date that significant influence ceases. Dividends received or receivable from associates are recognized as a reduction in the carrying amount of the investment.

#### **(h) Operating segments**

An operating segment is a component of Parkland for which discrete financial information is available and whose operating results are regularly reviewed by Parkland's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of Parkland's other operations. Parkland makes adjustments and eliminations in preparing the financial statements and allocates revenues, expenses, and gains and losses in determining the reported segment performance measures, only if they are included in the performance measures used by the chief operating decision maker.

#### **(i) Cash, cash equivalents, restricted cash and cash held in escrow**

Cash and cash equivalents consist primarily of cash on hand, deposits held with banks and other highly liquid investments. Restricted cash is cash that is pledged as collateral or guarantees for certain of Parkland's projects, obligations, and agreements. Cash held in escrow is cash that is held by independent escrow agents to fund future acquisitions but restricted by certain release conditions.

#### **(j) Inventories**

Inventories are valued at the lower of cost and net realizable value on a weighted average cost basis or first-in, first-out basis. The cost of inventories includes the cost of purchase net of vendor rebates and discounts and other costs directly incurred to bring each product to its present location and condition. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale. If the carrying amount exceeds the net realizable value, a write-down is recognized.

#### **(k) Emission credits and allowances**

Emission credits and allowances purchased for use by Parkland are recorded at cost and are carried at the lower of cost and net realizable value in inventories. Credits granted to or internally generated by Parkland are recorded at nominal value. Emission liabilities are recorded in the period in which the emissions occur using the best estimate of the amount required by Parkland to settle its obligation based on the carrying amount of allowances held on hand and the expected market price of the additional credits required to cover the shortfall in meeting the obligation. Offsetting of the emission credits and allowances against the respective liabilities occurs at the end of the compliance period, when the credits and allowances are used to settle the liabilities.

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 in risk management and other derivatives. Realized and unrealized gains and losses are included in net earnings as gain or loss on risk management and other derivatives.

#### **(l) Cost of purchases**

Cost of purchases consists primarily of costs to purchase fuel and petroleum products as well as non-fuel products. In addition, transportation costs, excise taxes, emission credits and allowances, gains and losses on Intermediation Facility Derivatives (see Note 15), and miscellaneous materials are included.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

#### (m) Property, plant and equipment

Property, plant and equipment are stated at historical cost, net of accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditures directly attributable to the acquisition of the asset. The costs of major refurbishments, turnarounds, overhauls or replacements are capitalized when it is probable the future economic benefits will be realized by Parkland and the associated carrying amount of the replaced component is derecognized.

Planned major maintenance includes inspection, repair, and maintenance of existing components, and the replacement of existing components and is performed at regular intervals. Costs incurred for planned major maintenance activities are capitalized in the period maintenance activities occur and are amortized on a straight-line basis over the term until the next major maintenance event. All other repair and maintenance costs are recognized in the consolidated statements of income (loss) as incurred.

Land is recorded at cost, less any accumulated impairment.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Land	Not depreciated
Land improvements	20 to 25 years
Buildings and structures	15 to 50 years
Plant and equipment	3 to 35 years

The estimated useful lives and depreciation methods are reviewed annually and adjusted prospectively as appropriate. Any gain or loss arising on derecognition of property, plant and equipment is recognized in the consolidated statements of income (loss) within gain or loss on asset disposals.

#### (n) Leases

Parkland holds various leases for assets such as land, buildings, shipping vessels, railcars, vehicles, tanks and others to support the operations of the business.

##### Parkland as a lessee

Parkland distinguishes between leases and service contracts based on whether it controls the use of an identified asset (right-of-use asset). Control is considered to exist if Parkland has the right to obtain substantially all of the economic benefits from the use of an identified asset and the right to direct the use of that asset.

Lease liabilities and right-of-use assets are recognized on the consolidated balance sheet when the leased assets are available for use by Parkland and measured on a present value basis.

Lease liabilities are measured at the net present value of the fixed or in-substance fixed payments, variable lease payments based on the index or a rate, amounts expected to be paid by the lessee under the residual value guarantees over the remaining lease term, as well as any purchase or extension option if Parkland is reasonably certain to exercise the options, or termination penalties that are expected to be incurred, less any incentives receivable discounted using Parkland's incremental borrowing rate. The right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments, initial direct costs, restoration costs, and lease incentives.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. The lease term is adjusted to reflect the impact of termination penalties and extension options only when those are within the control of Parkland and the probability of their exercise is reasonably certain.

Parkland uses a single discount rate for a portfolio of leases with reasonably similar characteristics.

Right-of-use assets are subsequently measured at cost, net of accumulated depreciation and accumulated impairment losses. Parkland recognizes depreciation on the right-of-use assets within depreciation.

## Parkland Corporation

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Lease liabilities are subsequently measured at amortized cost using the effective interest rate method. The interest expense on the lease liability is recorded within finance costs on the consolidated statements of income (loss) over the lease period so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

Lease liabilities are remeasured in cases of lease modification, reassessments or revisions to the in-substance fixed lease payments. Lease modifications are assessed as to whether the modification would count as a separate lease (i.e., if it increases the scope of the lease or the consideration increases by an amount that would reflect the fair value of the new lease) or if it would be accounted for purely as a modification. If it is accounted for as modification, Parkland will allocate the consideration in the modified contract, determine the lease term, and remeasure the lease liability and right-of-use asset by using the revised lease payments and a revised discount rate. Remeasured lease liabilities get adjusted against the right-of-use assets or recorded in the consolidated statements of income (loss) in cases when the values of the respective right-of-use assets are zero.

Short-term leases and leases of low-value assets for certain classes of assets are recognized on a straight-line basis within operating costs or marketing, general and administrative expenses, depending on the nature of the business activities to which leases relate. Short-term leases are those with a lease term of twelve month or less. Low-value assets are comprised of IT equipment and small office furniture items.

#### **Parkland as a lessor**

Leases in which Parkland transfers substantially all the risks and rewards of ownership of an asset are classified as finance leases while leases that do not meet this criteria are classified as operating leases.

Under a finance lease, Parkland recognizes a receivable at an amount equal to the net investment in the lease, which is the present value of aggregate lease payments receivable by the lessor. Under an operating lease, Parkland recognizes lease payments received as revenue on a straight-line basis over the lease term in the consolidated statements of income (loss).

#### **(o) Intangible assets**

Intangible assets are carried at historical cost, net of accumulated amortization and accumulated impairment losses, if any. Historical cost includes expenditures directly attributable to the acquisition of assets. The cost of an intangible asset acquired in a business combination is its fair value at the acquisition date.

Intangible assets with finite lives are amortized over their respective useful economic lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization expense on intangible assets is recognized in the consolidated statements of income (loss) within depreciation and amortization.

Amortization of intangible assets is calculated on a straight-line basis over the estimated useful lives of the assets as follows:

Customer relationships	3 to 20 years
Trade names	5 to 30 years
Other agreements	2 to 15 years
Software systems	1 to 10 years

Any gain or loss arising on derecognition of an intangible asset is recognized in the consolidated statements of income (loss) within gain or loss on asset disposals.

#### **(p) Impairment of non-financial assets**

Parkland assesses at each reporting date whether there is an indication that an asset may be impaired. Goodwill and indefinite life intangible assets are tested for impairment annually. If indicators of impairment exist, Parkland estimates the asset's recoverable amount, which is the higher of the asset's fair value less costs of disposal and its value in use. In determining fair value less costs of disposal, an earnings multiple approach and recent market transactions are considered. If no such multiples or transactions can be identified, another appropriate valuation model is used. Value in use is assessed using the present value of the expected future cash flows of the relevant asset.

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The recoverable amount is determined for an individual asset unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Corporate assets are tested for impairment at the minimum grouping of CGUs to which they can be reasonably and consistently allocated. When the carrying amount of an asset, CGU or CGU group exceeds its recoverable amount, it is considered impaired and written down to its recoverable amount.

Parkland applies a two-step impairment test process for non-financial assets, including goodwill, that are allocated to CGU groups. The first step under this process is to test individual CGUs within the group for impairment and write down the individual CGUs' carrying amounts to their respective recoverable amounts, where the impairment exists. The second step is to test the CGU groups using the restated carrying amounts of the individual CGUs from the first step along with the allocated goodwill or other non-financial assets to that CGU group to identify if there is an impairment for that CGU group. An impairment loss is allocated to first reduce the carrying amount of any goodwill allocated to the CGU or CGU groups and then to reduce the carrying amounts of other assets.

Impairment losses, excluding goodwill impairments, are assessed at each reporting date for any indicators the impairment losses may no longer exist. If such indication is present, the carrying amount of the CGU or non-financial asset is increased to its revised recoverable amount, which cannot exceed the carrying amount determined, net of depreciation and amortization, had no impairment been recognized. Impairment losses, if any, are recognized in the consolidated statements of income (loss) within gain or loss on asset disposals.

#### **(q) Provisions**

Provisions are recognized when Parkland has a present legal or constructive obligation due to past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Insurance proceeds receivable are recognized as an income or a reduction of the costs they relate to when it becomes virtually certain they will be received.

Asset retirement obligation ("ARO") provisions are recognized for decommissioning, restoration and remediation obligations associated with sites and locations on which Parkland operates, and include known legal, contractual and constructive obligations related to required environmental restoration or remediation of a site and the removal of Parkland's structures, equipment and storage tanks at leased or owned properties. Parkland assumes that all leased and owned sites will be remediated and decommissioned when a site is vacated, a site lease has expired, or a site has reached the end of its useful life, in the absence of an indemnity or contractual agreement. ARO provisions are measured at the present value of management's best estimate of the future cash flows required to settle the obligation using a credit-adjusted risk-free interest rate. The value of the obligation is added to the carrying amount of the associated asset in property, plant and equipment, and depreciated over the useful life of the asset. The provision is accreted over time through finance costs and actual expenditures are charged against the accumulated obligation. Changes in estimated obligations resulting from revisions to estimated future cash flows or timing are recognized as a change in the ARO provision and the related asset. Certain of Parkland's ARO provisions are based on legal obligations to perform remediation activity at the Burnaby Refinery once it permanently ceases refinery operations.

Restructuring provisions are recognized primarily in respect of employee termination benefits, or recognized when a detailed plan for the restructuring exists and a valid expectation has been raised to those affected that the plan will be carried out.

#### **(r) Income taxes**

Tax expenses for the year comprise current and deferred income tax expenses. Income tax expenses are recognized in the consolidated statements of income (loss), except to the extent that they relate to items recognized in other comprehensive income (loss) or directly in equity.

Current income tax is calculated based on the tax laws enacted or substantively enacted at the consolidated balance sheet date in the countries where Parkland and its subsidiaries operate and generate taxable income. Provisions are established, where appropriate, based on the amounts expected to be paid to the tax authorities.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

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Deferred income tax is recognized on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not recognized if it arises from the initial recognition of goodwill or the initial recognition of an asset or liability in a transaction other than a business combination that affects neither accounting nor taxable income at the time of the transaction. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liabilities where the timing of the reversal of the temporary differences is controlled by Parkland and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary differences will reverse in the future and there is sufficient taxable profit available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **(s) Share-based payments**

Parkland's share-based payments consist of share options, restricted share units ("RSUs") and deferred share units ("DSUs"). The share-based payment expense is included in marketing, general and administrative and operating expenses. Change in the fair value of DSU liabilities is recognized as other cost within acquisition, integration and other costs.

#### **Share options**

Parkland has equity-settled share option plans for certain officers and employees. Parkland may issue share option rights to acquire up to 6% of the issued and outstanding common shares, together with any common shares issuable under other compensation arrangements. The fair value of options at the date of grant is calculated using the Black-Scholes option pricing model and is recognized as an expense over the vesting period of the options, with a corresponding increase to contributed surplus. The amount recognized as an expense is adjusted in subsequent periods to reflect the number of awards for which the related service and non-market performance conditions are expected to be met.

When options are exercised, the proceeds, together with the amount recorded in contributed surplus, are transferred to shareholders' capital. Forfeitures are estimated and accounted for at the grant date and adjusted, if necessary, in subsequent periods.

#### **Restricted share units**

Parkland has equity-settled RSU plans for certain officers and employees. The units are awarded at no cost to the recipient and the fair market value determined at the grant date is expensed uniformly over their vesting period. The fair market value of the award is based on the volume-weighted average trading price for the shares on the Toronto Stock Exchange ("TSX") for the five trading days immediately preceding the grant date. Additional RSUs are granted upon each dividend payment made by Parkland.

RSU expense is recognized over the vesting period with a related credit to contributed surplus. Parkland recognizes the expense based on the best available estimate of the number of RSUs expected to vest and revises the estimate if necessary. Upon redemption of RSUs, the contributed surplus balance is reduced through a credit to shareholders' capital.

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#### Deferred share units

Parkland has a cash-settled DSU plan for non-executive members of the Board of Directors. The liability is measured based on the trading price of Parkland's shares on the TSX, and changes in the fair value of the outstanding DSU liability, including deemed dividend equivalents, are recorded as an expense in the consolidated statements of income (loss). The liability is measured at each reporting date and at the settlement date. DSUs vest immediately on the grant date and are redeemed for cash when the director ceases to be a member of the Board of Directors.

#### (t) Financial instruments

Financial assets and financial liabilities, including derivatives, are recognized in the consolidated balance sheets when Parkland becomes a party to the contractual provisions of a financial instrument or non-financial derivative contract. All financial assets and financial liabilities are initially measured at fair value, net of transaction costs, except for financial instruments classified as fair value through profit or loss ("FVTPL"), where transaction costs are recognized immediately in profit or loss.

Financial assets and liabilities are classified and measured based on Parkland's business model for managing its assets and the contractual terms of the cash flows. Financial assets that meet the following conditions are subsequently measured at amortized cost: (i) assets held for the collection of contractual cash flows; and (ii) contractual cash flows that consist solely of principal and interest payments on the principal amount outstanding. All other financial assets and equity investments are subsequently measured at FVTPL. Financial liabilities are classified as FVTPL when held for trading. All other financial liabilities are subsequently measured at amortized cost.

Parkland classifies its financial instruments according to IFRS 9 - Financial Instruments ("IFRS 9") into one of the following categories:

<b>Classification</b>	<b>Financial instrument</b>
Financial instruments at FVTPL	Risk management and other derivatives Redemption options Intermediation facility derivatives Sol Put Option Other investments
Financial instruments measured at amortized cost	Cash and cash equivalents Restricted cash Cash held in escrow Accounts receivable Long-term receivables Accounts payable and accrued liabilities Dividends declared and payable Long-term debt Certain other liabilities

#### Financial instruments at FVTPL

Financial instruments at FVTPL are initially recognized at fair value on the date that Parkland commits to purchase or sell the asset (trade date), with changes in fair value recognized in (gain) loss on risk management and other derivatives, cost of purchases or finance costs in the consolidated statements of income (loss) in the period they arise.

Certain physical commodity contracts, when used for trading purposes, are deemed to be derivative financial instruments for accounting purposes. Physical commodity contracts entered into for the purpose of receipt or delivery in accordance with Parkland's expected purchase, sale or usage requirements are not considered to be derivative financial instruments. Intermediation Facility Derivatives (see Note 15) and risk management and other derivatives are derivative financial instruments measured at FVTPL.

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Risk management and other derivative assets and liabilities include outstanding commodities swaps and forward contracts, commodities and futures contracts, emission credits and allowances, and United States (US) dollar forward exchange contracts. Parkland periodically enters into derivative contracts to manage exposure to movements in commodity prices and US dollar exchange rates.

Derivative instruments embedded in financial or non-financial contracts are liabilities that are accounted for as separate derivatives if their risks and characteristics are not closely related to their host contracts, and the contracts are not measured at fair value. Parkland's Senior Notes contain Redemption Options (see Note 12) that are accounted for as embedded derivative financial instruments. Changes in the fair values of the Redemption Options are recognized in other (gains) and losses within the consolidated statements of income (loss). Changes in the fair values of other derivative instruments are recognized in (gain) loss on risk management and other derivatives. Changes in the fair value of Intermediation Facility Derivatives are recognized in cost of purchases.

The Sol Put Option represents a non-derivative financial liability, which is remeasured each reporting period with changes in redemption value of the option recorded within other (gains) and losses on the consolidated statements of income (loss).

The best evidence of a financial instrument's fair value on initial recognition is normally the transaction price (i.e., fair value of the consideration given or received). If Parkland determines that the fair value on initial recognition differs from the transaction price and the fair value is neither evidenced by a quoted price in the active market for an identical asset or liability nor based on a valuation technique that only uses data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between fair value on initial recognition and the transaction price (day-one profit or loss). Subsequently, the day-one difference is recognized in profit or loss on an appropriate basis over the life of the instrument, but no later than when the transaction is settled.

#### **Financial instruments measured at amortized cost**

Financial assets measured at amortized cost are initially recognized at fair value plus transaction costs, and are subsequently measured at amortized cost using the effective interest method, less any provision for impairment.

Financial liabilities measured at amortized cost are initially recognized at fair value net of transaction costs, and are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method. The effective interest rate amortization and gains or losses on derecognition of the financial liabilities are recognized in finance costs.

#### **Impairment of financial assets**

Expected credit losses ("ECLs") and any changes at each reporting date are accounted for in the consolidated financial statements to reflect changes in credit risk since initial recognition of the financial assets. A loss allowance is required for ECLs on (i) financial assets subsequently measured at amortized cost, (ii) lease receivables, and (iii) loan commitments and financial guarantee contracts to which the impairment requirements of IFRS 9 apply.

Parkland measures its trade accounts receivable and lease receivables using the simplified approach at an amount equal to their lifetime ECL. For all other financial assets, Parkland recognizes the lifetime ECL when there is a significant increase in credit risk since initial recognition. If the credit risk on the financial asset did not increase significantly, Parkland recognizes an ECL equal to the 12-month ECL. The assessment of whether the lifetime ECL is recognized is based on significant increases in the likelihood or risk of default occurring since initial recognition and not on evidence of a financial asset being credit impaired at the reporting date, or an actual default occurring. The loss allowance for ECL is presented as a deduction from the gross carrying amount for financial assets carried at amortized cost.

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, Parkland compares the risk of a default occurring on the financial instrument as at the reporting date, with the risk of a default occurring as at the date of initial recognition.

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In making this assessment, Parkland considers both qualitative and quantitative information that is reasonable and supportable, including historical experience and forward-looking information, relevant industry-specific economic outlooks, and external sources of actual and forecasted economic factors related to Parkland's core operations, such as fuel commodity prices, unemployment rates and interest rates.

Where information is not available on an individual instrument level, financial assets can be grouped in a variety of ways including: the nature of the financial asset; past-due status; nature, size or industry of counterparty; or geographic location. Parkland regularly reviews groupings to ensure the constituents of each group continue to share similar credit risk characteristics and the groupings used are most relevant to Parkland's operations.

#### **Offsetting of financial instruments**

Financial assets and financial liabilities are offset against one another and the net amount is reported in the consolidated balance sheets in circumstances where there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis to realize the assets and settle the liabilities simultaneously.

#### **Derecognition**

A financial asset is derecognized when the rights to receive cash flows from the asset have expired or when Parkland transfers its rights to receive cash flows from the asset and the associated risks and rewards to a third party. A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

#### **(u) Hedges**

Parkland may apply hedge accounting to arrangements that qualify for designated hedge accounting treatment. Designated hedges are assessed at each reporting date to determine if the relationship between the derivative or other hedging instrument and the underlying hedged exposure is still effective and to quantify any ineffectiveness in such relationship.

Parkland may use a fair value hedge to mitigate commodity price risk. The carrying value of the hedged item is adjusted for changes in fair value attributable to the hedged risk, and these changes are recognized in the consolidated statements of income (loss). Changes in the fair value of the hedged item, to the extent the hedging relationship is effective, are offset by changes in the fair value of the hedging item, which are also recorded in the consolidated statements of income (loss). If hedge accounting is discontinued, the carrying value of the hedged item is no longer adjusted and the cumulative fair value adjustment to the carrying value of the hedged item is amortized to the consolidated statements of income (loss) over the remaining term of the original hedging relationship.

Parkland may enter into a cash flow hedging relationship, where the effective portion of the change in the fair value of the hedging derivative is initially recognized in other comprehensive income (loss), while any ineffective portion is recognized in the consolidated statements of income (loss) in the same financial statement category as the underlying transaction. The amounts recognized previously in accumulated other comprehensive income (loss) are reclassified to net earnings (loss) during the period when the variability in cash flows of the hedged item affects consolidated net earnings (loss) or as the original hedged item settles. Gains and losses on derivatives are reclassified immediately to net earnings (loss) from accumulated other comprehensive income (loss) when the hedged item is sold or terminated early, or when it becomes probable that the anticipated transaction will not occur.

Parkland may use a net investment hedge to mitigate foreign exchange risk related to foreign operations. The effective portion of the hedge is recognized in other comprehensive income (loss). The gain or loss relating to the ineffective portion is recognized in the consolidated statements of income (loss). Gains and losses accumulated in equity are included in the consolidated statements of income (loss) when Parkland ceases to have control of the foreign operation.

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#### (v) Fair value measurement

Parkland's financial assets and liabilities measured at FVTPL 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 currency 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").

#### (w) Revenue recognition

##### Fuel and petroleum product revenue

Parkland delivers a range of refined fuel and petroleum products to motorists, businesses, consumers and wholesale customers. Revenue from contracts to sell fuel and petroleum products to retail and commercial consumers is recognized at the point of sale, which is the time control of the goods has passed to the purchaser and collection is probable. Supply and wholesale contracts are typically long-term in nature and customers make monthly payments. Revenue for these sales is recognized when control of the goods passes to the customer, collection is probable and generally when physical delivery has occurred.

Revenue is measured on the stand-alone sales price specified in sales contracts, which may be based on independently published rack prices, net of discounts at the time of sale. Volume discounts are assessed using anticipated annual volumes. Historical experience is used to estimate and provide for discounts, and revenue is reduced accordingly.

Certain fuel contracts have specified annual volumes that customers must purchase over the contract duration. Contractual minimums are not enforceable and customers may purchase less than the contractual minimum with no penalties. In such cases, contracts are viewed as having options to purchase rather than fixed volume sales requirements, and the transaction price allocated to remaining unsatisfied performance obligations is not disclosed.

##### Non-fuel revenue

###### Convenience store

Parkland operates multiple convenience store brands with revenue from sales of confectionery, groceries, food, beverages and other convenience store products. In the case of company-owned convenience stores, revenue is recognized when a retail customer purchases an item at the convenience store or through the online ordering platform, control of the goods is transferred, and a payment for the transaction occurs immediately at the point of sale.

###### Lubricants

Parkland sells branded and private label lubricants to commercial, industrial and wholesale customers. Revenue for these sales is recognized when control of the goods passes to the customer, collection is probable, and generally when physical delivery has occurred.

## Parkland Corporation

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#### Other non-fuel revenue

Parkland's other revenue consists of revenue from rent, freight, tanks and parts installation, cylinder exchanges, and other products and services. Rent includes percentage rent collected from independent retailers on their convenience store sales or gross margin. Revenue on services is recognized in the accounting period in which the services are rendered.

When Parkland delivers third-party branded fuel and petroleum products as an exclusive reseller, Parkland evaluates whether it acts as a principal or agent. Where Parkland acts as an agent, revenue is reported from these transactions on a net basis, as the performance obligation is to facilitate the transportation of branded fuels from the branded suppliers to their customers, for which Parkland earns delivery fees. The portion of the gross amount billed to customers and remitted to the branded suppliers is not reflected in sales and operating revenue. Physical exchanges of inventory are reported on a net basis for similar items as are sales and purchases made with a common counterparty as part of an arrangement similar to a physical exchange.

#### **Loyalty Programs**

Customer loyalty awards are accounted for as a separate performance obligation in the sales transactions in which they are granted. Parkland defers revenue at the time the award is earned by members at an amount equal to the relative fair value of the award and the expected redemption rate, which is regularly remeasured. The relative fair value is determined by allocating consideration between the fair value of the loyalty awards earned by loyalty program members, net of breakage, and the goods and services on which the awards were earned, based on their relative stand-alone selling price. The deferred revenue is recognized as revenue when the points are redeemed.

#### **(x) Earnings per share**

Basic earnings per share ("Basic EPS") are calculated by dividing net earnings (loss) attributable to the shareholders of Parkland by the weighted average number of common shares outstanding during the period.

Diluted earnings per share ("Diluted EPS") are calculated by adjusting the weighted average number of common shares outstanding for dilutive common shares related to Parkland's share-based compensation plan. The dilutive effect of share options and RSUs is determined using the treasury stock method. Net earnings (loss) attributable to the shareholders of Parkland are the same for both the Basic EPS and Diluted EPS calculations.

#### **(y) Assets held for sale**

Assets are classified as held for sale if their carrying amount will be recovered primarily through a sale as opposed to continued use by Parkland. Assets to be disposed that meet the held for sale criteria are reported at the lower of their carrying amount and fair value less costs to sell, and are no longer depreciated. Assets classified as held for sale are reported as current assets in the consolidated balance sheets.

#### **(z) 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.

#### **(aa) 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. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets or liabilities affecting future periods. As at December 31, 2020, management has also incorporated the anticipated impacts of COVID-19 in its estimates and judgments in the preparation of these financial statements. Estimates and judgments are reviewed on an ongoing basis. Revisions to estimates are recognized prospectively.

## Parkland Corporation

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The financial statement areas that require significant estimates and judgments are as follows:

#### **Asset retirement and other obligations**

ARO represents 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, and 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 CGUs 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.

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 adjusted EBITDA forecasts and 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 adjusted EBITDA forecasts, 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.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

#### 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. 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. In case uncertain tax positions were to arise, Parkland would calculate provisions for them using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors and review the adequacy of these provisions at the end of each reporting period.

#### New and amended standards adopted and not yet adopted by Parkland

##### Amendments to IFRS 3 (Definition of a Business)

In October 2018, the IASB issued Definition of a Business (Amendments to IFRS 3). The amendments narrowed and clarified the definition of a business. The amendments include an election to use a concentration test, a simplified assessment that results in treatment of an acquisition as an asset acquisition if substantially all of the fair value of the gross assets is concentrated in a single identifiable asset or a group of similar identifiable assets. If an election to use a concentration test is not made, or the test failed, then the assessment focuses on the existence of a substantive process. One important distinction is that "goodwill" can only be recognized as a result of acquiring a business, but not as a result of an asset acquisition. Parkland adopted the amendments prospectively on the effective date of January 1, 2020, and there was no impact to Parkland's consolidated financial statements as a result of the initial application.

##### Amendment to IFRS 7, IFRS 9, and IFRS 16 (Interest Rate Benchmark Reform)

In response to the interest rate benchmark (IBOR) reform (Phase 2), in August 2020, the IASB issued new guidance effective for annual periods beginning on or after January 1, 2021. The new guidance provides the use of a practical expedient to account for the change in the basis for determining the contractual cash flows as a result of the cessation of the London Interbank Offered Rate (LIBOR) benchmark. Parkland is continually monitoring the situation and assessing for any potential impacts from this amendment.

### 3. NET EARNINGS (LOSS) PER SHARE

	December 31, 2020	December 31, 2019
Net earnings (loss) attributable to Parkland	82	382
Weighted average number of common shares (000's of shares)	149,074	146,890
Effect of dilutive securities (000's of shares)	1,835	2,795
Weighted average number of common shares adjusted for the effects of dilution (000's of shares)	150,909	149,685
Net earnings (loss) per share (\$ per share)		
Basic	0.55	2.60
Diluted	0.54	2.55

## Parkland Corporation

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For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

#### 4. ACCOUNTS RECEIVABLE

	December 31, 2020	December 31, 2019
Trade accounts receivable	634	907
Miscellaneous, government, and other non-trade accounts receivable	180	189
Allowance for doubtful accounts	(24)	(13)
	<b>790</b>	1,083

Refer to Note 12 for details on Parkland's exposure to credit and market risks as well as impairment losses for accounts receivable.

#### 5. INVENTORIES

	December 31, 2020	December 31, 2019
Gas and diesel	315	461
Liquid petroleum gas	36	35
Other fuel and petroleum products	143	142
Lubricants	71	82
Convenience store and other non-fuel	85	60
	<b>650</b>	780

Other fuel and petroleum products include crude oil, aviation fuel, asphalt, fuel oils, gas oils, ethanol, and biodiesel. For the year ended December 31, 2020, \$11,495 (2019 - \$14,867) of inventories was recognized within cost of purchases.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 6. PROPERTY, PLANT AND EQUIPMENT

	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under construction	Right-of-use assets	Total
<b>Cost</b>								
As at January 1, 2020		975	131	539	2,222	354	614	4,835
Additions and transfers		2	9	45	361	(92)	157	482
2020 USA Acquisitions and others	18	21	2	21	38	–	1	83
Change in ARO costs		(1)	–	(1)	47	–	(1)	44
Disposals and other adjustments		(7)	(6)	1	(23)	–	(69)	(104)
Exchange differences		(6)	(1)	(4)	(11)	(5)	(8)	(35)
As at December 31, 2020		984	135	601	2,634	257	694	5,305
<b>Depreciation</b>								
As at January 1, 2020		–	42	137	784	–	125	1,088
Depreciation		–	13	40	269	–	165	487
Disposals and other adjustments		–	–	(1)	(16)	–	(47)	(64)
Exchange differences		–	–	(1)	(5)	–	(6)	(12)
As at December 31, 2020		–	55	175	1,032	–	237	1,499
<b>Net book value</b>								
As at December 31, 2020		984	80	426	1,602	257	457	3,806
<b>Cost</b>								
	Note	Land	Land improvements	Buildings and structures	Plant and equipment	Assets under construction	Right-of-use assets <sup>(1)</sup>	Total
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	18	298	25	128	317	62	172	1,002
Additions and transfers		10	1	28	218	191	239	687
2019 USA Acquisitions	18	15	3	11	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
<b>Depreciation</b>								
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
<b>Net book value</b>								
As at December 31, 2019		975	89	402	1,438	354	489	3,747

<sup>(1)</sup> 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 Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 7. 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	Note	Land, buildings and structures	Shipping vessels	Railcars	Plant and equipment	Total
<b>Cost</b>						
As at January 1, 2020		353	124	90	47	614
Additions		63	53	1	40	157
2020 USA acquisitions and others	18	1	–	–	–	1
Change in ARO costs		(1)	–	–	–	(1)
Disposals and other adjustments		(9)	(34)	(13)	(13)	(69)
Exchange differences		(2)	(4)	(1)	(1)	(8)
As at December 31, 2020		405	139	77	73	694
<b>Depreciation</b>						
As at January 1, 2020		49	41	24	11	125
Depreciation		55	65	28	17	165
Disposals and other adjustments		(4)	(26)	(13)	(4)	(47)
Exchange differences		(1)	(3)	(1)	(1)	(6)
As at December 31, 2020		99	77	38	23	237
<b>Net book value</b>						
As at December 31, 2020		306	62	39	50	457

Right-of-use assets	Note	Land, buildings and structures	Shipping vessels	Railcars	Plant and equipment	Total
<b>Cost</b>						
As at January 1, 2019		200	–	37	9	246
Sol Transaction	18	59	83	–	30	172
Additions		121	58	55	5	239
2019 USA Acquisitions	18	–	–	–	4	4
Disposals and other adjustments		(28)	(15)	–	(1)	(44)
Exchange differences		1	(2)	(2)	–	(3)
As at December 31, 2019		353	124	90	47	614
<b>Depreciation</b>						
As at January 1, 2019		–	–	–	2	2
Depreciation		50	58	25	9	142
Disposals and other adjustments		(1)	(14)	–	–	(15)
Exchange differences		–	(3)	(1)	–	(4)
As at December 31, 2019		49	41	24	11	125
<b>Net book value</b>						
As at December 31, 2019		304	83	66	36	489

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

	Note	December 31, 2020	December 31, 2019
Depreciation charge on right-of-use assets		165	142
Interest expense on lease liabilities	20	33	29
Other lease expenses <sup>(1)</sup>		86	90
		284	261

<sup>(1)</sup> 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).

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 8. INTANGIBLE ASSETS

	Note	Customer relationships	Trade names	Other agreements	Software systems	Assets under construction	Total
<b>Cost</b>							
As at January 1, 2020		909	311	102	69	26	1,417
Additions and transfers		(1)	1	5	31	(8)	28
2020 USA Acquisitions	18	51	19	14	–	–	84
Disposals and other adjustments		(5)	–	(1)	1	–	(5)
Exchange differences		(7)	(2)	(1)	–	–	(10)
As at December 31, 2020		947	329	119	101	18	1,514

<b>Amortization</b>							
As at January 1, 2020		320	54	38	40	–	452
Amortization		69	23	20	10	–	122
Disposals and other adjustments		(4)	–	1	–	–	(3)
Exchange differences		(3)	(1)	(1)	(1)	–	(6)
As at December 31, 2020		382	76	58	49	–	565

<b>Net book value</b>							
As at December 31, 2020		565	253	61	52	18	949

	Note	Customer relationships	Trade names	Other agreements	Software systems	Assets under construction	Total
<b>Cost</b>							
As at December 31, 2018		654	250	61	50	17	1,032
IFRS 16 Adjustment		–	–	(3)	–	–	(3)
Adjusted balance as at January 1, 2019		654	250	58	50	17	1,029
Sol Transaction	18	256	59	29	–	–	344
Additions		1	–	–	19	9	29
2019 USA Acquisitions	18	9	5	6	–	–	20
Other Acquisitions		–	–	10	–	–	10
Exchange differences		(11)	(3)	(1)	–	–	(15)
As at December 31, 2019		909	311	102	69	26	1,417

<b>Amortization</b>							
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

<b>Net book value</b>							
As at December 31, 2019		589	257	64	29	26	965

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 9. GOODWILL

	Note	December 31, 2020	December 31, 2019
Goodwill, beginning of period		1,811	1,305
Sol Transaction	18	–	505
USA Acquisitions and others	18	64	23
Exchange differences		(11)	(22)
Goodwill, end of period		1,864	1,811

Parkland performed its annual impairment test for goodwill and no impairment was identified. The recoverable amount for each CGU group was determined on a fair value less costs of disposal ("FVLCO") approach.

Goodwill was allocated to CGU groups as follows:

	December 31, 2020	December 31, 2019
Supply	139	141
Canada Retail	888	883
International	487	495
Canada Commercial	141	141
USA	209	151
	1,864	1,811

Parkland calculated recoverable amounts for its CGU groups for the purpose of the annual impairment test of goodwill using the FVLCO approach. FVLCO is calculated for each CGU group using Parkland's Adjusted EBITDA<sup>1</sup> forecast, adjusted for allocation of corporate and other costs, implied earnings multiples and estimated costs of disposal. The Adjusted EBITDA forecast at the time of the annual impairment test was determined with reference to current year results and Board-approved budget. The implied earnings multiples are determined with reference to average multiples of comparable public companies for the respective CGU group and consideration of recently completed transactions, as required.

Parkland used average earnings multiples ranging from 8.0 to 10.0 (December 31, 2019 - 7.0 to 12.5) for its CGU groups. The estimated costs of disposal were estimated as 1.5% (December 31, 2019 - 1.5%) of the transaction price and are established with reference to recently completed market transactions. The fair value calculations are categorized as Level 3 fair value based on the unobservable inputs.

The most sensitive key assumptions to the impairment model are the Adjusted EBITDA forecast and implied earnings multiples. A decrease of 10% in the Adjusted EBITDA forecast or the implied earnings multiples, with all other assumptions held constant, would not cause the recoverable amount of any CGU group to fall below its carrying amount.

## 10. OTHER LONG-TERM ASSETS

	Note	December 31, 2020	December 31, 2019
Investment in associate (a)		158	152
Redemption Options	12	156	109
Long-term prepaid expenses, deposits and other assets		40	40
		354	301

### (a) Investment in associate

#### Société Anonyme de la Raffinerie des Antilles ("SARA Refinery")

A subsidiary of Sol Investments SEZC ("SIL", previously named as Sol Investments Limited, and with its subsidiaries, "Sol"), a non-wholly owned subsidiary of Parkland, holds a 29% interest in the SARA Refinery, which is based in Martinique with operations to sell refined crude oil in Guadeloupe, French Guiana and Martinique. The SARA Refinery is an unlisted entity and has a December 31 year end. This entity is treated as an investment in associate and accounted for using the equity method.

<sup>1</sup> Consistent with the Adjusted EBITDA measure calculation as per Note 24.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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Summarized below is the financial information for the SARA Refinery:

For the year ended	December 31, 2020	December 31, 2019
Sales and operating revenue	959	1,355
Cost of purchases	717	1,066
Gross profit	242	289
Net earnings	36	34
Share of equity investment (%)	29%	29%
Proportionate share of net earnings	10	10
Amortization of fair value adjustments	(2)	(2)
Share in earnings from investment in associate	8	8

	December 31, 2020	December 31, 2019
Current assets	371	417
Non-current assets	291	234
Current liabilities	(142)	(163)
Non-current liabilities	(143)	(140)
Net assets	377	348

The table below presents the reconciliation of proportionate share of net assets of the SARA Refinery to the carrying amounts recorded in the consolidated balance sheets.

	December 31, 2020	December 31, 2019
Proportionate share of equity investment (%)	29%	29%
Proportionate share of net assets	109	101
Fair value adjustments	49	51
Carrying amount	158	152

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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#### 11. LONG-TERM DEBT

	December 31, 2020	December 31, 2019
Credit Facility (a)	686	610
Unamortized deferred financing costs	(2)	—
	<b>684</b>	610
Senior Notes (b)		
5.50% Senior Notes <sup>(1)</sup>	—	200
6.00% Senior Notes <sup>(1)</sup>	—	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	638	648
6.50% Senior Notes, due 2027	300	300
5.875% US\$500 Senior Notes, due 2027	638	648
6.00% Senior Notes, due 2028	400	—
Unamortized premium: Redemption Options	30	27
Unamortized discount: deferred financing costs	(32)	(35)
	<b>2,774</b>	2,788
Other notes	11	14
Credit Facility, Senior Notes and Other notes	<b>3,469</b>	3,412
Lease obligations <sup>(2)</sup>	506	526
Total long-term debt	<b>3,975</b>	3,938
Less: current portion of Credit Facility, Senior Notes and Other notes	(6)	(3)
Less: current portion of Lease obligations	(108)	(112)
Long-term debt	<b>3,861</b>	3,823

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

<sup>(2)</sup> 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, and future lease payments are as follows:

	2021	2022	2023	2024	2025	Thereafter	Interest included in minimum lease payments	Total
Credit Facility (a)	—	—	686	—	—	—	—	686
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	—	—	—	—	—	638	—	638
6.50% Senior Notes, due 2027	—	—	—	—	—	300	—	300
5.875% US Senior Notes, due 2027	—	—	—	—	—	638	—	638
6.00% Senior Notes, due 2028	—	—	—	—	—	400	—	400
Other notes	6	2	2	1	—	—	—	11
Undiscounted Future Lease Payments	145	107	84	60	39	228	(157)	506
	<b>151</b>	<b>109</b>	<b>772</b>	<b>361</b>	<b>539</b>	<b>2,204</b>	<b>(157)</b>	<b>3,979</b>

## Parkland Corporation

### Notes to the Consolidated Financial Statements

#### For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

##### (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 December 31, 2020 are as follows:

	<b>Maturity date</b>	<b>Effective rate</b>	<b>Balance</b>
\$400 Canadian Revolving Facility and \$300 Canadian Incremental Syndicated Tranche	January 8, 2023	2.62 %	<b>184</b>
US\$780 Revolving Facility	January 8, 2023	2.15 %	<b>502</b>
Outstanding borrowings under the Credit Facility			<b>686</b>

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 12). 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 December 31, 2020, these guarantees amounted to \$261 (December 31, 2019 - \$272) and are not recognized in the consolidated financial statements. Maturity dates for these guarantees vary and are up to and including June 29, 2022.

As at December 31, 2020, Parkland provided \$2,601 (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 and 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 20.

##### **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.

##### **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.

##### **5.875% US\$500 Senior Notes, due 2027**

On July 10, 2019, Parkland completed the private offering of US\$500 aggregate principal amount of senior unsecured notes due July 15, 2027 (the "2019 Senior Notes"). 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 Term Loan Facility due 2021; and (ii) repay certain outstanding amounts borrowed under its revolving credit facilities.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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#### (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 year ended December 31, 2020, Parkland recognized a foreign exchange gain, net of tax, of \$32 (2019 - gain, net of tax, of \$10) on these balances, representing the effective portion of the hedge in other comprehensive income (loss), offsetting exchange differences on translation of foreign operations.

## 12. 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 derivatives, accounts payable and accrued liabilities, dividends declared and payable, long-term debt, and certain portions of other long-term assets and other liabilities.

#### (a) Fair value measurement hierarchy

Parkland's financial assets and liabilities that are measured at fair value are categorized by level according to the significance of the inputs used in making the measurements in a three-level hierarchy. Refer to Note 2 for the measurement hierarchy and techniques used by Parkland to value financial instruments. The fair value hierarchy table for Parkland's financial assets and liabilities is as follows:

Fair value as at December 31, 2020					
	Note	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 (b)		–	3	–	3
Currency forward exchange contracts		–	12	–	12
Other derivatives					
Emission credits and allowances		–	32	–	32
<b>Risk management and other derivatives - assets</b>					
		–	47	–	47
Risk management derivatives					
Commodities swaps, forwards and futures contracts (b)		–	(20)	–	(20)
Other derivatives					
Emission credits and allowances		–	(11)	–	(11)
<b>Risk management and other derivatives - liabilities</b>					
		–	(31)	–	(31)
Other items included in other long-term assets					
Redemption Options (c)	10	–	156	–	156
Others	10	–	–	13	13
<b>Other items included in other long-term assets</b>					
		–	156	13	169
Other items included in provisions and other liabilities					
Intermediation Facility Derivatives	15	–	(5)	–	(5)
Sol Put Option (d)	15	–	–	(503)	(503)
<b>Other items included in provisions and other liabilities</b>					
		–	(5)	(503)	(508)

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

Fair value as at December 31, 2019				
Note	Quoted prices in active market (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
Risk management derivatives				
Commodities swaps, forwards and futures contracts (b)	–	1	–	1
Other derivatives				
Emission credits and allowances	–	24	–	24
<b>Risk management and other derivatives - assets</b>				
	–	25	–	25
Risk management derivatives				
Commodities swaps, forwards and futures contracts (b)	–	(8)	–	(8)
Other derivatives				
Emission credits and allowances	–	(3)	–	(3)
<b>Risk management and other derivatives - liabilities</b>				
	–	(11)	–	(11)
Other items included in other long-term assets				
Redemption Options (c)	10	–	109	109
Others	10	–	13	13
<b>Other items included in other long-term assets</b>				
	–	109	13	122
Other items included in provisions and other liabilities				
Intermediation Facility Derivatives	15	–	(9)	(9)
Sol Put Option (d)	15	–	(486)	(486)
<b>Other items included in provisions and other liabilities</b>				
	–	(9)	(486)	(495)

There were no transfers between the fair value measurement hierarchy levels during the year ended December 31, 2020.

#### (b) Risk management derivatives

Derivative financial instruments including commodities swaps, forwards and futures contracts and currency forward exchange contracts may be used to selectively reduce volatility associated with fluctuations in foreign currency exchange rates and commodity prices. As at December 31, 2020, Parkland's derivative financial instruments include US dollar forward contracts, commodities futures contracts on refined products, and commodities swaps on crude oil, heavy oil, liquid petroleum gas and refined products.

#### (c) 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 \$156 as at December 31, 2020 (December 31, 2019 - \$109) within other long-term assets with the changes in fair value recorded within other (gains) and losses. The Redemption Options related to the 2020 Senior Notes were ascribed a fair value of \$9 on initial recognition on June 23, 2020 (2019 - the Redemption Options related to the 2019 Senior Notes was ascribed a fair value of \$11 on initial recognition on July 10, 2019). The carrying value of the notes was accordingly increased by the same amount.

#### (d) 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.

## Parkland Corporation

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#### For the year ended December 31, 2020

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The Sol Put Option is classified as a non-derivative financial liability at FVTPL, with changes in redemption value recorded within other (gains) and losses on the consolidated statements of income (loss). The proportionate redemption value of the Sol Put Option is calculated based on the contractual terms as defined in the Sol Agreement. The Sol Put Option is carried at a redemption value of \$503 as at December 31, 2020 (2019 - \$486). During the year ended December 31, 2020, a change in redemption value of \$23 was recorded within other (gains) and losses (2019 – \$6). See Note 15.

Significant unobservable inputs 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 3.375% (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 (2019 - \$7).

#### (e) 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 December 31, 2020 due to the short-term nature of these instruments. The carrying value of long-term receivables approximates fair value as at December 31, 2020, as Parkland currently issues loans and advances to dealers and customers at similar terms. The Senior Notes had a carrying value of \$2,776 and an estimated fair value of \$2,947 as at December 31, 2020 (2019 - \$2,796 and \$2,939 respectively), determined by discounting future cash flows using rates available to Parkland for loans with similar terms, conditions and maturity dates. The carrying value of other long-term debt approximates fair value as at December 31, 2020, as either the interest rate on the long-term debt is adjusted monthly or the debt was issued recently. The carrying value of other long-term liabilities approximates fair value as at December 31, 2020, given that they were recently incurred.

#### (f) 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:

	December 31, 2020			December 31, 2019		
	Gross amount	Amount offset	Net	Gross amount	Amount offset	Net
Risk management and other derivatives – assets	54	(7)	47	29	(4)	25
Risk management and other derivatives – liabilities	(38)	7	(31)	(15)	4	(11)

#### (g) Market risk

##### US dollar currency risk

Parkland is exposed to foreign currency risk relating to its operating and financing activities and mitigates such risk using derivative financial instruments including US dollar forward contracts. Exposure to foreign currency risk arises from purchasing and selling certain products and services in US dollars and the use of the Intermediation Facility, Credit Facility and Senior Notes. The following table demonstrates the sensitivity to a \$0.10 increase in the US dollar to Canadian dollar exchange rate on financial instruments denominated in US dollars, with all other variables held constant. The impact on Parkland's net earnings (loss) is driven by the impact of changes in foreign exchange rates on the carrying values of monetary assets and liabilities, including the USD-denominated debt and is offset by the impact on Parkland's other comprehensive income (loss) as a result of designation of certain USD-denominated debt, as a net investment hedge to mitigate foreign exchange risk related to foreign operations (see Note 11c).

For the years ended	December 31, 2020	December 31, 2019
\$0.10 increase in USD/CAD exchange rate:		
Increase (decrease) in net earnings (loss)	(6)	(19)
Increase (decrease) in other comprehensive income (loss)	(93)	(97)
	(99)	(116)

## Parkland Corporation

### Notes to the Consolidated Financial Statements

#### For the year ended December 31, 2020

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#### Foreign exchange (gain) loss

The following table details the foreign exchange (gain) loss as presented on the consolidated statements of income (loss):

For the years ended	December 31, 2020	December 31, 2019
Unrealized (gain) loss on foreign exchange	(2)	(47)
Realized (gain) loss on foreign exchange	7	15
Foreign exchange (gain) loss	5	(32)

#### (h) Commodity price risk

Parkland enters into derivative instruments including the Intermediation Facility Derivatives as well as swaps, forwards and futures contracts to mitigate commodity price risk volatility as part of its risk management strategy. These risk management contracts are used to lock in margins with customers on commodities to be delivered. Any unrealized gains or losses on risk management contracts recognized under IFRS are expected to partially offset any unrealized gains or losses on physical products to be delivered in the future. 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, 2020, 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 \$10 (2019 - \$5) due to the change in the fair values of risk management derivatives and Intermediation Facility Derivatives.

#### (Gain) loss on risk management and other derivatives

The following table details the (gain) loss on risk management and other derivatives as presented on the consolidated statements of income (loss):

For the years ended	December 31, 2020	December 31, 2019
(Gain) loss on risk management and other derivatives - unrealized	(10)	1
(Gain) loss on risk management and other derivatives - realized	(31)	4
(Gain) loss on risk management and other derivatives	(41)	5

#### (i) Interest rate risk

Parkland is normally exposed to market risk from changes in the Canadian and US prime interest rates, bankers' acceptance rate and LIBOR rate, which can impact Parkland's borrowing costs. Parkland monitors and analyzes 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 at December 31, 2020, a 100-basis point change in these interest rates, with all other variables held constant, including the amount of borrowings and letters of credit drawn under the Credit Facility, would have caused an increase or decrease to interest on long-term debt and net earnings of approximately \$7 (2019 - \$7).

#### (j) Credit risk

Parkland does not have significant credit exposure to any individual customer, and credit risk is minimized by Parkland's broad customer and geographic base. A sizeable portion of Parkland's accounts receivable are with customers in various industries, and are subject to normal industry credit risks. The maximum exposure to credit risk of accounts receivable is their carrying value. Counterparties for all risk management and other derivatives transacted by Parkland are major financial institutions or counterparties with investment grade credit ratings.

As at December 31, 2020, the provision for ECLs on accounts receivable was \$24 (December 31, 2019 - \$13) and the provision for ECLs on long-term receivables was \$2 (December 31, 2019 - \$1).

#### (k) Liquidity risk

Parkland mitigates liquidity risk by forecasting spending and cash flow requirements, considering seasonality of working capital needs and ensuring access to multiple sources of capital to the extent possible, including cash and cash equivalents, cash from operating activities, undrawn credit facilities and access to various credit products at competitive rates. As at December 31, 2020, Parkland has available unused credit facilities of \$1,005 (December 31, 2019 - \$748).

## Parkland Corporation

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Parkland believes it has sufficient funding to meet foreseeable liquidity requirements through the use of credit facilities, cash flows from operating activities, and cash at hand.

The following tables provide an analysis of contractual maturities for financial liabilities:

As at December 31, 2020	Note	Less than one year	Years two and three	Years four and five	Thereafter	Interest included in minimum lease payments	Total
Accounts payable and accrued liabilities		1,212	—	—	—	—	1,212
Dividends declared and payable		16	—	—	—	—	16
Risk management and other derivative liabilities		31	—	—	—	—	31
Long-term debt commitments <sup>(1)</sup>		6	690	801	1,976	—	3,473
Interest on long-term debt commitments <sup>(2)</sup>		181	362	291	148	—	982
Undiscounted future lease payments		145	191	99	228	(157)	506
Provisions and other liabilities <sup>(3)</sup>	15	194	503	—	13	—	710
		<b>1,785</b>	<b>1,746</b>	<b>1,191</b>	<b>2,365</b>	<b>(157)</b>	<b>6,930</b>

As at December 31, 2019	Note	Less than one year	Years two and three	Years four and five	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 <sup>(1)</sup>		5	407	912	2,096	—	3,420
Interest on long-term debt commitments <sup>(2)</sup>		188	358	303	195	—	1,044
Undiscounted future lease payments		150	201	124	218	(167)	526
Provisions and other liabilities <sup>(3)</sup>	15	—	797	—	9	—	806
		<b>1,727</b>	<b>1,763</b>	<b>1,339</b>	<b>2,518</b>	<b>(167)</b>	<b>7,180</b>

<sup>(1)</sup> Undiscounted principal.

<sup>(2)</sup> Includes interest on the Credit Facility, Senior Notes and Other Notes.

<sup>(3)</sup> Includes the Intermediation Facility (and derivatives), the Sol Put Option, and other items. Excludes the asset retirement and other obligations.

## 13. CAPITAL MANAGEMENT

Parkland's capital structure comprises long-term debt (including the current portion) and shareholders' equity, less cash and cash equivalents. Parkland's objective when managing its capital structure is to maintain financial flexibility and availability of capital to finance internally generated growth and potential acquisitions.

Parkland monitors its capital structure and financing requirements using non-GAAP financial metrics included in its Credit Facility debt covenants, consisting of the Senior Funded Debt to Credit Facility EBITDA ratio, Total Funded Debt to Credit Facility EBITDA ratio and Interest coverage ratio. The Credit Facility EBITDA is defined under the terms of the Credit Facility (see Note 11) and does not have any standardized meaning prescribed under IFRS. It is therefore unlikely to be comparable to similar measures presented by other companies. Debt covenant restrictions vary by seasonality and timing of material acquisitions as defined under the terms of the Credit Facility.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

#### For the year ended December 31, 2020

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As at December 31, 2020, Parkland was in compliance with all debt covenants. Parkland's covenant restrictions, management long-term targets and actual debt covenant ratios are as follows:

Ratio	Covenant restriction	Management long-term target	Actual debt covenant ratios as at	
			December 31, 2020	December 31, 2019
1. Senior Funded Debt to Credit Facility EBITDA ratio	< 3.50	< 3.50	<b>0.42</b>	0.38
2. Total Funded Debt to Credit Facility EBITDA ratio <sup>(1)</sup>	< 6.00 - < 5.00 <sup>(2)</sup>	2.00 - 3.50	<b>2.91</b>	2.79
3. Interest coverage ratio	> 3.00	> 3.00	<b>5.33</b>	5.32

<sup>(1)</sup> Debt covenant ratios are calculated pursuant to the terms of the Credit Facility dated June 9, 2020. See Section 14 of the MD&A.

<sup>(2)</sup> For the trailing-twelve-month periods ending December 31, 2020, March 31, 2021, June 30, 2021 and September 30, 2021, the Total Funded Debt to Credit Facility EBITDA covenant restriction is < 6.00 (December 31, 2019 - < 5.00).

Parkland manages its capital structure and adjusts it according to market conditions to maintain flexibility while achieving the objectives stated above. To manage the capital structure, Parkland may adjust capital spending, adjust dividends paid to shareholders, issue new equity, issue new debt, repay existing debt or enter financial facilities. The Total Funded Debt to Credit Facility EBITDA ratio target may be modified if strategic acquisitions are made.

## 14. SUPPLEMENTAL CASH FLOW INFORMATION

### Net change in non-cash working capital

#### (a) Operating activities

For the years ended	December 31, 2020	December 31, 2019
Accounts receivable	<b>299</b>	(112)
Inventories	<b>147</b>	(217)
Prepaid expenses and other	–	(15)
Accounts payable and accrued liabilities	<b>(192)</b>	284
Income taxes payable	<b>(34)</b>	55
Income taxes receivable	<b>(36)</b>	–
Deferred revenue	<b>(4)</b>	9
Total net change in non-cash working capital related to operating activities	<b>180</b>	4

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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#### (b) Reconciliation of movements from financial liabilities to cash generated from (used in) financing activities

	Note	Long-term debt	Intermediation facility (and derivatives)	Dividends declared and payable
As at January 1, 2020		3,938	311	15
Dividends paid to shareholders, net of dividend reinvestment plan		–	–	(136)
Change in Intermediation Facility, net of unrealized foreign exchange (gain) loss	15	–	(114)	–
Proceeds from the 2020 Senior Notes, net of financing costs	11	396	–	–
Net proceeds from (repayments of) the Credit Facility		84	–	–
Other net long-term debt repayments, net of financing costs		(425)	–	–
Payments on principal amount of leases, and other lease payments		(149)	–	–
Cash generated from (used in) financing activities		(94)	(114)	(136)
Dividends declared		–	–	184
Dividends issued under dividend reinvestment plan		–	–	(47)
Inception value of Redemption Options	12	9	–	–
Amortization of deferred financing costs and debt premium	11	3	–	–
2020 USA Acquisitions	18	8	–	–
Lease additions, net of disposals and other adjustments		132	–	–
Effect of changes in foreign exchange rates		(21)	1	–
Change in Intermediation Facility Derivatives		–	(4)	–
As at December 31, 2020		3,975	194	16
As at January 1, 2019		2,263	260	14
Dividends paid to shareholders, net of dividend reinvestment plan		–	–	(114)
Change in Intermediation Facility, net of unrealized foreign exchange (gain) loss	15	–	36	–
Gross proceeds from the 2019 Senior Notes	11	655	–	–
Net proceeds from (repayments of) the Credit Facility		542	–	–
Other net long-term debt repayments, net of financing costs		(39)	–	–
Payments on principal amount of leases, and other lease payments		(117)	–	–
Cash generated from (used in) financing activities		1,041	36	(114)
Dividends declared		–	–	177
Dividends issued under dividend reinvestment plan		–	–	(62)
Inception value of Redemption Options	12	11	–	–
Amortization of deferred financing costs and debt premium	11	15	–	–
Sol Transaction	18	173	–	–
2019 USA Acquisitions	18	29	–	–
Lease additions, net of disposals and other adjustments		468	–	–
Effect of changes in foreign exchange rates		(62)	6	–
Change in Intermediation Facility Derivatives		–	9	–
As at December 31, 2019		3,938	311	15

## Parkland Corporation

### Notes to the Consolidated Financial Statements

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#### 15. PROVISIONS AND OTHER LIABILITIES

	Note	December 31, 2020	December 31, 2019
Intermediation Facility (a)		189	302
Intermediation Facility Derivatives (a)		5	9
Asset retirement obligations - current (b)		14	12
Environmental provision - current		2	—
Deferred revenue		19	22
Short-term deposits, provisions and other		4	—
<b>Provisions and other liabilities - current</b>		<b>233</b>	<b>345</b>
Sol Put Option (c)	12	503	486
Asset retirement obligations - non-current (b)		373	324
Environmental Provision - non-current		86	72
Employee benefits and other		39	34
Long-term deposits, provisions and other		23	28
DSU liability	16	12	12
<b>Provisions and other liabilities - non-current</b>		<b>1,036</b>	<b>956</b>

##### (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 year ended December 31, 2020, a realized gain of \$20 (2019 - loss of \$24) and an unrealized gain \$9 (2019 - loss of \$15) 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 December 31, 2020	January 1, 2019 to December 31, 2019
Asset retirement obligations, beginning of period		336	219
Additional provisions made in the period		12	22
Sol transaction and other acquisitions	18	7	102
Obligations settled during the period		(6)	(9)
Change due to passage of time, discount rate and inflation rate		40	6
Change due to foreign exchange		(2)	(4)
<b>Asset retirement obligations, end of period</b>		<b>387</b>	<b>336</b>
Current		14	12
Non-current		373	324
<b>Asset retirement obligations, end of period</b>		<b>387</b>	<b>336</b>

## Parkland Corporation

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As at December 31, 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 2.64% to 2.99% (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 \$603 as at December 31, 2020 (December 31, 2019 - \$601). These costs are expected to be paid up to the year 2070 (December 31, 2019 - 2068).

#### (c) Sol Put Option

	Note	January 1, 2020 to December 31, 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	21	23	6
Exchange differences		(6)	(14)
Sol Put Option, end of period		503	486

See Note 12(d) for details.

## 16. SHAREHOLDERS' CAPITAL

#### (a) Shareholders' capital

Authorized capital of Parkland consists of an unlimited number of common shares and unlimited number of preferred shares issuable in series without par value. There are no preferred shares outstanding.

Changes to shareholders' capital were as follows:

	2020		2019	
	Number of common shares (000's)	Amount (\$ millions)	Number of common shares (000's)	Amount (\$ millions)
Shareholders' capital, as at January 1	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	1,251	47	1,524	62
Issued under share option plan	451	11	482	12
Issued on vesting of restricted share units	99	(1)	300	(1)
Shareholders' capital, as at December 31	150,054	2,440	148,205	2,382

#### Dividends

During the year ended December 31, 2020, Parkland declared dividends of \$184 (2019 - \$177). Shareholders of record prior to March 20, 2020 received a regular monthly dividend of \$0.0995 per share, and shareholders of record on or after March 20, 2020 received a regular monthly dividend of \$0.1012 per share. Dividends declared and payable as at December 31, 2020 of \$16 at \$0.1012 per share were paid on January 15, 2021 (December 31, 2019 - \$15 at \$0.0995 per share).

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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#### (b) Share options

Changes in the number of share options held by officers and employees with their average exercise prices per option are summarized below:

	2020		2019	
	Number of options (000's)	Average exercise price (\$ per option)	Number of options (000's)	Average exercise price (\$ per option)
Share options, as at January 1	3,610	28.73	3,427	25.68
Granted	651	32.42	716	38.94
Exercised	(451)	22.23	(482)	22.05
Expired	(15)	32.88	—	—
Forfeited and cancelled	(56)	33.65	(51)	30.88
Share options, as at December 31	3,739	30.06	3,610	28.73
Exercisable options, as at December 31	2,410	27.46	2,235	24.43

The range of exercise prices and weighted average remaining contractual lives of outstanding share options are summarized below:

Range of exercise prices	Number of options (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price (\$ per option)
\$12.00 - \$18.99	81	0.4	17.79
\$19.00 - \$25.99	1,170	3	22.70
\$26.00 - \$32.99	1,621	6	30.88
\$33.00 - \$39.99	657	6	38.17
\$40.00 - \$46.99	210	7	44.12
Share options as at December 31, 2020	3,739	5	30.06

Share option expense included in marketing, general and administrative expenses for the year ended December 31, 2020 was \$5 (2019 - \$4). Options were exercised on a regular basis throughout the year. The weighted average share price during the year was \$35.82 per share (2019 - \$42.39 per share).

The weighted average fair values of the options granted in 2020 and 2019 and the weighted average assumptions used in the Black-Scholes option valuation model to determine their fair values are as follows:

	2020	2019
Exercise price and share price at grant date (\$ per option)	32.42	38.94
Volatility (%)	27.00	27.08
Dividend yield (%)	4.68	3.02
Expected life of option (years)	5	5
Annual risk-free interest rate (%)	0.75	1.57
Fair value (\$ per option)	4.42	7.02

The expected lives of the options are based on historical data and current expectations, and are not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility of daily share prices over the period equivalent to the options' expected life is indicative of future trends, which may not necessarily be the actual outcome.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

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#### (c) Restricted share units ("RSUs")

RSUs held by officers and employees are summarized as follows:

	2020		2019	
	Number of RSUs (000's)	Average exercise price (\$ per unit)	Number of RSUs (000's)	Average exercise price (\$ per unit)
Restricted share units, as at January 1	981	34.02	1,016	29.20
Granted	844	32.11	396	38.36
Dividend equivalents	49	33.26	34	31.61
Issued on vesting	(187)	30.22	(405)	37.78
Forfeited and cancelled	(166)	31.39	(60)	32.05
Restricted share units, as at December 31	1,521	33.69	981	34.02

RSU expense included in marketing, general and administrative expenses for the year ended December 31, 2020 was \$20 (December 31, 2019 - \$15).

#### (d) Deferred share units ("DSUs")

DSUs held by non-executive members of the Board of Directors are summarized as follows:

	2020	2019
	Number of DSUs (000's)	Number of DSUs (000's)
Deferred share units, as at January 1	250	218
Granted	27	25
Dividend equivalents	10	7
Deferred share units, as at December 31	287	250

The liability recorded for DSUs in other long-term liabilities as at December 31, 2020 was \$12 (December 31, 2019 - \$12). Changes in the fair value of the outstanding DSU liability included in acquisition, integration and other costs for the year ended December 31, 2020 resulted in a gain of \$1 (2019 - loss of \$3). Expense related to DSUs included in marketing, general and administrative expenses for the year ended December 31, 2020 was \$1 (2019 - \$1).

#### (e) 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.

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(\$ millions, unless otherwise stated)

#### 17. 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.

	December 31, 2020	December 31, 2019
Current assets	668	748
Non-current assets	1,513	1,541
Current liabilities	(334)	(382)
Non-current liabilities	(461)	(502)
Total equity	1,386	1,405
Attributable to Parkland	1,039	1,054
Attributable to NCI	347	351

For the years ended	Note	December 31, 2020	December 31, 2019
Sales and operating revenue		3,619	4,946
Cost of purchases		3,047	4,305
Adjusted gross profit	24	589	641
Adjusted EBITDA attributable to NCI	24	90	93
Net earnings (loss) attributable to NCI		30	32
Total comprehensive income (loss) attributable to NCI		19	21
Dividends paid to NCI		23	84

#### 18. BUSINESS COMBINATIONS AND OTHER ACQUISITIONS

##### (a) USA Acquisitions

During the year ended December 31, 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; (ii) certain ConoMart retail sites located in and around Billings, Montana (collectively the "ConoMart Acquisition") on May 13, 2020; (iii) all of the assets of Sevier Valley Oil Company, Inc. and its related entities (collectively the "Sevier Valley Oil Acquisition") on December 7, 2020; and (iv) certain assets of Carter Oil Company, Inc. and its affiliates (collectively the "Carter Oil Acquisition") on December 31, 2020 (collectively the "2020 USA Acquisitions").

The Kellerstrass Acquisition, the Sevier Valley Oil Acquisition and the Carter Oil Acquisition were accounted for as individually separate business combinations, and the ConoMart Acquisition was accounted for as an asset acquisition. Parkland expects to finalize the purchase price allocation for the Kellerstrass Acquisition, the Sevier Valley Oil Acquisition and the Carter Oil Acquisition no later than one year from the acquisition date. The aggregate preliminary fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred for the 2020 USA Acquisitions are presented below.

Other major asset acquisitions in USA include the license for the exclusive use of the On the Run trademark in the majority of U.S. states. The acquisition positions Parkland to expand On the Run across the majority of U.S. states, to create a unified North American convenience store brand.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

	Note	Asset acquisitions Cost	Business combinations Preliminary fair values	Total
<b>Assets</b>				
Accounts receivable <sup>(1)</sup>		–	11	11
Prepaid expenses and other		–	1	1
Inventories		1	9	10
Property, plant and equipment	6	16	63	79
Property, plant and equipment - right-of-use assets	7	–	1	1
Intangible assets	8	13	71	84
		<b>30</b>	<b>156</b>	<b>186</b>
<b>Liabilities</b>				
Accounts payable and accrued liabilities <sup>(2)</sup>		(7)	(16)	(23)
Long-term debt		–	(7)	(7)
Long-term debt - lease liability		–	(1)	(1)
Asset retirement obligations	15	(1)	(6)	(7)
Deferred tax liabilities		–	(5)	(5)
		<b>(8)</b>	<b>(35)</b>	<b>(43)</b>
Goodwill arising on acquisition <sup>(3)</sup>	9	–	59	59
Net assets acquired		<b>22</b>	<b>180</b>	<b>202</b>
<b>Fair value analysis of purchase consideration transferred</b>				
Cash paid on acquisition date, less cash assumed		21	180	201
Common shares issued on acquisition		1	–	1
Purchase consideration transferred		<b>22</b>	<b>180</b>	<b>202</b>

<sup>(1)</sup> The gross amounts of accounts receivable represent their fair value and the amounts that are expected to be collected.

<sup>(2)</sup> Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.

<sup>(3)</sup> Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce, and is fully deductible for tax purposes.

Since the transaction date, sales and operating revenue of \$232 and net earnings of \$1 attributable to the 2020 USA Acquisitions are included in the consolidated statements of comprehensive income (loss). The estimated consolidated sales and operating revenue and net earnings (loss) of Parkland would have been approximately \$14,370 and \$123 respectively for the year ended December 31, 2020 if the 2020 USA Acquisitions were completed on January 1, 2020. Although these amounts represent Parkland's best estimate, there can be no assurance that these would have been the actual results had the 2020 USA Acquisitions occurred on January 1, 2020.

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, presented below, which were finalized during the year ended December 31, 2020.

## Parkland Corporation

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For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

	Note	Fair values
<b>Assets</b>		
Accounts receivable <sup>(1)</sup>		43
Inventories		19
Property, plant and equipment	6	54
Intangible assets	8	20
Others		5
		<b>141</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <sup>(2)</sup>		(25)
Long-term debt		(29)
Others		(7)
		<b>(61)</b>
Goodwill arising on acquisition <sup>(3)</sup>	9	21
Net assets acquired		<b>101</b>
Fair value analysis of purchase consideration transferred		
Cash paid on acquisition date, less cash assumed		101
Purchase consideration transferred		<b>101</b>

<sup>(1)</sup> The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.

<sup>(2)</sup> Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.

<sup>(3)</sup> Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce, and is fully deductible for tax purposes.

#### (b) Sol Transaction

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") 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.

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 territories 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 12(d) and 15(c) for details. The fair values of the identifiable assets acquired and liabilities assumed as well as the purchase consideration transferred are presented below. These fair values were finalized during the year ended December 31, 2020.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

	Note	Fair values
<b>Assets</b>		
Accounts receivable <sup>(1)</sup>		290
Prepaid expenses and other		23
Inventories		174
Property, plant and equipment	6	830
Property, plant and equipment - right-of-use assets	7	172
Intangible assets	8	344
Long-term receivables		3
Other long-term assets		181
Deferred tax assets		33
		<b>2,050</b>
<b>Liabilities</b>		
Accounts payable and accrued liabilities <sup>(2)</sup>		(294)
Long-term debt		(2)
Long-term debt - lease liability		(171)
Asset retirement obligations	15	(110)
Deferred tax liabilities		(160)
Other liabilities		(24)
		<b>(761)</b>
Non-controlling interest <sup>(3)</sup>	17	(414)
Goodwill arising on acquisition <sup>(4)</sup>	9	505
<b>Net assets acquired</b>		<b>1,380</b>
<b>Fair value analysis of purchase consideration transferred</b>		
Cash paid on acquisition date, less cash assumed		960
Common shares issued on acquisition		423
Working capital adjustment		9
Sol Transaction Hedge		(12)
<b>Purchase consideration transferred</b>		<b>1,380</b>

<sup>(1)</sup> The gross amounts of accounts receivable represent their fair value and the amounts that can be collected.

<sup>(2)</sup> Accounts payable and accrued liabilities acquired have a fair value that equals their gross contractual values and expected cash outflow at the acquisition date.

<sup>(3)</sup> Non-controlling interest is calculated based on Parkland's proportionate share of the acquired net identifiable assets.

<sup>(4)</sup> Goodwill represents the value of integration synergies, growth opportunities, a strong management team and an assembled workforce and is not deductible for tax purposes.

#### (c) Other acquisitions

During the year ended December 31, 2020, Parkland completed the acquisitions of individually immaterial businesses complementary to Parkland's existing retail business in Canada for a total purchase consideration of \$8.

#### (d) Other information

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

For the years ended	December 31, 2020	December 31, 2019
Acquisition costs	10	21
Integration costs	10	49
Restructuring and other costs <sup>(1)</sup>	32	21
<b>Acquisition, integration and other costs</b>	<b>52</b>	<b>91</b>

<sup>(1)</sup> For comparative purposes, information for the year ended December 31, 2019 was restated to align with the current categorization of Restructuring and other costs. Restructuring and other costs for the year ended December 31, 2020 include \$29 (2019 - \$6) in restructuring costs.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

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## 19. OPERATING COSTS AND MARKETING, GENERAL AND ADMINISTRATIVE EXPENSES

Operating costs and marketing, general and administrative expenses include the following:

For the years ended	December 31, 2020			December 31, 2019		
	Operating costs <sup>(1)</sup>	Marketing, general and administrative <sup>(1)</sup>	Total	Operating costs <sup>(1)</sup>	Marketing, general and administrative <sup>(1)</sup>	Total
Employee costs	234	188	422	282	236	518
Operating leases	82	4	86	87	3	90
Other operating costs	676	—	676	717	—	717
Other marketing, general and administrative expenses	—	133	133	—	166	166
	<b>992</b>	<b>325</b>	<b>1,317</b>	<b>1,086</b>	<b>405</b>	<b>1,491</b>

<sup>(1)</sup> Operating costs and marketing, general and administrative expenses are both presented net of CEWS of \$28 (\$21 net of tax) and \$25 (\$19 net of tax), respectively (2019 - nil and nil).

Employee costs include employee benefits and costs of full-time, part-time, and contract employees. Other operating costs include costs for services, credit card transaction processing fees, commissions, third-party delivery expenses, property tax, insurance, utilities, maintenance and repairs. Other marketing, general and administrative expenses include general office, general liability insurance, technology, consulting, legal and audit expenses.

## 20. FINANCE COSTS

For the years ended	December 31, 2020	December 31, 2019
Interest on leases	7	29
Interest on long-term debt	200	197
Amortization, accretion and other finance costs	17	34
	<b>250</b>	<b>260</b>

## 21. OTHER (GAINS) AND LOSSES

For the years ended	December 31, 2020	December 31, 2019
Change in redemption value of Sol Put Option	15	6
Change in fair value of Redemption Options	(34)	(91)
Change in estimates of environmental provision <sup>(1)</sup>	17	(2)
Share in earnings from investment in associate	10	(8)
Other	(10)	(14)
	<b>(12)</b>	<b>(109)</b>

<sup>(1)</sup> As at December 31, 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 2.64% to 2.86% (December 31, 2019 - 3.43% to 3.46%).

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 22. INCOME TAXES

### (a) Income tax expense (recovery)

For the years ended	December 31, 2020	December 31, 2019
Current tax:		
Tax on net earnings for the year	47	183
Adjustments in respect of prior years and other	(15)	10
Current income tax expense	32	193
Deferred tax:		
Origination and reversal of temporary differences	(4)	(54)
Change in enacted tax rates	1	2
Adjustments in respect of prior years and other	13	(8)
Deferred income tax expense (recovery)	10	(60)
Income tax expense (recovery)	42	133

Income tax expense (recovery) reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of the difference between income tax expense (recovery) and earnings before income taxes, multiplied by Parkland's Canadian statutory tax rate, is as follows:

For the years ended	December 31, 2020	December 31, 2019
Canada	12	397
United States	13	1
Other countries <sup>(1)</sup>	129	149
Earnings before income taxes	154	547
Blended statutory tax rate <sup>(2)</sup>	21%	23%
Tax calculated at blended statutory tax rate	33	126
Tax effects of:		
Non-deductible expenses	1	2
Non-taxable portion of capital gains	–	(7)
Adjustments in respect of prior years	(2)	2
Change in enacted tax rates	1	2
Non-recoverable withholding taxes on income transfers	4	7
Changes in fair value of Sol put option	5	1
Income tax expense (recovery)	42	133

<sup>(1)</sup> Includes earnings before income taxes earned in geographic locations outside of Canada and the United States. It does not refer to earnings before income taxes from the International segment.

<sup>(2)</sup> The blended statutory rate is derived based on income earned in various countries and changes in enacted tax rates.

### (b) Deferred income taxes

	December 31, 2020	December 31, 2019
Deferred tax assets	163	167
Deferred tax liabilities	(306)	(299)
Net deferred tax assets (liabilities)	(143)	(132)

## Parkland Corporation

### Notes to the Consolidated Financial Statements

#### For the year ended December 31, 2020

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The movement in the deferred income tax account is as follows:

	Note	2020	2019
Net deferred tax assets (liabilities), as at January 1		<b>(132)</b>	(67)
Sol Transaction	18	–	(127)
2020 USA Acquisitions	18	<b>(5)</b>	–
Deferred income tax (expense) recovery recognized in net earnings (loss)		<b>(10)</b>	60
Recognized in other comprehensive income (loss)		<b>2</b>	(2)
Other items		<b>2</b>	4
Net deferred tax assets (liabilities), as at December 31		<b>(143)</b>	(132)

The movement in deferred income tax assets (liabilities) and deferred income tax expense (recovery) during the year is as follows:

	Consolidated statements of comprehensive income (loss)		Consolidated balance sheets	
	Years ended December 31,		December 31,	
	2020	2019	2020	2019
Property, plant and equipment	–	(22)	<b>(252)</b>	(252)
Intangible assets and goodwill	<b>(3)</b>	(12)	<b>(56)</b>	(58)
Asset retirement and other obligations	<b>9</b>	–	<b>90</b>	100
Right-of-use assets	<b>(6)</b>	101	<b>(94)</b>	(100)
Lease liabilities	<b>3</b>	(108)	<b>105</b>	107
RSUs and DSUs	<b>(3)</b>	(5)	<b>13</b>	11
Loss carryforwards	<b>(9)</b>	(32)	<b>79</b>	70
Embedded derivatives	<b>11</b>	25	<b>(32)</b>	(22)
Share issuance costs	<b>2</b>	2	<b>2</b>	4
Sol Transaction Hedge	–	(4)	–	–
Other items	<b>4</b>	(3)	<b>2</b>	8
	<b>8</b>	(58)	<b>(143)</b>	(132)

As at December 31, 2020, Parkland has capital losses that arose in Canada of \$77 (December 31, 2019 - \$65), primarily from the settlement of the foreign exchange hedge contract in connection with the Chevron Acquisition Hedge. This capital loss balance is available indefinitely and can be used to offset future capital gains. No deferred tax asset is recognized as it is not probable that capital gains will be available against which the capital loss can be utilized.

As at December 31, 2020, Parkland has non-capital losses available to offset income for tax purposes of \$456, of which \$72 has an indefinite expiry and \$384 expires over the next 20 years (December 31, 2019 - \$312, expiring in the next 15 to 20 years).

## Parkland Corporation

### Notes to the Consolidated Financial Statements

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## 23. RELATED PARTY TRANSACTIONS

### Principal subsidiaries

As at December 31, 2020, details of Parkland's principal operating subsidiaries are as follows:

Name	Country of operation	Related operating segment
Parkland Corporation <sup>(1)</sup>	Canada	Canada and Supply
Parkland Refining (B.C.) Ltd. <sup>(1)</sup>	Canada	Canada and Supply
Elbow River Marketing Ltd. <sup>(1)</sup>	Canada	Supply
Farstad Oil Inc. <sup>(1)</sup>	United States	USA
Superpumper Inc. <sup>(1)</sup>	United States	USA
Missouri Valley Petroleum inc. <sup>(1)</sup>	United States	USA
Harts Gas and Foods, LLC. <sup>(1)</sup>	United States	USA
Rhinehart Oil Co, LLC. <sup>(1)</sup>	United States	USA
Parkland (U.S.) Supply Corporation <sup>(1)</sup>	United States	Supply
Tropic Oil Company LLC. <sup>(1)</sup>	United States	USA
Sol Investments SEZC <sup>(2)</sup> (formerly "Sol Investments Limited")	Various	International

<sup>(1)</sup> Wholly owned subsidiary of Parkland.

<sup>(2)</sup> Parkland owns a 75% interest in Sol Investments SEZC. The remaining 25% interest is held by a third party.

### Key management compensation

Parkland's key management personnel includes members of the Board of Directors and senior leadership team. Key management compensation is presented in aggregate below:

For the years ended	December 31, 2020	December 31, 2019
Salaries and short-term employee benefits	7	11
Share-based payments	5	9
	12	20

The liability balance for the annual incentive plan and share-based compensation to key management personnel, including DSUs outstanding was \$13 as at December 31, 2020 (December 31, 2019 - \$17). A clawback policy is in place to recoup variable compensation in the event of a financial restatement, gross negligence, fraud or intentional misconduct.

### Transactions with other related parties

The following transactions occurred with an associate - SARA Refinery:

For the years ended	December 31, 2020	December 31, 2019
Fuel revenue	138	358
Cost of purchases	205	311

The following balances are outstanding at the end of the reporting period in relation to transactions with an associate - SARA Refinery:

	December 31, 2020	December 31, 2019
Accounts payable	17	25
Accounts receivable	14	32

## Parkland Corporation

### Notes to the Consolidated Financial Statements

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(\$ millions, unless otherwise stated)

#### 24. 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 and operates a leading convenience store brand, On the Run / Marché Express. 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 and territories 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. USA operates under several brands including Farstad Oil, Superpumper, Tropic Oil, Rhinehart Oil, Harts and On the Run.

##### 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

## Notes to the Consolidated Financial Statements

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Segment information For the year ended December 31,	Canada <sup>(6)</sup>		International		USA		Supply <sup>(6)</sup>		Corporate		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
<b>Fuel and petroleum product volume (million litres)<sup>(1)</sup></b>	<b>8,717</b>	9,926	<b>4,974</b>	5,118	<b>2,490</b>	1,675	<b>5,243</b>	5,563	–	–	<b>21,424</b>	22,282
<b>Sales and operating revenue<sup>(2)</sup></b>	<b>6,433</b>	8,989	<b>3,619</b>	4,946	<b>1,855</b>	1,657	<b>2,104</b>	2,861	–	–	<b>14,011</b>	18,453
<b>Cost of purchases</b>	<b>5,496</b>	8,011	<b>3,047</b>	4,305	<b>1,598</b>	1,470	<b>1,534</b>	1,831	–	–	<b>11,675</b>	15,617
<b>Adjusted gross profit</b>												
Fuel and petroleum product adjusted gross profit, before the following:	<b>750</b>	775	<b>476</b>	528	<b>132</b>	86	<b>561</b>	1,015	–	–	<b>1,919</b>	2,404
Gain (loss) on risk management and other derivatives - realized	<b>(1)</b>	–	<b>14</b>	2	–	–	<b>18</b>	(6)	–	–	<b>31</b>	(4)
Gain (loss) on foreign exchange - realized	<b>(2)</b>	–	<b>3</b>	(2)	–	–	<b>(7)</b>	(14)	<b>(1)</b>	1	<b>(7)</b>	(15)
Other adjusting items to Adjusted gross profit <sup>(3)</sup>	<b>4</b>	–	–	–	–	–	<b>(4)</b>	15	–	–	–	15
Fuel and petroleum product adjusted gross profit	<b>751</b>	775	<b>493</b>	528	<b>132</b>	86	<b>568</b>	1,010	<b>(1)</b>	1	<b>1,943</b>	2,400
Non-fuel adjusted gross profit	<b>187</b>	203	<b>96</b>	113	<b>125</b>	101	<b>9</b>	15	–	–	<b>417</b>	432
Total adjusted gross profit	<b>938</b>	978	<b>589</b>	641	<b>257</b>	187	<b>577</b>	1,025	<b>(1)</b>	1	<b>2,360</b>	2,832
Operating costs <sup>(5)</sup>	<b>423</b>	479	<b>160</b>	178	<b>142</b>	103	<b>267</b>	326	–	–	<b>992</b>	1,086
Marketing, general and administrative <sup>(5)</sup>	<b>81</b>	121	<b>82</b>	104	<b>41</b>	28	<b>30</b>	39	<b>91</b>	113	<b>325</b>	405
Other adjusting items to Adjusted EBITDA <sup>(4)</sup>	<b>(1)</b>	(2)	<b>(13)</b>	(15)	–	–	–	–	–	–	<b>(14)</b>	(17)
<b>Adjusted EBITDA including NCI</b>	<b>435</b>	380	<b>360</b>	374	<b>74</b>	56	<b>280</b>	660	<b>(92)</b>	(112)	<b>1,057</b>	1,358
Adjusted EBITDA attributable to Parkland ("Adjusted EBITDA")	<b>435</b>	380	<b>270</b>	281	<b>74</b>	56	<b>280</b>	660	<b>(92)</b>	(112)	<b>967</b>	1,265
Attributable to NCI	–	–	<b>90</b>	93	–	–	–	–	–	–	<b>90</b>	93
Adjusted EBITDA including NCI	<b>435</b>	380	<b>360</b>	374	<b>74</b>	56	<b>280</b>	660	<b>(92)</b>	(112)	<b>1,057</b>	1,358
Acquisition, integration and other costs											<b>52</b>	91
Depreciation and amortization											<b>609</b>	580
Finance costs											<b>250</b>	260
(Gain) loss on foreign exchange - unrealized											<b>(2)</b>	(47)
(Gain) loss on asset disposals											<b>2</b>	3
(Gain) loss on risk management and other derivatives - unrealized											<b>(10)</b>	1
Other (gains) and losses											<b>(12)</b>	(109)
Other adjusting items <sup>(3)(4)</sup>											<b>14</b>	32
Income tax expense (recovery)											<b>42</b>	133
<b>Net earnings (loss)</b>											<b>112</b>	414
Attributable to Parkland											<b>82</b>	382
Attributable to NCI											<b>30</b>	32
Property, plant and equipment and intangible asset additions <sup>(7)</sup>	<b>85</b>	191	<b>70</b>	96	<b>14</b>	16	<b>164</b>	141	<b>20</b>	33	<b>353</b>	477
Property, plant and equipment, intangible asset and goodwill acquisitions <sup>(7)(8)</sup>	<b>8</b>	–	–	1,698	<b>222</b>	91	–	–	–	–	<b>230</b>	1,789

(1) Fuel and petroleum product volume represents external volumes only. Intersegment volumes are excluded. Volumes for 2019 have been restated to conform with 2020 presentation.

(2) See sections (a) and (b) for further details on sales and operating revenue.

(3) Other adjusting items to Adjusted gross profit include the following: (i) Canada: \$4 (2019 - nil) in fuel discount provided to frontline workers within fuel and petroleum product cost of purchases, and (ii) Supply: an unrealized gain of \$9 (2019 - unrealized loss of \$15) 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.

(4) Other adjusting items to Adjusted EBITDA include the following: (i) Canada: customer finance income of \$1 (2019 - \$2), and (ii) International: income from equity investments of \$13 (2019 - \$15).

(5) Operating costs and marketing, general and administrative expenses are both presented net of CEWS of \$28 and \$25, respectively (2019 - nil and nil) for the year ended December 31, 2020, of which \$31 relates to Canada (operating costs - \$18; marketing, general and administrative expenses - \$13). \$13 relates to Supply (operating costs - \$10; marketing, general and administrative expenses - \$3) and \$9 relates to Corporate (operating costs - nil; marketing, general and administrative expenses - \$9).

(6) For comparative purposes, information for the year ended December 31, 2019 was restated due to a change in segment presentation. Canada Retail and Canada Commercial, formerly presented separately as individual segments, and the Canadian distribution business, formerly presented in the Supply segment, are now included in the Canada segment, reflecting a change in organizational structure in 2020. Additionally, certain expenses within the Supply segment were reclassified from marketing, general and administrative to operating costs.

(7) Property, plant and equipment additions and acquisitions do not include the right-of-use asset.

(8) 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 year ended December 31, 2020.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

#### (a) Geographic information

Sales and operating revenue from external customers	December 31, 2020	December 31, 2019
Canada	7,565	10,635
United States	3,406	3,710
Other countries	3,040	4,108
Total	14,011	18,453

	December 31, 2020			
	Canada	United States	Other countries	Consolidated
Property, plant and equipment	2,535	266	1,005	3,806
Intangible assets	531	162	256	949
Goodwill	1,168	209	487	1,864
Total	4,234	637	1,748	6,619

	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

#### (b) Sales and operating revenue by product

For the year ended December 31,	Canada <sup>(5)</sup>		International		USA		Supply <sup>(5)</sup>		Consolidated	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
Gas and diesel	5,724	8,219	2,938	3,841	1,345	1,223	1,093	1,483	11,100	14,766
Liquid petroleum gas <sup>(1)</sup>	161	185	45	45	16	22	378	468	600	720
Other fuel and petroleum products <sup>(2)</sup>	–	–	496	868	7	8	624	892	1,127	1,768
Fuel and petroleum product revenue	5,885	8,404	3,479	4,754	1,368	1,253	2,095	2,843	12,827	17,254
Convenience store <sup>(3)</sup>	379	380	12	16	118	110	–	–	509	506
Lubricants and other non-fuel <sup>(4)</sup>	169	205	128	176	369	294	9	18	675	693
Non-fuel revenue	548	585	140	192	487	404	9	18	1,184	1,199
Sales and operating revenue	6,433	8,989	3,619	4,946	1,855	1,657	2,104	2,861	14,011	18,453

<sup>(1)</sup> Liquid petroleum gas includes propane and butane.

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

<sup>(3)</sup> Convenience store revenue generated from Canada, International, and USA depends on the business model operated by each segment.

<sup>(4)</sup> Lubricants and other non-fuel include lubricants, rent, freight, tanks and parts installation, cylinder exchanges, royalties, emission allowances and other products and services.

<sup>(5)</sup> For comparative purposes, information for the year ended December 31, 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 2020.

## Parkland Corporation

### Notes to the Consolidated Financial Statements

For the year ended December 31, 2020

(\$ millions, unless otherwise stated)

## 25. CONTINGENCIES AND COMMITMENTS

### (a) Legal

Parkland is involved in various legal claims and legal proceedings arising in the ordinary course of business. Although the outcome of such matters cannot be predicted with certainty, management does not consider Parkland's exposure to litigation to be material to these consolidated financial statements. Accruals for litigation, claims and assessments are recognized if Parkland determines that the loss is probable and the amount can be reasonably estimated. Parkland believes it has made adequate provisions for such legal claims.

### (b) Commitments

Parkland has entered into legally binding agreements to make future payments for the purchase of goods and services, including the acquisition of property, plant and equipment. Approximate future undiscounted payments under these agreements are as follows:

	2021	2022	2023	2024	2025	Thereafter	Total
Contractual commitments for the acquisition of property, plant and equipment	81	—	—	—	—	—	81

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.

## 26. SUBSEQUENT EVENTS

Parkland completed the acquisition of assets of Story Distributing Company and its affiliates (collectively "Story") on February 1, 2021. Story is a retail and commercial fuel business based in Bozeman, Montana. The acquisition expands Parkland's presence in the Montana and Idaho based markets. The Story Acquisition was financed through cash flows from operations and the Credit Facility, and the purchase consideration was settled in cash.

Parkland cancelled the Intermediation Facility effective February 26, 2021. The cancellation did not have a material impact on Parkland's net earnings for subsequent periods.