



May 2, 2012

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## Superior Plus Corp. Announces 2012 First Quarter Results and an Expansion of its Hydrochloric Acid Capacity

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### First Quarter Highlights

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- For the quarter ended March 31, 2012, Superior generated adjusted operating cash flow (AOCF) per share of \$0.61 compared to \$0.68 per share in the comparative period, the decrease over the prior year quarter was due to the effect of unseasonably warm weather which had a significant impact on Energy Services results. Additionally, AOCF per share was impacted by a higher number of average shares outstanding due to Superior's dividend reinvestment plan.
- Weather was unseasonably warm throughout the first quarter of 2012, with many regions in Canada and the Northeast U.S. reporting record, or near record, average temperatures. Warmer than average temperatures caused a reduction in heating based sales volumes, resulting in an approximate \$0.15 per share decrease to Superior's first quarter results.
- The impact of weather on the Energy Services business was partially offset by improved margins in the Canadian propane operations.
- Superior's first quarter results include \$0.02 per share in one-time restructuring costs associated with Superior's ongoing business improvement initiatives. Superior anticipates that one-time costs of approximately \$0.05 to \$0.08 per share will be incurred in fiscal 2012, the impact of which is included in Superior's 2012 financial outlook.
- Superior's Board of Directors has approved an \$18 million expansion of the hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The existing capacity of this facility which is currently 110,000 wet metric tonnes (WMT) or 36,000 dry metric tonnes, will increase to 220,000 WMT upon completion of the expansion.
- Superior's 2012 financial outlook of AOCF per share of \$1.45 to \$1.80 is unchanged from the financial outlook provided at the end of the fourth quarter of 2011. See "2012 Financial Outlook" for additional details.
- Superior's total debt to EBITDA improved to 4.8X as at March 31, 2012, compared to 5.1X at December 31, 2011 and 5.8X at March 31, 2011. Superior continues to focus on reducing its total debt and improving its EBITDA to reduce its total debt to EBITDA ratio to its targeted range of 3.5X to 4.0X.
- Superior successfully extended its syndicated credit facility, which now totals \$570 million by one additional year with no changes to financial covenants. The facility expires on June 27, 2015.

## First Quarter Financial Summary

<i>(millions of dollars except per share amounts)</i>	Three months ended March 31,	
	2012	2011
Revenue	<b>1,065.9</b>	1,138.8
Gross profit	<b>238.1</b>	238.4
EBITDA from operations <sup>(1)</sup>	<b>91.3</b>	96.4
Interest	<b>(19.7)</b>	(19.8)
Cash income tax expense	<b>(0.2)</b>	(0.1)
Corporate costs	<b>(4.0)</b>	(3.2)
Adjusted operating cash flow <sup>(1)</sup>	<b>67.4</b>	73.3
Adjusted operating cash flow per share, basic and diluted <sup>(1)(2)(3)</sup>	<b>\$0.61</b>	\$0.68
Dividends paid per share	<b>\$0.15</b>	\$0.37

<sup>(1)</sup> EBITDA from operations and adjusted operating cash flow are key performance measures used by management to evaluate the performance of Superior. These measures are defined under “Non-IFRS Financial Measures” in Superior’s 2012 First Quarter Management’s Discussion and Analysis.

<sup>(3)</sup> The weighted average number of shares outstanding for the three months ended March 31, 2012 is 111.1 million (2011 – 108.1 million).

<sup>(4)</sup> For the three months ended March 31, 2012 and 2011, there were no dilutive instruments.

## Segmented Information

<i>(millions of dollars)</i>	Three months ended March 31,	
	2012	2011
EBITDA from operations:		
Energy Services	<b>58.4</b>	66.6
Specialty Chemicals	<b>29.6</b>	25.7
Construction Products Distribution	<b>3.3</b>	4.1
	<b>91.3</b>	96.4

## Energy Services

- Energy Services EBITDA from operations for the first quarter was \$58.4 million compared to \$66.6 million in the prior year quarter, as modestly higher results from the Canadian propane business and supply portfolio management business were more than offset by weaker results at the Northeast U.S. refined fuels business due to unseasonably warm weather experienced throughout the first quarter.
- The Canadian propane business generated gross profit of \$72.8 million in the first quarter compared to \$69.7 million in the prior year quarter as an improvement in average sales margins more than offset reduced sales volumes due to the impact of weather.
- Canadian propane average sales margins were 17.6 cents per litre in the first quarter compared to 15.9 cents per litre in the prior year quarter. The increase in average sales margins was due to improved pricing on industrial and commercial contracts combined with improved overall pricing management, offset in part, by a higher proportion of lower margin industrial volumes.
- Canadian propane distribution sales volumes were 26 million litres or 6% lower than the prior year quarter due principally to the impact of weather on heating related volumes. Non-heating based industrial volumes continued to benefit from strong demand from the oil and gas sector.
- Heating related volumes, particularly residential and commercial volumes within the Canadian propane business, were negatively impacted by unseasonably warm weather throughout most of

Canada in the first quarter. Average weather across Canada, as measured by degree days, for the first quarter was 13% warmer than the prior year and 7% warmer than the 5-year average. On a regional basis, average temperatures were most impacted relative to the prior year and the 5-year average in Ontario and the Prairies.

- The U.S. refined fuels business generated gross profits of \$45.7 million in the first quarter compared to \$60.4 million in the prior year quarter. The reduction in gross profits is due principally to a 14% or 79 million litre reduction in sales volumes due to the impact of weather.
- Sales volumes in the U.S. refined fuels business were significantly impacted by unseasonably warm weather. Average weather, as measured by degree days, was 23% warmer than the prior year quarter and 18% warmer than the 5-year average, negatively impacting residential and commercial heating volumes.
- U.S. refined fuels average sales margins were 9.7 cents per litre in the quarter, compared to 10.9 cents per litre in the prior year quarter. Average sales margins, particularly heating oil sales margins, were impacted by competitive pressures as a result of the unseasonably warm weather. In addition, average sales margins were impacted by a higher proportion of lower margin commercial diesel and gasoline volumes.
- The fixed-price energy services business generated gross profits of \$7.5 million compared to \$8.3 million in the prior year quarter as reduced natural gas profits more than offset improved electricity gross profits. Lower natural gas gross profits were due to increased provisions for potential load balancing losses due to the unseasonably warm winter and the low price for natural gas. Improved electricity gross profits were due to the aggregation of new customers compared to the prior year quarter.
- The supply portfolio management business generated gross profits of \$6.2 million in the first quarter compared to \$3.6 million in the comparative period. The increase in gross profit is due to improved market trading opportunities throughout the quarter relative to the prior year quarter, due principally to the warmer than average weather as noted previously.
- Operating expenses were \$84.3 million in the quarter compared to \$86.9 million in the prior year quarter. The decrease in operating expenses is due to reduced employee costs within the Canadian propane and Northeast U.S. refined fuels businesses as a result of reduced sales volumes as noted previously.
- Initiatives to improve results in the Energy Services business began during the first quarter in conjunction with Superior's goal for each of its businesses to become best in class. Business improvement projects for 2012/2013 will be focused on: a) improving customer service levels, b) improving overall logistics and procurement functions, c) enhancing the management of margins through intelligent pricing, d) working capital management, and e) improving existing and implementing new technologies to facilitate improvements to the business.
- Superior expects business conditions in 2012 for its Energy Services business will be similar to 2011, with the exception of a reduced contribution from its fixed-price energy services business. The fixed-price energy services business profitability will moderate as it is expected there will be fewer renewals of residential customers at favourable margins due to market conditions. Additionally, weather is anticipated to be consistent with the 5-year average for the second half of 2012.

## **Specialty Chemicals**

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- EBITDA from operations for the first quarter was \$29.6 million compared to \$25.7 million in the prior year quarter as higher average realized selling prices more than offset a modest reduction in sales volumes.
- Sodium chlorate gross profits were higher than the prior year quarter due to higher average realized selling prices and the absence of higher cost external inventory purchases required in the prior year quarter as a result of production line issues at the Buckingham, Quebec facility.
- Sodium chlorate sales volumes were 2% lower than the prior year quarter due to customer plant shut-downs for maintenance and customer production curtailments, principally in North America, in response to a softening in the price for pulp. These reductions were partially offset by improved offshore sales volumes.
- Chloralkali gross profits were lower than the prior year as reduced sales volumes and higher input costs more than offset higher average realized selling prices. Sales volumes of chloralkali products decreased by 6,000 tonnes or 8% due to weak demand for runway deicing products as a result of the unseasonably warm weather. Average selling prices remain stable due to balanced supply/demand fundamentals.
- Operating expenses were \$0.9 million higher than the prior year due to general inflationary increases and the impact of foreign currency on the revaluation of U.S.-denominated working capital.
- Superior has approved an \$18 million expansion of the hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The existing capacity of 110,000 wet metric tonnes (WMT), or 36,000 dry metric tonnes, will increase to approximately 220,000 WMT upon completion of the expansion. The project will be completed through 2012 and 2013 with commercial production expected in the first quarter of 2014. Upon completion, Superior will have total hydrochloric acid production capacity of 290,000 WMT. The expansion of the production capacity will allow Superior to optimize overall returns at the Port Edwards facility by converting a larger portion of its chlorine into higher value hydrochloric acid.
- Superior is evaluating the merits of additional hydrochloric acid expansion at its Saskatoon, Saskatchewan facility which currently has a production capacity of 70,000 WMT or 22,000 dry metric tonnes.
- Superior expects business conditions in 2012 for its Specialty Chemicals business will be similar to 2011. Superior continues to see a stable market for sodium chlorate as a result of the current market for pulp. Superior also expects continued strength in chloralkali sales volumes and pricing due to strong North American supply demand fundamentals resulting from low natural gas prices.

## **Construction Products Distribution**

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- EBITDA from operations for the first quarter, including one-time restructuring charges of \$1.1 million was \$3.3 million compared to \$4.1 million in the prior year quarter.
- Construction Products Distribution's results were \$0.8 million lower than the prior year quarter as higher operating costs, due in part to the restructuring costs noted above, more than offset improved gross profit.
- Gross profits were \$4.3 million higher than the prior year quarter as a result of improved sales volumes. Volumes benefited from the introduction of the full interiors product line into select U.S.

markets that were previously acoustical ceiling focused; in addition, volumes benefited from favourable weather conditions for construction throughout the first quarter. Gross margins as a percentage of sales were consistent with the prior year quarter.

- Operating expenses were \$4.8 million higher than the prior year. The increase in operating expenses is due to higher sales volumes, and inflationary increases on wages and other operating costs. Additionally, the first quarter includes \$1.1 million in restructuring costs associated with operational restructuring.
- The Construction Products Distribution business continues to review all aspects of operations to optimize its cost structure and improve gross margins. Superior anticipates that an additional \$2.5 to \$3.0 million in restructuring costs will be incurred in 2012 due principally to the reorganization or closure of approximately 10 to 15 branches. Restructuring activities are being actively managed to minimize costs and the impact on customers.
- Initiatives to improve results in the Construction Products Distribution business began during the first quarter. Business improvement projects for 2012/2013 will be focused on: a) reviewing supply chain management including procurement and transportation, b) assessment of overall logistics and existing branch network, and c) working capital management.
- Superior expects business conditions in 2012 for its Construction Products Distribution business to be similar to 2011. EBITDA from operations is anticipated to be lower than in 2011 due to anticipated costs associated with further restructuring activities and ongoing adverse market conditions in both the residential and commercial segments in both Canada and the U.S. Superior does not anticipate significant improvements in the end-use markets in the near term.

### **Corporate Related**

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- Total interest expense for the first quarter was \$19.7 million compared to \$19.8 million in the prior year quarter. Interest expense was consistent with the prior year quarter as lower average debt levels were offset by higher average effective interest rates.
- Corporate costs were \$4.0 million in the current quarter, a \$0.7 million increase over the prior year quarter due to higher costs associated with Superior's long-term incentive plans due to the improvement in Superior's share price during the first quarter of 2012.
- Superior's dividend re-investment program (DRIP) generated proceeds of \$3.6 million during the first quarter. Proceeds from the DRIP will be used to reduce existing debt levels. The DRIP provides Superior's shareholders with the opportunity to reinvest their cash dividends in the future growth of the business at a 5% discount to the market price of Superior's common shares.
- Superior's total debt (including convertible debentures) to Compliance EBITDA improved to 4.8X as at March 31, 2012, compared to 5.1X as at December 31, 2011, and 5.8X as at March 31, 2011. Superior continues to make progress on reducing its total leverage by focusing on debt reduction, including reducing working capital requirements, and improving business operations.
- On March 28, 2012, Superior completed an extension of its syndicated credit facility with eight lenders; the size of the facility was reduced to \$570 million from \$615 million. The syndicated facility was reduced to reflect Superior's anticipated credit requirements as a result of Superior's ongoing debt reduction plan. The secured revolving credit facility matures on June 27, 2015 and can be expanded up to \$750 million; financial covenants were unchanged.

## **2012 Financial Outlook**

Superior expects 2012 AOCF per share of \$1.45 to \$1.80, consistent with the 2012 financial outlook provided at the fourth quarter of 2011.

Luc Desjardins, Superior's President and Chief Executive Officer stated "Superior was very happy with the results for the first quarter despite the impact of weather which had a negative impact of approximately \$0.15 per share. Based on the current state of the North American economy and the assumption average temperatures return to historical levels for the second half of 2012, Superior is confident in its ability to achieve its 2012 financial outlook of \$1.45 to \$1.80 of AOCF per share. Additionally, I would like to provide our stakeholders with an update on Superior's ongoing business improvement initiatives. As outlined in my annual message to Superior's stakeholders, I am committed to ensuring the transformation of Superior into a best in class organization. I am pleased to report this transformation process has begun in earnest and we continue to focus on ensuring we execute on the business initiatives that will ultimately result in this transformation being achieved. While I remain confident these business initiatives will provide tangible benefits to Superior in 2013 and beyond, it is still too early in the process to provide estimates with respect to the costs and potential benefits associated with them."

For additional details on the assumptions underlying the 2012 financial outlook, see Superior's 2012 First Quarter Management's Discussion and Analysis.

## Debt Management Update

Superior remains committed to reducing its total debt and its total debt leverage ratios. An update to the anticipated total debt and total debt leverage ratios as at December 31, 2012, based on Superior's 2012 financial outlook and Superior's 2012 first quarter results, is detailed in the chart below.

	(Dollar Per Share)	(Millions of Dollars)
2012 financial outlook AOCF per share – mid-point <sup>(1)</sup>	1.62	181.4
Maintenance capital expenditures	(0.16)	(17.8)
Capital lease obligation repayments	(0.15)	(16.6)
Cash flow available for dividends and debt repayment before growth capital	1.31	147.0
Expansion of Port Edward's facility and one-time environmental costs	(0.09)	(10.2)
Other growth capital expenditures	(0.14)	(15.0)
Proceeds from dividend reinvestment program	0.12	13.4
Estimated 2012 free cash flow available for dividend and debt repayment	1.20	135.2
Dividends (annualized)	(0.60)	(67.2)
Cash flow available for debt repayment before working capital initiatives	0.60	68.0
Working capital reduction initiatives	0.32	35.0
Total estimated debt repayment (including Q1 2012 Actuals)	0.92	103.0
Estimated total debt to EBTIDA as at December 31, 2012	4.4X – 4.6X	4.4X – 4.6X
Dividends (annualized)	0.60	67.2
Calculated payout ratio after all capital expenditures	50%	50%

<sup>(1)</sup> See "2012 Financial Outlook" in Superior's 2012 First Quarter Management's Discussion and Analysis for additional details including assumptions, definitions and risk factors.

## 2012 Detailed First Quarter Results

Superior's 2012 First Quarter Management's Discussion and Analysis is attached and is also available on Superior's website at: [www.superiorplus.com](http://www.superiorplus.com) under the Investor Relations section.

## Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2012 First Quarter Results at 4:00 p.m. MDT on Wednesday, May 2, 2012. To participate in the call, dial: 1-877-240-9772. An archived recording of the call will be available for replay until midnight, Monday, July 2, 2012. To access the recording, dial: 1-800-408-3053 and enter pass code 9527343 followed by the # key. Internet users can listen to the call live, or as an archived call, on Superior's website at: [www.superiorplus.com](http://www.superiorplus.com).

## Forward Looking Information

Certain information included herein is forward-looking, within the meaning of applicable Canadian securities laws. Forward-looking information includes, without limitation, statements regarding the future financial position and debt repayment, business strategy, market conditions, budgets, litigation, projected

costs, capital expenditures, financial results, adjusted operating cash flow, EBITDA from operations, taxes and plans and objectives of or involving Superior and Superior Plus LP. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "expect", "plan", "intend", "forecast", "target", "project", "guidance", "may", "will", "should", "could", "estimate", "predict" or similar words suggesting future outcomes or language suggesting an outlook. Forward-looking information in this press release, including the attached 2012 First Quarter Management's Discussion and Analysis, includes but is not limited to, consolidated and business segment outlooks, product production, expected EBITDA from operations, expected AOCF, expected AOCF per share, expected leverage ratios and debt repayment, debt management summary, future capital expenditures, future economic conditions, tax horizon, future income taxes, exchange rates, dividend strategy, commodity prices and costs, development plans and programs, effects of operational and technological improvements, impact of accounts receivable collection delays, demand for chemicals including sodium chlorate, business strategy and objectives, payout ratio, future dividend payments, future cash flows, anticipated taxes, benefits and synergies resulting from corporate and asset acquisitions, expected life of facilities and statements regarding the future financial position of Superior and Superior Plus LP. Superior believes the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

Forward-looking information is based on various assumptions. Those assumptions are based on information currently available to Superior, including information obtained from third party industry analysts and other third party sources, the historic performance of Superior's businesses, and such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, business prospects, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, trading data, cost estimates, our ability to obtain financing on acceptable terms, and the other assumptions set forth under the "Outlook" sections contained in the attached 2012 First Quarter Management's Discussion and Analysis. Readers are cautioned that the preceding list of assumptions is not exhaustive.

Forward-looking information is not a guarantee of future performance. By its very nature, forward-looking information involves inherent risks and uncertainties, both general and specific, and risks that predictions, forecasts, projections and other forward-looking information will not be achieved, some of which are described herein and in the attached 2012 First Quarter Management's Discussion and Analysis. Such risks and uncertainties may cause Superior's or Superior Plus LP's actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking information. We caution readers not to place undue reliance on this information as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in such forward-looking information. These risks and uncertainties include but are not limited to the risks referred to under the section entitled "Risk Factors to Superior", in the attached 2012 First Quarter Management's Discussion and Analysis, the risks associated with the availability and amount of the tax basis and the risks identified in Superior's 2011 Annual Information Form under the heading "Risk Factors". Superior's 2011 Annual Information Form is available at [www.sedar.com](http://www.sedar.com) and from Superior's website at [www.superiorplus.com](http://www.superiorplus.com).

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. When relying on our forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future. Reliance on such information may not be appropriate for other

purposes, such as making investment decisions. Any forward-looking information is made as of the date hereof and, except as required by law, Superior does not undertake any obligation to publicly update or revise such information to reflect new information, subsequent or otherwise. For more information about Superior, visit our website at [www.superiorplus.com](http://www.superiorplus.com) or contact:

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## Management's Discussion and Analysis of 2012 First Quarter Results May 2, 2012

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Superior Plus Corp. (Superior) as at March 31, 2012 and for the three months ended March 31, 2012 and 2011. The information in this MD&A is current to May 2, 2012. This MD&A should be read in conjunction with Superior's audited consolidated financial statements and notes to those statements as at and for the twelve months ended December 31, 2011 and its December 31, 2011 MD&A.

The accompanying unaudited condensed consolidated financial statements of Superior have been prepared by and are the responsibility of Superior's management. Superior's unaudited condensed consolidated financial statements have been prepared in accordance with *International Accounting Standard 34 Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB). Dollar amounts in this MD&A are expressed in Canadian dollars and millions except where otherwise noted.

### Overview of Superior

Superior is a diversified business corporation. Superior holds 99.9% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. (Superior GP) as general partner and Superior as limited partner. Superior owns 100% of the shares of Superior GP and Superior GP hold 0.1% of Superior LP. The cash flow of Superior is solely dependent on the results of Superior LP and is derived from the allocation of Superior LP's income to Superior by means of partnership allocations. Superior, through its ownership of Superior LP and Superior GP, has three operating segments: the Energy Services segment which includes a Canadian propane distribution business, a U.S. refined fuels distribution business, a fixed-price energy services business and a supply portfolio management business; the Specialty Chemicals segment; and the Construction Products Distribution segment.

## First Quarter Results

### Summary of Adjusted Operating Cash Flow

	Three months ended March 31,	
<i>(millions of dollars except per share amounts)</i>	2012	2011
EBITDA from operations: <sup>(1)</sup>		
Energy Services	58.4	66.6
Specialty Chemicals	29.6	25.7
Construction Products Distribution	3.3	4.1
	<b>91.3</b>	96.4
Interest	(19.7)	(19.8)
Cash income tax expense	(0.2)	(0.1)
Corporate costs	(4.0)	(3.2)
Adjusted operating cash flow <sup>(1)</sup>	<b>67.4</b>	73.3
Adjusted operating cash flow per share <sup>(3)</sup> , basic <sup>(3)</sup> and diluted <sup>(4)</sup>	<b>\$0.61</b>	\$0.68

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA) and adjusted operating cash flow are not IFRS measures. See "Non-IFRS Financial Measures".

(3) The weighted average number of shares outstanding for the three months ended March 31, 2012, is 111.1 million (2011 – 108.1 million).

(4) For the three months ended March 31, 2012 and 2011, there were no dilutive instruments.

**Adjusted Operating Cash Flow Reconciled to Net Cash Flow from Operating Activities <sup>(1)</sup>**

	Three months ended	
<i>(millions of dollars)</i>	2012	March 31, 2011
<b>Net cash flow from operating activities</b>	<b>120.9</b>	57.7
Add: (Decrease) increase in non-cash working capital	(33.6)	35.5
Non cash interest expense	1.7	1.8
Less: Income taxes expense	(0.2)	(0.1)
Finance costs recognized in net earnings	(21.4)	(21.6)
<b>Adjusted operating cash flow</b>	<b>67.4</b>	73.3

<sup>(1)</sup> See the Unaudited Condensed Consolidated Financial Statements for net cash flows from operating activities and changes in non-cash working capital.

First quarter adjusted operating cash flow was \$67.4 million, a decrease of \$5.9 million or 8% from the prior year quarter. The decrease in adjusted operating cash flow was primarily due to lower operating results at Energy Services and Construction Products Distribution and higher operating costs offset in part by higher results at Specialty Chemicals. Adjusted operating cash flow of \$0.61 per share, decreased by \$0.07 per share as compared to the prior year quarter due to an 8% decrease in adjusted operating cash flow and a 3% increase in the weighted average number of shares outstanding. The average number of shares outstanding increased in 2012 as a result of shares issued from Superior's Dividend Reinvestment Program and Optional Share Purchase Plan (DRIP).

The net earnings for the first quarter were \$28.7 million, compared to net earnings of \$41.1 million in the prior year quarter. Net earnings were primarily impacted by unrealized losses on financial instruments in the current quarter as compared to unrealized financial instrument gains in the prior year quarter. The change in the unrealized gains on financial instruments was due principally to lower gains in the current quarter on Superior's natural gas financial derivatives compared to the prior year quarter as a result of fluctuations in the spot price of natural gas. Revenues of \$1,065.9 million were \$72.9 million lower than the prior year quarter due to lower Energy Services revenue as a result of warm weather offset in part by higher revenue at Construction Products Distribution as a result of favourable weather. Gross profit of \$238.1 million was \$0.3 million lower than the prior year quarter due to lower Energy Services gross profits on lower sales volumes offset in part by higher Specialty Chemicals and Contribution Products Distribution gross profits. Operating expenses of \$179.5 million in the first quarter were \$3.8 million higher than in the prior year quarter due to increased operating costs within the Construction Products Distribution segment as a result of higher sales volumes. Total income tax expense for the first quarter was \$6.1 million compared to income tax expenses of \$14.4 million in the prior year quarter. The decreased in income tax expense was primarily due to lower net earnings as compared to the prior year quarter.

## Energy Services

Energy Services' condensed operating results for 2012 and 2011 are provided in the following table.

<i>(millions of dollars)</i>	Three months ended	
	2012	March 31, 2011
Revenue <sup>(1)</sup>	747.6	841.6
Cost of sales <sup>(1)</sup>	(604.9)	(688.1)
Gross profit	142.7	153.5
Less: Cash operating and administration costs <sup>(1)</sup>	(84.3)	(86.9)
EBITDA from operations	58.4	66.6

(1) In order to better reflect the results of its operations, Superior has reclassified certain amounts for purposes of this MD&A to present its results as if it had accounted for various transactions as accounting hedges. See "Reconciliation of Divisional Segmented Revenue and Cost of Sales to EBITDA" for detailed amounts.

Revenues for the first quarter of 2012 were \$747.6 million, a decrease of \$94.0 million from revenues of \$841.6 million in 2011. The decrease in revenues is primarily due to lower sales volumes as a result of warm weather and lower commodity prices. Total gross profit for the first quarter of 2012 was \$142.7 million, a decrease of \$10.8 million or 7% over the prior year quarter. The decrease in gross profit is primarily due to lower gross margins and sales volumes within U.S. Refined Fuels offset in part by higher Canadian propane gross margins and higher Supply portfolio management gross profits. A summary and detailed review of gross profit is provided below.

### Gross Profit Detail

<i>(millions of dollars)</i>	Three months ended	
	2012	March 31, 2011
Canadian propane distribution	72.8	69.7
U.S. refined fuels distribution	45.7	60.4
Other services	10.5	11.5
Supply portfolio management	6.2	3.6
Fixed-price energy services	7.5	8.3
Total gross profit	142.7	153.5

### Canadian Propane Distribution

Canadian propane distribution gross profit for the first quarter was \$72.8 million, an increase of \$3.1 million or 4% from 2011, due to higher gross margins offset in part by lower sales volumes. Residential and commercial sales volumes decreased by 16 million litres or 10%, due to warm weather and customer conservation efforts. Average weather across Canada for the quarter, as measured by degree days, was 13% warmer than the prior year and 7% warmer than the five-year average. Industrial volumes decreased by 3 million litres or 1%, due to lower demand wholesale demand offset in part by increased oilfield sales volumes due to continued strength in the energy sector. Automotive propane volumes declined by 2 million litres or 13%, due to the continued structural decline in this end-use market.

Average propane sales margins for the first quarter increased to 17.6 cents per litre from 15.9 cents per litre in the prior year quarter. The increase in average margins compared to the prior year quarter is principally due to price increases to industrial and commercial sales contracts and improved pricing management offset in part by sales mix as the current quarter included a higher proportion of lower margins sales volumes due to the warm weather.

### Canadian Propane Distribution Sales Volumes

<i>Volumes by End-Use Application</i> <sup>(1)</sup>			<i>Volumes by Region</i> <sup>(2)</sup>		
Three months ended March 31,			Three months ended March 31,		
<i>(millions of litres)</i>	2012	2011	<i>(millions of litres)</i>	2012	2011
Residential	47	53	Western Canada	243	250
Commercial	97	107	Eastern Canada	137	154
Agricultural	16	21	Atlantic Canada	33	35
Industrial	239	242			
Automotive	14	16			
	<b>413</b>	439		<b>413</b>	439

<sup>(1)</sup> **Regions:** Western Canada region consists of British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Ontario, Yukon and Northwest Territories; Eastern Canada region consists of Ontario (except for Northwest Ontario) and Quebec; and Atlantic Canada consists of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island.

### U.S. Refined Fuels Distribution

U.S. refined fuels distribution gross profit for the first quarter was \$45.7 million, a decrease of \$14.7 million from the prior year quarter. The decrease in gross profit is due to lower sales volumes and gross margins. Sales volumes of 473 million litres, decreased by 79 million litres or 14% as compared to the prior year quarter. The decrease in sales volumes was primarily due to lower residential and commercial volumes as a result of unseasonably warm weather and the impact of high commodity prices on customer conservation. Weather as measured by heating degree days for the first quarter was 23% warmer than the prior year. Average U.S. refined fuels sales margins of 9.7 cents per litre decreased from the 10.9 cents per litre in the prior year quarter. The decrease in sales margins is primarily due to competitive pressures and sales mix.

### U.S. Refined Fuels Distribution Sales Volumes

<i>Volumes by End-Use Application</i> <sup>(1)</sup>			<i>Volumes by Region</i> <sup>(2)</sup>		
Three months ended March 31,			Three months ended March 31,		
<i>(millions of litres)</i>	2012	2011	<i>(millions of litres)</i>	2012	2011
Residential	126	173	Northeast United States	473	552
Commercial	216	256			
Automotive	131	123			
	<b>473</b>	552		<b>473</b>	552

<sup>(1)</sup> **Volume:** Volume of heating oil, propane, diesel and gasoline sold (millions of litres).

<sup>(2)</sup> **Regions:** Northeast United States region consists of Pennsylvania, Connecticut, New York, and Rhode Island.

### Other Services

Other services gross profit was \$9.4 million in the first quarter, a decrease of \$2.1 million or 18% from the prior year quarter. The decrease in other services gross profit is due to lower customer demand.

### Supply Portfolio Management

Supply portfolio management gross profits were \$6.2 million in the first quarter, an increase of \$2.6 million from the prior year quarter due to increased market opportunities and favourable fixed price and hedge settlements being realized in a falling price environment.

## **Fixed-Price Energy Services**

### **Fixed-Price Energy Services Gross Profit**

<i>(millions of dollars except volume and per unit amounts)</i>	<b>Three months ended March 31, 2012</b>			Three months ended March 31, 2011		
	<b>Gross Profit</b>	<b>Volume</b>	<b>Per Unit</b>	Gross Profit	Volume	Per Unit
Natural Gas <sup>(1)</sup>	<b>5.3</b>	<b>4.8 GJ</b>	<b>110.4 ¢/GJ</b>	7.1	5.6 GJ	126.8 ¢/GJ
Electricity <sup>(2)</sup>	<b>2.2</b>	<b>185.1 KWh</b>	<b>1.19 ¢/KWh</b>	1.2	117.1 KWh	1.02 ¢/KWh
<b>Total</b>	<b>7.5</b>			<b>8.3</b>		

<sup>(1)</sup> Natural gas volumes and per unit amounts are expressed in millions of gigajoules (GJ).

<sup>(2)</sup> Electricity volumes and per unit amounts are expressed in millions of kilowatt hours (KWh).

Fixed-price energy services gross profit was \$7.5 million in the first quarter, a decrease of \$0.8 million (10%) from \$8.3 million in the prior year quarter. Natural gas gross profit was \$5.3 million, a decrease of \$1.8 million from the prior year quarter due to lower margins and sales volumes. Gross profit per unit was 110.4 cents per gigajoule (GJ), a decrease of 16.4 cents per GJ (13%) from the prior year quarter. The decrease in natural gas gross margin was due to increased provisions for potential load balancing losses due to unseasonably warm weather offset in part by lower supply costs. Sales volumes of natural gas were 4.8 million GJ, 0.8 million GJ (14%) lower than the prior year quarter due to a continued decline in residential volumes as a result of focusing marketing efforts towards the commercial segment, warm weather and continued low system price for natural gas. Electricity gross profit in the first quarter of 2012 was \$2.2 million, an increase of \$1.0 million or 83% from the prior year quarter due to the aggregation of additional commercial customers in the Ontario market, increased customer electricity usage and higher margins.

### **Operating costs**

Cash operating and administrative costs were \$84.3 million in first quarter of 2012, a decrease of \$2.6 million or 3% from the prior year quarter. The decrease in expenses was primarily due to lower operating costs associated with reduced sales volumes within the Canadian propane distribution segment. Operating costs for the other businesses were consistent with the prior year quarter and included \$0.8 million in restructuring costs.

### **Outlook**

Superior's expects business conditions in 2012 for its Energy Services segment to be similar to 2011, with the exception of a reduced contribution from its fixed-price energy services business. The fixed-price energy services business profitability will moderate as it is expected that there will be fewer renewals of residential customers at favourable margins. Additionally, weather, is anticipated to be consistent with the 5-year average with the exception of the unseasonably warm weather experienced during the first quarter of 2012.

In addition to the significant assumptions detailed above, refer to "Risk Factors to Superior" for a detailed review of significant business risks affecting the Energy Services' businesses.

## Specialty Chemicals

Specialty Chemicals' condensed operating results for 2012 and 2011 are provided in the following table.

<i>(millions of dollars except per metric tonne (MT) amounts)</i>	<b>Three months ended March 31,</b>			
	<b>2012</b>		<b>2011</b>	
	<b>\$ per MT</b>		<b>\$ per MT</b>	
Chemical Revenue <sup>(1)</sup>	<b>132.9</b>	<b>707</b>	130.8	667
Chemical Cost of Sales <sup>(1)</sup>	<b>(71.8)</b>	<b>(382)</b>	(74.5)	(380)
Chemical Gross Profit	<b>61.1</b>	<b>325</b>	56.3	287
Less: Cash operating and administrative costs <sup>(1)</sup>	<b>(31.5)</b>	<b>(168)</b>	(30.6)	(156)
EBITDA from operations	<b>29.6</b>	<b>157</b>	25.7	131
Chemical volumes sold (thousands of MTs)	<b>188</b>		196	

(1) In order to better reflect the results of its operations, Superior has reclassified certain amounts for purposes of this MD&A related to derivative financial instruments, non-cash amortization and foreign currency translation losses/gains related to U.S.-denominated working capital. See "Reconciliation of Divisional Segmented Revenue and Cost of Sales to EBITDA" for detailed amounts.

Chemical revenue for the first quarter of \$132.9 million was \$2.1 million or 2% higher than the prior year quarter primarily due to increased sodium chlorate and chloralkali/potassium pricing. First quarter gross profit of \$61.1 million was \$4.8 million higher than the prior year quarter due to increased sodium chlorate and chloralkali/potassium gross profits. Sodium chlorate gross profits were higher than the prior year quarter due to increased realized pricing on contract renewals and the one-time impact of external product purchases in the prior year due to a temporary production line issue. Sodium chlorate sales volumes decreased by 2,000 tonnes or 2% compared to the prior year quarter due to customer shut downs for maintenance and production curtailments in both North America and Chile offset in part by increased demand from offshore customers. Chloralkali/potassium gross profits were lower than the prior year quarter as a result of decreased sales volumes and gross margins. Chloralkali/potassium sales volumes decreased by 6,000 tonnes or 8% compared to the prior year quarter due to lower demand for deicing products as a result of unseasonably warm weather during the first quarter. Gross margins were lower than the prior year quarter due to sales mix offset in part by higher pricing for some products.

Cash operating and administrative costs of \$31.5 million were \$0.9 million or 3% higher than the prior year quarter due to a foreign exchange translation loss on U.S. denominated net working capital and increased employee compensation costs.

### Outlook

Superior expects business conditions in 2012 for its Specialty Chemicals segment will be similar to 2011. Superior continues to see a stable market for sodium chlorate as a result of the current market for pulp. Superior also expects continued strength in chloralkali sales volumes and pricing due to strong North American supply demand fundamentals and the current strong demand for hydrochloric acid.

In addition to the significant assumptions detailed above, refer to "Risk Factors to Superior" for a detailed review of the significant business risks affecting Superior's Specialty Chemicals' segment.

### Construction Products Distribution

Construction Products Distribution's condensed operating results for 2012 and 2011 are provided in the following table.

<i>(millions of dollars)</i>	Three months ended	
	2012	March 31, 2011
Revenue		
Gypsum Specialty Distribution (GSD) revenue	121.1	110.7
Commercial and Industrial Insulation (C&I) revenue	63.1	55.4
Cost of sales		
GSD cost of sales	(94.1)	(85.9)
C&I cost of sales	(46.1)	(40.5)
Gross profit	44.0	39.7
Less: Cash operating and administrative costs	(40.7)	(35.6)
EBITDA from operations	3.3	4.1

<sup>(1)</sup> In order to better reflect the results of its operations, Superior has reclassified certain amounts for purposes of this MD&A to present its results as if it had accounted for various transactions as accounting hedges. See "Reconciliation of Divisional Segmented Revenue and Cost of Sales to EBITDA" for detailed amounts.

GSD and C&I revenues of \$184.2 million for the first quarter of 2012 were \$18.1 million (11%) higher than the prior year quarter. GSD revenue increased due to warm weather during the first quarter, higher demand and sales volumes from some Canadian based regions and from the expansion of the GSD product line into existing U.S. based branches. C&I revenues also increased due to increased sale efforts, higher pricing and warm weather throughout the first quarter.

Gross profits of \$44.0 million in the first quarter were \$4.3 million higher than the prior year quarter due principally to the impact of higher revenues in both GSD and C&I offset in part by lower GSD gross margins. The increase in revenue was due to warm weather throughout the first quarter, increased sales volumes, price increases and higher demand. GSD sales margins declined due to challenging market conditions in the Ontario market, competitive pressures and manufacturer price increases which negatively impacted margins.

Cash operating and administration costs were \$40.7 million in the first quarter, an increase of \$5.1 million or 14% from the prior year quarter. The increase in expenses was primarily due to restructuring charges of \$1.1 million, higher operating costs associated with increased sales volumes and higher employee compensation costs.

### Outlook

Superior's expects business conditions in 2012 for its Construction Products Distribution business to be similar to 2011. EBITDA from operations is anticipated to be lower than in 2011 due to anticipated costs associated with further restructuring activities and ongoing difficult market conditions in the residential and commercial segments in both Canada and the U.S. Superior does not anticipate significant improvements in the end-use markets in the near term.

In addition to the Construction Products Distribution segment's significant assumptions detailed above, refer to "Risk Factors to Superior" for a detailed review of the significant business risks affecting Superior's Construction Products Distribution segment.

## Consolidated Capital Expenditure Summary

<i>(millions of dollars)</i>	Three months ended	
	2012	March 31, 2011
Efficiency, process improvement and growth related	3.5	4.6
Other capital	2.5	3.2
	6.0	7.8
Other acquisitions	–	4.6
Proceeds on disposition of capital	(0.9)	(1.0)
Total net capital expenditures	5.1	11.4
Investment in finance leases	3.3	3.3
Total expenditures	8.4	14.7

Efficiency, process improvement and growth related expenditures were \$3.5 million in the first quarter compared to \$4.6 million in the prior year quarter. These were incurred primarily in relation to Energy Services' purchases of rental assets and truck related expenditures. Other capital expenditures were \$2.5 million in the first quarter compared to \$3.2 million in the prior year quarter, consisting primarily of required maintenance and general capital across all of Superior's segments. Proceeds on the disposal of capital were \$0.9 million in the first quarter and consisted of Superior's disposition of surplus tanks, cylinders and other assets. During the first quarter Superior entered into new leases with capital equivalent value of \$3.3 million primarily related to delivery vehicles for the Energy Services and Construction Products Distribution segments.

### Corporate and Interest Costs

Corporate costs for the first quarter were \$4.0 million, compared to \$3.2 million in the prior year quarter. The increase in corporate costs was primarily due to higher long term incentive costs as a result of the increase in Superior share price, higher employee costs and professional fees.

Interest expense on borrowings and finance lease obligations for the first quarter was \$10.5 million, consistent with the prior year quarter of \$10.5 million. See "Liquidity and Capital Resources" discussion for further details on the change in average debt levels.

Interest on Superior's convertible unsecured subordinated debentures ("Debentures" which includes all series of convertible unsecured subordinated debentures) was \$9.2 million for the first quarter of 2012, consistent with the prior year quarter of \$9.3 million.

### Taxation

Total income tax expense for the first quarter was \$6.1 million and consists of \$0.2 million in cash income tax expense and \$5.9 million in deferred income tax expense, compared to a total income tax expense of \$14.4 million in the prior year quarter, which consisted of \$0.1 million in cash income tax expense and a \$14.3 million deferred income tax expense.

Cash income tax expense for the first quarter was \$0.2 million and consisted of income tax expense in the U.S. of \$0.2 million (2011 Q1 - \$0.1 million of U.S. cash tax expense). Deferred income tax expense for the first quarter was \$5.9 million (2011 Q1 - \$14.3 million deferred income tax expense), resulting in a corresponding net deferred income tax asset of \$302.7 million as at March 31, 2012. Deferred income tax expense for the first quarter was impacted by lower net earnings as compared to the prior year quarter.

### **2012 Financial Outlook**

Superior outlook for cash flow from operations for 2012 is expected to be between \$1.45 and \$1.80 per share, consistent with Superior's financial outlook as provided in the 2011 annual Management's Discussion and Analysis. Superior's consolidated adjusted operating cash flow outlook is dependent on the operating results of its three operating segments.

In addition to the operating results of Superior's three operating segments, significant assumptions underlying Superior's current 2012 outlook are:

- Economic growth in Canada and the U.S. is expected to be similar or modestly lower than 2011;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- The foreign currency exchange rate between the Canadian and U.S. dollar is expected to average par in 2012 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to remain consistent with 2011 levels; and
- Canadian and U.S. based cash taxes are expected to be minimal in 2012 and have been based on existing statutory income tax rates.

### ***Energy Services***

- Average temperatures across Canada and the Northeast U.S. are expected to be consistent with the recent five-year average except for the first quarter of 2012;
- Total propane and U.S. refined fuels-related sales volumes in 2012 compared to 2011 are anticipated to decrease due to warmer than average weather during the first quarter of 2012 offset in part by economic improvement and sales and marketing initiatives;
- Wholesale propane, and U.S. refined fuels-related prices are not anticipated to significantly impact demand for propane, refined fuels and related services;
- Supply portfolio management market opportunities are expected to improve as compared to 2011 although growth is expected to be moderate; and
- Fixed price energy services is expected to be able to access sales channel agents on acceptable contract terms and expects gross profit to decrease as compared to 2011. The decrease in gross profit is primarily related to lower natural gas gross margins as transportation related gross profits and contribution from residential customer renewals begins to decrease. Total new customer aggregation volumes are expected to be consistent with 2011.

### ***Specialty Chemicals***

- Supply and demand fundamentals for sodium chlorate are expected to remain strong in 2012, resulting in increased sales volumes as compared to 2011. Pricing is expected to remain consistent or slightly improved as compared to 2011 levels; and
- Chloralkali revenues and gross profits are expected to increase in 2012 due to higher sales volumes for caustic and hydrochloric acid product lines combined with improved pricing.

### ***Construction Products Distribution***

- GSD sales revenue from Canada is expected to increase from 2011 levels due to the full year contribution from greenfield operations in the Maritimes and higher sales volumes. GSD sales revenue from the United States is expected to increase from 2011 due to continued expansion of existing product lines into U.S. branches. C&I sales revenue is expected to increase from 2011 due to a focus on increasing the fabrication and export business;

- Sales margins for both GSD and C&I as compared to 2011 are expected to decrease slightly due to competitive pressures; and
- Construction Products Distribution has performed a detailed review of its existing operations and expects to reorganize or close 10 to 15 branches during 2012 as part of its restructuring efforts.

### Debt Management Update

Superior remains committed to reducing its total debt and its total debt leverage ratios. An update to the anticipated total debt and total debt leverage ratios as at December 31, 2012 based on the 2012 Outlook and Superior's 2012 first quarter results is detailed in the chart below.

### Debt Management Summary

	(Per Share)	(Millions of dollars)
2012 financial outlook AOCF per share – mid-point <sup>(1)</sup>	\$1.62	181.4
Maintenance capital expenditures	(0.16)	(17.8)
Capital lease obligation repayments	(0.15)	(16.6)
Cash flow available for dividends and debt repayment before growth capital	\$1.31	147.0
Expansion of Port Edward's facility and one-time environmental costs	(0.09)	(10.2)
Other growth capital expenditures	(0.14)	(15.0)
Proceeds from dividend reinvestment program	0.12	13.4
Estimated 2012 free cash flow available for dividend and debt repayment	\$1.20	135.2
Dividends (annualized)	\$(0.60)	(67.2)
Cash flow available for debt repayment	\$0.60	68.0
Working capital reduction initiatives	0.32	35.0
Total estimated debt repayment (including Q1 2012 Actuals)	\$0.92	103.0
Estimated total debt to EBITDA as at December 31, 2012	4.4X – 4.6X	4.4X – 4.6X
Dividend per share (annualized)	\$0.60	67.2
Calculated payout ratio after all capital expenditures	50%	50%

<sup>(1)</sup> See "2012 Financial Outlook" for additional details including assumptions, definitions and risk factors.

In addition to Superior's significant assumptions detailed above, refer to the section "Risk Factors to Superior" for a detailed review of Superior's significant business risks.

### Liquidity and Capital Resources

Superior's revolving syndicated bank facility (Credit Facility), term loans and finance lease obligations (collectively "Borrowings") before deferred financing fees totaled \$663.0 million as at March 31, 2012, a decrease of \$99.1 million from December 31, 2011. The \$99.1 million decrease in Borrowings was due to lower net working capital funding requirements and first quarter cash flows offset in part by finance lease repayments, dividends payments and net capital expenditures.

On March 28, 2012, Superior completed an extension of its Credit Facility with eight lenders and reduced the size of the facility from \$615 million to \$570 million. The Credit Facility matures on June 27, 2015 and can be expanded up to \$750 million. The Credit Facility was reduced to reflect Superior's anticipated credit requirements as a result of Superior's ongoing debt reduction plan. Financial covenant ratios were unchanged with Consolidated Secured Debt to Consolidated EBITDA ratio and Consolidated Debt to

Consolidated EBITDA ratio of 3.0x and 5.0x, respectively. See “Summary of Cash Flows” for details on Superior’s sources and uses of cash.

As at March 31, 2012, Debentures (before deferred issue costs) issued by Superior totaled \$591.4 million, consistent with the balance outstanding as at December 31, 2011. See Note 11 to the Unaudited Condensed Consolidated Financial Statements for additional details on Superior’s Debentures.

As at March 31, 2012, approximately \$219.3 million was available under the Credit Facility which Superior considers sufficient to meet its net working capital funding requirements, expected capital expenditures and refinancing requirements.

Consolidated net working capital was \$325.3 million as at March 31, 2012, a decrease of \$75.6 million from net working capital of \$400.9 million as at December 31, 2011. The decrease in net working capital was primarily due to increased cash collections of accounts receivable within the Canadian propane distribution segment and lower inventory and accounts receivable balances within the Supply portfolio management segment. Also contributing to the decrease in net working capital was debenture interest accruals at corporate. Superior’s net working capital requirements are financed from revolving term bank credit facilities.

Proceeds received from the DRIP were \$3.6 million (Three months ended March 31, 2011 - \$9.2 million) for the three months ended March 31, 2012, a decrease of \$5.6 million due to a reduction in Superior’s dividend rate during 2011.

As at March 31, 2012, when calculated in accordance with the Credit Facility, the Consolidated Secured Debt to Compliance EBITDA ratio was 2.0 to 1.0 (December 31, 2011 – 2.3 to 1.0) and the Consolidated Debt to Compliance EBITDA ratio was 2.6 to 1.0 (December 31, 2011 – 2.9 to 1.0). For both of these covenants all outstanding Debentures are not considered. These ratios are within the requirements contained in Superior’s debt covenants. In accordance with the Credit Facility, Superior must maintain a Consolidated Secured Debt to Compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a Consolidated Debt to Compliance EBITDA ratio of not more than 5.0 to 1.0, excluding Debentures. Distributions (including payments to Debenture holders) cannot exceed Compliance EBITDA less cash income taxes, plus \$35.0 million on a trailing twelve month rolling basis.

On March 30, 2012, Standard and Poor’s confirmed both Superior and Superior LP’s long-term corporate credit rating as BB- and the secured debt rating to BB+. The outlook rating for both Superior and Superior LP remains stable and the credit rating on Superior’s unsecured debt is unchanged at BB-. On September 12, 2011, DBRS lowered Superior LP’s senior secured rating to BB (high) from BBB(low) and lowered Superior LP’s senior unsecured rating to BB (low) from BB (high). The trend for both ratings has been changed to stable from negative.

As at March 31, 2012, Superior had an estimated defined benefit pension solvency deficiency of approximately \$32.9 million (December 31, 2011 - \$36.3 million) and a going concern solvency deficiency of approximately \$11.0 million (December 31, 2011 - \$16.6 million). Funding requirements required by applicable pension legislation are based upon going concern and solvency actuarial assumptions. These assumptions differ from the going concern actuarial assumptions used in Superior’s financial statements. Superior has sufficient liquidity through existing revolving term bank credits and anticipated future operating cash flow to fund this deficiency over the prescribed funding period.

In the normal course of business, Superior is subject to lawsuits and claims. Superior believes the resolution of these matters will not have a material adverse effect, individually or in the aggregate, on Superior's liquidity, consolidated financial position or results of operations. Superior records costs as they are incurred or when they become determinable.

### Shareholders' Capital

The weighted average number of shares outstanding during the first quarter was 111.1 million shares, an increase of 2.9 million shares compared to the prior year quarter due to the issuance of 2,847,030 common shares over the past twelve months and the resulting impact on weighted average number of shares outstanding. The following table provides a detailed breakdown of the common shares issued over the last twelve months:

	Closing Date	Average Issuance Price per Share	Issued Number of Common Shares (Millions)
<b>As at March 31, 2011</b>			<b>108.5</b>
Issuance of common shares under Superior's DRIP	April 15, 2011 through March 15, 2012	\$8.23	2.9
<b>As at March 31, 2012</b>			<b>111.4</b>

As at May 2, 2012, March 31, 2012 and December 31, 2011, the following common shares and securities convertible into common shares were outstanding:

(millions)	May 2, 2012		March 31, 2012		December 31, 2011	
	Convertible Securities	Shares	Convertible Securities	Shares	Convertible Securities	Shares
Common shares outstanding <sup>(1)</sup>		<b>111.5</b>		<b>111.4</b>		110.8
5.75% Debentures <sup>(2)</sup>	<b>\$49.9</b>	<b>1.4</b>	<b>\$49.9</b>	<b>1.4</b>	\$49.9	1.4
5.85% Debentures <sup>(3)</sup>	<b>\$75.0</b>	<b>2.4</b>	<b>\$75.0</b>	<b>2.4</b>	\$75.0	2.4
7.50% Debentures <sup>(4)</sup>	<b>\$69.0</b>	<b>5.3</b>	<b>\$69.0</b>	<b>5.3</b>	\$69.0	5.3
5.75% Debentures <sup>(5)</sup>	<b>\$172.5</b>	<b>9.1</b>	<b>\$172.5</b>	<b>9.1</b>	\$172.5	9.1
6.00% Debentures <sup>(6)</sup>	<b>\$150.0</b>	<b>9.9</b>	<b>\$150.0</b>	<b>9.9</b>	\$150.0	9.9
7.50% Debentures <sup>(7)</sup>	<b>\$75.0</b>	<b>6.6</b>	<b>\$75.0</b>	<b>6.6</b>	\$75.0	6.6
Shares outstanding and issuable upon conversion of Debentures		<b>146.2</b>		<b>146.1</b>		145.5

<sup>(1)</sup> Common shares outstanding as at May 2, 2012, includes 152,761 common shares issued under Superior's DRIP program during the month of April.

<sup>(2)</sup> Convertible at \$36.00 per share.

<sup>(3)</sup> Convertible at \$31.25 per share.

<sup>(4)</sup> Convertible at \$13.10 per share.

<sup>(5)</sup> Convertible at \$19.00 per share.

<sup>(6)</sup> Convertible at \$15.10 per share.

<sup>(7)</sup> Convertible at \$11.35 per share.

### Dividends Paid to Shareholders

Dividends paid to Superior's shareholders are dependent on its cash flow from operating activities with consideration for changes in working capital requirements, investing activities and financing activities of Superior. See "Summary of Adjusted Operating Cash Flow" and "Summary of Cash Flows" for additional details on the sources and uses of Superior's cash flow.

Dividends paid to shareholders in the first quarter were \$16.7 million (before DRIP proceeds of \$3.6 million) or \$0.15 per share, a decrease of \$26.9 million as compared to the first quarter of 2011 due to the revision of Superior's dividend rate to \$0.05 per share per month effective with the November 2011 dividend and the revision to \$0.10 per share per month effective with the March 2011 dividend payment. On November 2, 2011, Superior announced that the monthly dividend has been reduced to \$0.05 per share or \$0.60 per share on an annualized basis which decreased from the prior level of \$0.10 per share per month or \$1.20 per share on an annualized basis effective with Superior's March 2011 dividend. Superior has made the determination that it is prudent to accelerate its debt reduction plan by reducing its monthly dividend. See Superior's "Debt Management and Dividend Payout Ratio" section for further details. Dividends to shareholders are declared at the discretion of the board of directors of Superior.

Superior's primary sources and uses of cash are detailed below:

#### Summary of Cash Flows <sup>(1)</sup>

<i>(millions of dollars)</i>	Three months ended	
	2012	March 31, 2011
<b>Cash flows from (used in) operating activities</b>	<b>116.4</b>	53.4
Investing activities:		
Purchase of property, plant and equipment <sup>(2)</sup>	<b>(6.0)</b>	(7.8)
Proceeds on disposal of property, plant and equipment	<b>0.9</b>	1.0
Other acquisitions	–	(4.6)
<b>Cash flows used in investing activities</b>	<b>(5.1)</b>	(11.4)
Financing activities:		
Net proceeds (repayment) of borrowings	<b>(92.2)</b>	8.3
Repayment of finance lease obligation	<b>(3.6)</b>	(4.1)
Net proceeds (repayment) of accounts receivable securitization program	–	(0.8)
Proceeds from the dividend reinvestment plan	<b>3.6</b>	9.2
Dividends paid to shareholders	<b>(16.7)</b>	(43.6)
<b>Cash flows from (used in) financing activities</b>	<b>(108.9)</b>	(31.0)
Net increase in cash and cash equivalents	<b>2.4</b>	11.0
Cash and cash equivalents, beginning of period	<b>5.2</b>	8.9
Effect of translation of foreign denominated cash and cash equivalents	<b>(0.3)</b>	(0.4)
<b>Cash and cash equivalents, end of period</b>	<b>7.3</b>	19.5

<sup>(1)</sup> See the Consolidated Statement of Cash Flows for additional details.

<sup>(2)</sup> See "Consolidated Capital Expenditure Summary" for additional details.

## Financial Instruments – Risk Management

Derivative and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Superior assesses the inherent risks of these instruments by grouping derivative and non-financial derivatives related to the exposures these instruments mitigate. Superior's policy is not to use derivative or non-financial derivative instruments for speculative purposes. Superior does not formally designate its derivatives as hedges and, as a result, Superior does not apply hedge accounting and is required to designate its derivatives and non-financial derivatives as held for trading. Refer to Superior's 2011 Annual MD&A for further details on financial instrument risk management.

Overall Superior has hedged approximately 72% of its estimated US dollar exposure for the remainder of 2012 and approximately 83% for 2013. The estimated sensitivity on adjusted operating cash flow for Superior, including divisional US exposures and the impact on US-denominated debt with respect to a \$0.01 change in the Canadian to United States exchange rate for 2012 is \$0.1 million, respectively after giving effect to United States forward contracts for 2012, as shown in the table below. Superior's sensitivities and guidance are based on an anticipated average Canadian to US dollar foreign currency exchange rate for 2012 at par with the US dollar.

<i>(US\$ millions except exchange rates)</i>	2012	2013	2014	2015	2016	2017 and Thereafter	Total
Energy Services – US\$ forward sales	14.0	44.0	26.0	26.0	–	–	110.0
Construction Products Distribution – US\$ forward sales	18.0	24.0	12.0	12.0	–	–	66.0
Specialty Chemicals – US\$ forward sales	101.5	132.0	118.0	106.0	–	–	457.5
Corporate – US\$ forward purchases	(9.4)	–	–	–	–	–	(9.4)
Net US \$ forward sales	124.1	200.0	156.0	144.0	–	–	624.1
Energy Services – Average US\$ forward sales rate	1.06	1.06	1.01	1.01	–	–	1.03
Construction Products Distribution – Average US\$ forward sales rate	1.06	1.07	1.00	1.00	–	–	1.04
Specialty Chemicals – US\$ forward sales rate	1.04	1.04	1.03	1.00	–	–	1.03
Corporate – US\$ forward purchases	1.01	–	–	–	–	–	1.01
Net average external US\$/Cdn\$ exchange rate	1.05	1.05	1.03	1.00	–	–	1.03

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's first quarter Condensed Consolidated Financial Statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see Note 12 to the Unaudited Condensed Consolidated Financial Statements.

## Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

No changes have been made in Superior's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Superior's internal control over financial reporting in the quarter ended March 31, 2012.

## Critical Accounting Policies and Estimates

Superior's Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IFRS. The significant accounting policies are described in the unaudited Condensed Consolidated Financial Statements for the period ended March 31, 2012. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, future income tax assets and liabilities, the valuation of derivatives and non-financial derivatives and asset impairments and the assessment of potential asset retirement obligations.

## Quarterly Financial and Operating Information

(millions of dollars except per share amounts)	2012	2011 Quarters				2010 Quarters		
	Quarter							
	First	Fourth	Third	Second	First	Fourth	Third	Second
Canadian propane sales volumes (millions of litres)	413	368	239	260	439	372	234	249
U.S. refined fuels sales volumes (millions of litres)	473	440	344	405	552	499	363	371
Natural gas sales volumes (millions of GJs)	5	5	5	6	6	6	7	7
Electricity sales volumes (millions of kWh)	185	167	176	146	117	133	86	73
Chemical sales volumes (thousands of metric tonnes)	188	187	197	192	196	193	189	183
Revenues	1,065.9	1,043.4	845.0	898.4	1,138.8	1,011.2	769.1	791.2
Gross profit	238.1	234.6	178.5	176.0	238.4	224.7	172.4	165.9
Net earnings (loss)	28.7	(231.4)	(113.4)	1.1	41.1	(56.0)	(13.8)	(5.5)
Net earnings (loss) per share, basic and diluted	\$0.26	(\$2.10)	(\$1.04)	\$0.01	\$0.38	(\$0.53)	(\$0.13)	(\$0.05)
Adjusted operating cash flow	67.4	63.8	23.5	19.8	73.3	62.5	26.5	12.9
Adjusted operating cash flow per share, basic and diluted	\$0.61	\$0.58	\$0.21	\$0.18	\$0.68	\$0.58	\$0.25	\$0.12
Net working capital <sup>(1)</sup>	325.3	377.3	295.0	365.3	416.1	400.9	280.9	268.3

(1) Net working capital reflects amounts as at the quarter-end and is comprised of accounts receivable and inventories, less trade and other payables and deferred revenue.

### Non-IFRS Financial Measures

#### *Adjusted Operating Cash Flow*

Adjusted operating cash flow is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, other expenses, non-cash interest expense, current income taxes and finance costs. Superior may deduct or include additional items to its calculation of adjusted operating cash flow; these items would generally, but not necessarily, be items of a non-recurring nature. Adjusted operating cash flow is the main performance measure used by management and investors to evaluate the performance of Superior. Readers are cautioned that adjusted operating cash flow is not a defined performance measure under IFRS and that adjusted operating cash flow cannot be assured. Superior's calculation of adjusted operating cash flow may differ from similar calculations used by comparable entities. Adjusted operating cash flow represents cash flow generated by Superior that is available for, but not necessarily limited to, changes in working capital requirements, investing activities and financing activities of Superior.

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized adjusted operating cash flow. Adjustments recorded by Superior as part of its calculation of adjusted operating cash flow include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Energy Services segment, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expense, which can differ significantly from quarter to quarter. Adjustments are also made to reclassify the cash flows related to natural gas and electricity customer contract related costs in a manner consistent with the income statement recognition of these costs. Adjusted operating cash flow is reconciled to cash flow from operating activities on page 11.

#### *EBITDA*

EBITDA represents earnings before taxes, depreciation, amortization, finance expense and other non-cash expenses, and is used by Superior to assess its consolidated results and the results of its operating

segments. EBITDA is not a defined performance measure under IFRS. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities. EBITDA of Superior's operating segments may be referred to as EBITDA from operations. Net earnings are reconciled to EBITDA from operations on page 26.

***Compliance EBITDA***

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and other non-cash expenses calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information. Compliance EBITDA is not a defined performance measure under IFRS. Superior's calculation of Compliance EBITDA may differ from similar calculations used by comparable entities. See Note 14 to the Unaudited Condensed Consolidated Financial Statements for a reconciliation of net earnings (loss) to Compliance EBITDA.

***Payout Ratio***

Payout ratio represents dividends as a percentage of adjusted operating cash flow less other capital expenditures and is used by Superior to assess its financial results and leverage. Payout ratio is not a defined performance measure under IFRS. Superior's calculation of Payout ratio may differ from similar calculations used by comparable entities.

**Reconciliation of Net Earnings (Loss) to EBITDA from Operations <sup>(1) (2)</sup>**

	Energy Services	Specialty Chemicals	Construction Products Distribution
<b>For the three months ended March 31, 2012</b>			
Net earnings	35.1	17.0	1.5
Add: Amortization of property, plant and equipment and intangible assets	14.2	1.6	1.5
Amortization included in cost of sales	–	10.9	–
Amortization of customer contract costs	0.9	–	–
Customer contract related costs	(0.4)	–	–
Finance costs	1.0	0.1	0.3
Unrealized losses on derivative financial instruments	7.6	–	–
<b>EBITDA from operations</b>	<b>58.4</b>	<b>29.6</b>	<b>3.3</b>
<b>For the three months ended March 31, 2011</b>			
Net earnings	65.2	7.3	1.9
Add: Amortization of property, plant and equipment and intangible assets	15.2	1.6	1.9
Amortization included in cost of sales	–	11.4	–
Amortization of customer contract costs	1.2	–	–
Customer contract related costs	(0.8)	–	–
Finance costs	1.0	–	0.3
Unrealized gains on derivative financial instruments	(15.2)	5.4	–
<b>EBITDA from operations</b>	<b>66.6</b>	<b>25.7</b>	<b>4.1</b>

- (1) See the Unaudited Condensed Consolidated Financial Statements for net earnings (loss), amortization of property, plant and equipment, intangible assets and accretion of convertible debenture issue costs, amortization included in cost of sales, amortization of customer contract costs, customer contract related costs and unrealized (gains) losses on derivative financial instruments.
- (2) See “Non-IFRS Financial Measures” for additional details.

**Reconciliation of Segmented Revenue, Cost of Sales and cash operating and administrative costs included in this MD&A**

	For the three months ended March 31, 2012			For the three months ended March 31, 2011		
	Energy Services	Specialty Chemicals	Construction Products Distribution	Energy Services	Specialty Chemicals	Construction Products Distribution
<b>Revenue per Financial Statements</b>	<b>747.6</b>	<b>134.1</b>	<b>184.2</b>	841.6	131.1	166.1
Foreign currency gains (losses) related to working capital	–	(1.2)	–	–	(0.3)	–
<b>Revenue per the MD&amp;A</b>	<b>747.6</b>	<b>132.9</b>	<b>184.2</b>	841.6	130.8	166.1
<b>Cost of products sold per Financial Statements</b>	<b>(604.9)</b>	<b>(82.7)</b>	<b>(140.2)</b>	(688.1)	(85.9)	(126.4)
Non-cash amortization	–	10.9	–	–	11.4	–
<b>Cost of products sold per the MD&amp;A</b>	<b>(604.9)</b>	<b>(71.8)</b>	<b>(140.2)</b>	(688.1)	(74.5)	(126.4)
<b>Gross profit</b>	<b>142.7</b>	<b>61.1</b>	<b>44.0</b>	153.5	56.3	39.7
<b>Cash operating and administrative costs per Financial Statements</b>	<b>(99.0)</b>	<b>(34.3)</b>	<b>(42.2)</b>	(102.5)	(32.5)	(37.5)
Amortization and depreciation expenses	14.2	1.6	1.5	15.2	1.6	1.9
Amortization of customer contract related costs	0.9	–	–	1.2	–	–
Customer contract related costs	(0.4)	–	–	(0.8)	–	–
Reclassification of foreign currency (gains) and losses related to working capital	–	1.2	–	(0.8)	0.3	–
<b>Cash operating and administrative costs per the MD&amp;A</b>	<b>(84.3)</b>	<b>(31.5)</b>	<b>(40.7)</b>	(86.9)	(30.6)	(35.6)

### **Risk Factors to Superior**

The risks factors and uncertainties detailed below are a summary of Superior's assessment of its material risk factors as identified in Superior's 2011 Annual Information Form under the heading "Risk Factors". For a detailed discussion of these risks, see Superior's 2011 Annual Information Form filed on the Canadian Securities Administrator's website, [www.sedar.com](http://www.sedar.com) and Superior's website, [www.superiorplus.com](http://www.superiorplus.com).

### **Risks to Superior**

Superior is entirely dependent upon the operations and assets of Superior LP. Superior's ability to make dividend payments to shareholders is dependent upon the ability of Superior LP to make distributions on its outstanding limited partnership units as well as the operations and business of Superior LP.

There is no assurance regarding the amounts of cash to be distributed by Superior LP or generated by Superior LP and therefore funds available for dividends to shareholders. The actual amount distributed in respect of the limited partnership units will depend on a variety of factors including, without limitation, the performance of Superior LP's operating businesses, the effect of acquisitions or dispositions on Superior LP, and other factors that may be beyond the control of Superior LP or Superior. In the event significant sustaining capital expenditures are required by Superior LP or the profitability of Superior LP declines, there would be a decrease in the amount of cash available for dividends to shareholders and such decrease could be material.

Superior's dividend policy and the distribution policy of Superior LP are subject to change at the discretion of the board of directors of Superior or the board of directors of Superior General Partner Inc., as applicable. Superior's dividend policy and the distribution policy of Superior LP are also limited by contractual agreements including agreements with lenders to Superior and its affiliates and by restrictions under corporate law.

The credit facilities and U.S. Notes of Superior LP contain covenants that require Superior LP to meet certain financial tests and that restrict, among other things, the ability of Superior LP to incur additional debt, dispose of assets or pay dividends/distributions in certain circumstances. These restrictions may preclude Superior LP from returning capital or making distributions on the limited partnership units.

The payout by Superior LP of substantially all of its available cash flow means that capital expenditures to fund growth opportunities can only be made in the event that other sources of financing are available. Lack of access to such additional financing could limit the future growth of the business of Superior LP and, over time, have a material adverse effect on the amount of cash available for dividends to Shareholders.

To the extent that external sources of capital, including public and private markets, become limited or unavailable, Superior's and Superior LP's ability to make the necessary capital investments to maintain or expand the current business, to make necessary principal payments and debenture redemptions under its term credit facilities may be impaired.

Superior maintains a substantial floating interest rate exposure through a combination of floating interest rate borrowings and the use of derivative instruments. Demand levels for approximately half of Energy Services' sales and substantially all of Specialty Chemicals' and Construction Products Distribution's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase as does sales demand from Superior's customers, thereby increasing Superior's ability to pay higher interest costs and vice versa. In this way, there is a common relationship between economic activity levels, interest rates and Superior's ability to pay higher or lower rates. However, increased interest rates can affect Superior's borrowing costs, which may have an adverse effect on Superior.

A portion of Superior's net cash flows is denominated in US dollars. Accordingly, fluctuations in the Canadian/US dollar exchange rate can impact profitability. Superior attempts to mitigate this risk by hedging.

The timing and amount of capital expenditures incurred by Superior LP or by its subsidiaries will directly affect the amount of cash available to Superior for dividends to shareholders. Dividends may be reduced, or even eliminated, at times when significant capital expenditures are incurred or other unusual expenditures are made.

If the board of directors of Superior decides to issue additional common shares, preferred shares or securities convertible into common shares, existing shareholders may suffer significant dilution.

There can be no assurances that income tax laws in the numerous jurisdictions in which Superior operates will not be changed, interpreted or administered in a manner which adversely affects Superior and its shareholders. In addition, there can be no assurance that the Canada Revenue Agency (or provincial tax agency), U.S. Internal Revenue Service (or a state or local tax agency), or the Chilean Internal Revenue Service (collectively the "Tax Agencies") will agree with how Superior calculates its income for tax purposes or that the various Tax Agencies will not change their administrative practices to the detriment of Superior or its Shareholders.

Without limiting the generality of the foregoing, since the beginning of 2010, the Canada Revenue Agency has requested and reviewed information from Superior relating to the plan of arrangement (Arrangement) involving the Fund and Ballard Power Systems Inc. and the conversion of the Fund to a corporation (Conversion). While Superior is confident in the appropriateness of its tax filing position and the expected tax consequences of the Arrangement and the Conversion transaction, there remains a possibility that, if the Canada Revenue Agency elects to challenge Superior's tax filing and such challenge is successful, it could potentially affect the availability or quantum of the tax basis or other tax accounts of Superior. Although it is difficult to quantify the potential impact of any such outcome, it could be materially adverse to Superior.

## **Risks to Superior's segments**

### **Energy Services**

#### ***Canadian Propane Distribution and U.S. Refined Fuels***

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy equivalent basis. While propane is usually more cost effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent energy basis, although operating efficiencies, environmental and air quality factors help make propane competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas already exists. Other alternative energy sources such as compressed natural gas, methanol and ethanol are available or could be further developed and could have an impact on the propane industry and Superior Propane in the future. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Superior Propane's sales. Demand for automotive uses is presently declining at a rate of approximately 10% to 15% per year due to the development of more fuel efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven. Propane commodity prices are affected by crude oil and natural gas commodity prices.

Competition in the U.S. Refined Fuels business markets generally occurs on a local basis between large full service, multi-state marketers and smaller local independent marketers. Although the industry has

seen a continued trend of consolidation over the past several years, the top ten multi-state marketers still generate only one-third of total retail sales in the United States. Marketers primarily compete based upon price and service and tend to operate in close proximity to customers, typically within a 35-mile marketing radius from a central depot, to lower delivery costs and provide prompt service.

Weather and general economic conditions affect propane and refined fuels market volumes. Weather influences the demand for propane and heating oil used primarily for space heating uses and also for agricultural applications.

The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane and heating oil demand and Superior's sales. Further, increases in the cost of propane encourage customers to conserve fuel and to invest in more energy-efficient equipment, reducing demand. Changes in propane supply costs are normally passed through to customers, but timing lags (the time between when Superior purchases the propane and when the customer purchases the propane) may result in positive or negative gross margin fluctuations.

Superior offers its customers various fixed-price propane and heating oil programs. In order to mitigate the price risk from offering these services, Superior uses its physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customers' contracts. In periods of high propane price volatility the fixed price programs create exposure to over or under supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed price program there is a risk that customers will default on their commitments.

Superior's operations are subject to the risks associated with handling, storing and transporting propane in bulk. Slight quantities of propane may also be released during transfer operations. To mitigate risks, Superior has established a comprehensive program directed at environmental, health and safety protection. This program consists of an environmental policy, codes of practice, periodic self-audits, employee training, quarterly and annual reporting and emergency prevention and response.

The U.S. refined fuels business, through a centralized safety and environment management system, ensures that safety practices and regulatory compliance are an important part of its business. The storage and delivery of refined fuels poses the potential for spills which impact the soils and water of storage facilities and customer properties.

Superior's fuel distribution businesses are based and operate in Canada and the United States, and, as a result, such operations could be affected by changes to laws, rules or policies which may either be more favourable to competing energy sources or increase costs or otherwise negatively affect the operations of Energy Services in comparison to such competing energy sources. Any such changes could have an adverse effect on the operations of Energy Services.

Approximately 12% of Superior's Canadian propane distribution and U.S. refined fuels distribution businesses employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the re-negotiation process that could have an adverse impact to Superior.

#### ***Fixed-price energy services business***

New entrants in the energy retailing business may enter the market and compete directly for the customer base that Superior targets, slowing or reducing its market share.

SEM purchases natural gas to meet its estimated commitments to its customers based upon the historical consumption of gas of its customers. Depending on a number of factors, including weather, customer attrition and poor economic conditions affecting commercial customers' production levels, customer natural gas consumption may vary from the volume purchased. This variance must be reconciled and settled at least annually and may require SEM to purchase or sell natural gas at market prices which may have an adverse impact on the results of this business. To mitigate potential balancing risk, SEM closely monitors its balancing position and takes measures such as adjusting gas deliveries and transferring gas between pools of customers, so that imbalances are minimized. The reserve is reviewed on a monthly basis to ensure that it is sufficient to absorb any losses that might arise from balancing.

SEM matches its customers estimated electricity requirements by entering into electricity swaps in advance of acquiring customers. Depending on several factors, including weather, customer's energy consumption may vary from the volumes purchased by SEM. SEM is able to invoice existing commercial electricity customers for balancing charges when the amount of energy used is greater than or less than the tolerance levels set initially. In certain circumstances, there can be balancing issues for which SEM is responsible when customer aggregation forecasts are not realized.

Fixed-price energy services resources its fixed-price term natural gas sales commitments by entering into various physical natural gas and US dollar foreign exchange purchase contracts for similar terms and volumes to create an effective Canadian dollar fixed-price cost of supply. Superior transacts with nine financial and physical natural gas counterparties. There can be no assurance that any of these counterparties will not default on any of their obligations to Superior. However, the financial condition of each counterparty is evaluated and credit limits are established to minimize Superior's exposure to this risk. There is also a risk that supply commitments and foreign exchange positions may become unmatched; however, this is monitored daily in compliance with Superior's risk management policy.

Fixed-price energy services must retain qualified sales agents in order to properly execute its business strategy. The continued growth of fixed-price energy services is reliant on the services of agents to sign up new customers. There can be no assurance that competitive conditions will allow these agents to achieve these customer additions. Lack of success in the marketing programs of fixed-price energy services would limit future growth of cash flow.

Fixed-price energy services operates in the highly regulated energy industry in Ontario and Quebec. Changes to existing legislation could impact this business' operations. As part of the current regulatory framework, local delivery companies are mandated to perform certain services on behalf of fixed-price energy services, including invoicing, collection, assuming specific bad debt risks and storage and distribution of natural gas. Any elimination or changes to these rules could have a significant adverse effect on the results of this business.

The Ontario Energy Board issued an update to the revised Codes of Conduct supporting the Energy Consumer Protection Act. Although the industry had anticipated automatic renewal of natural gas accounts on a month-to-month basis, the OEB has confirmed that the automatic renewal of natural gas contracts will be allowed for a period of one year capped at the customer's existing rate. Only one automatic renewal will be allowed emphasizing the need to positively convert automatic renewals to other products before the customer is returned to the utility at the end of the renewal term. Renewal notifications will require a standard disclosure form and a price comparison between fixed-price energy service's renewal price and the utility default rate.

## **Specialty Chemicals**

Specialty Chemicals competes with sodium chlorate, chloralkali and potassium producers on a worldwide basis. Key competitive factors include price, product quality, logistics capability, reliability of supply, technical capability and service. The end-use markets for products are correlated to the general economic environment and the competitiveness of customers, all of which are outside of its control along with market pricing for pulp.

Specialty Chemicals has long-term electricity contracts or electricity contracts that renew automatically with power producers in each of the jurisdictions where its plants are located. There is no assurance that Specialty Chemicals will continue to be able to secure adequate supplies of electricity at reasonable prices or on acceptable terms.

Potassium chloride (KCL) is a major raw material used in the production of potassium hydroxide at the Port Edwards, Wisconsin facility. Substantially all of Specialty Chemicals KCL is received from Potash Corporation of Saskatchewan (Potash). Specialty Chemicals currently has a limited ability to source KCL from additional suppliers.

Specialty Chemicals is exposed to fluctuations in the US dollar and the euro versus the Canadian dollar. Specialty Chemicals manages its exposure to fluctuations between the United States and Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior businesses.

Specialty Chemicals' operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental and health and safety laws, regulations and requirements. The potential exists for the release of highly toxic and lethal substances, including chlorine. Equipment failure could result in damage to facilities, death or injury and liabilities to third parties. If at any time the appropriate regulatory authorities deem any of the facilities unsafe, they may order that such facilities be shut down.

Specialty Chemicals' operations and activities in various jurisdictions require regulatory approvals for the handling, production, transportation and disposal of chemical products and waste substances. The failure to obtain or comply fully with such applicable regulatory approvals may materially adversely affect Specialty Chemicals.

Specialty Chemicals' production facilities maintain complex process and electrical equipment. The facilities have existed for many years and undergone upgrades and improvements over time. Routine maintenance is regularly completed to ensure equipment is operated within appropriate engineering and technical requirements. Notwithstanding Specialty Chemicals' operating standards and history of limited downtime, breakdown of electrical transformer or rectifier equipment would temporarily reduce production capacity at the affected facility. Although insurance coverage exists to mitigate substantial loss due to equipment outage, Specialty Chemicals' reputation and its ability to meet customer requirements could be negatively affected due to a major electrical equipment failure.

Approximately 23% of Specialty Chemicals' employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the re-negotiation process that could have an adverse impact to Superior.

### **Construction Products Distribution**

Activity in the Construction Products Distribution segment is subject to changes in the level of general economic activity and in particular to the level of activity in residential and non-residential construction subsectors. New construction in residential markets is subject to such factors as household income, employment levels, customer confidence, population changes and the supply of residential units in any

local area. Residential renovation is not as sensitive to these factors and can provide some balance in the demand for residential construction product distribution. Non-residential activity can be subdivided into commercial, industrial and institutional. New construction activity in these sectors is subject to many of the same general economic factors as for residential activity. In the industrial and institutional subsectors, government and regulatory programs can also have a significant impact on the outlook for product distribution, particularly as related to our insulation businesses. As a result, changes to the level of general economic activity or any of the above mentioned factors that affect the amount of construction or renovations in residential and non-residential markets can have an adverse affect on the CPD business and Superior.

Construction Products Distribution competes with other specialty construction distributors servicing the builder/contractor market, in addition to big-box home centres and independent lumber yards. The ability to remain competitive depends on its ability to provide reliable service at competitive prices.

The gypsum specialty distributor (GSD) market is driven largely by residential and non-residential construction. Demand for wall and ceiling building materials is affected by changes in general and local economic factors including demographic trends, employment levels, interest rates, consumer confidence and overall economic growth. These factors in turn impact the level of existing housing sales, new home construction, new non-residential construction, and office/commercial space turnover, all of which are significant factors in the determination of demand for products and services.

The commercial & industrial (C&I) market is driven largely by C&I construction spending and economic growth. Sectors within the C&I market that are particularly influential to demand include: commercial construction and renovation, the construction, maintenance and expansion of industrial process facilities (i.e. oil refineries and petrochemical plants, power generation facilities) and institutional facilities (i.e. government, healthcare and education).

The distribution of walls and ceilings and C&I products involves risks, including the failure or substandard performance of equipment, human error, natural disasters, suspension of operations and new governmental statutes, regulations, guidelines and policies. Operations are also subject to various hazards incidental to the handling, processing, storage and transportation of certain hazardous materials, including industrial chemicals. These hazards can result in personal injury including fatalities, damage to and destruction of property and equipment and environmental damage. There can be no assurance that as a result of past or future operations, there will not be claims of injury by employees or members of the public due to exposure, or alleged exposure, to these materials. There can be no assurance as to the actual amount of these liabilities or the timing of them, if any. The business maintains safe working practices through proper procedures and direction and utilization of equipment such as forklifts, boom trucks, fabrication equipment and carts/dollies. The business handles and stores a variety of construction materials and maintains appropriate material handling compliance programs in accordance with local, state/provincial and federal regulations.

Approximately 4% of Construction Products Distribution's employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the re-negotiation process that could have an adverse impact to Superior.

**SUPERIOR PLUS CORP.**  
**Condensed Consolidated Balance Sheets**

(unaudited, millions of Canadian dollars)	Notes	March 31, 2012	December 31, 2011
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents		7.3	5.2
Trade and other receivables	4 & 12	437.3	472.9
Prepaid expenses		15.3	20.7
Inventories		175.0	203.1
Unrealized gains on derivative financial instruments	12	15.4	13.3
<b>Total current assets</b>		<b>650.3</b>	<b>715.2</b>
<i>Non-Current Assets</i>			
Property, plant and equipment	6	861.4	885.0
Intangible assets		57.9	65.6
Goodwill		186.1	186.1
Notes and finance lease receivables		10.5	10.0
Deferred tax	13	311.7	315.5
Unrealized gains on derivative financial instruments	12	13.6	16.0
<b>Total non-current assets</b>		<b>1,441.2</b>	<b>1,478.2</b>
<b>Total assets</b>		<b>2,091.5</b>	<b>2,193.4</b>
<b>Liabilities and Equity</b>			
<i>Current Liabilities</i>			
Trade and other payables	8	276.9	297.6
Deferred revenue	9	8.5	14.2
Borrowings	10	48.2	54.3
Convertible unsecured subordinated debentures	11	49.3	49.3
Dividends and interest payable		16.9	7.6
Unrealized losses on derivative financial instruments	12	65.0	61.7
<b>Total current liabilities</b>		<b>464.8</b>	<b>484.7</b>
<i>Non-Current Liabilities</i>			
Borrowings	10	608.2	701.4
Convertible unsecured subordinated debentures	11	522.7	521.7
Provisions	7	16.6	17.2
Employee future benefits		59.7	65.3
Deferred tax	13	9.0	5.9
Unrealized losses on derivative financial instruments	12	48.6	47.6
<b>Total non-current liabilities</b>		<b>1,264.8</b>	<b>1,359.1</b>
<b>Total liabilities</b>		<b>1,729.6</b>	<b>1,843.8</b>
<b>Equity</b>			
Capital		1,636.7	1,633.1
Deficit		(1,216.2)	(1,228.2)
Accumulated other comprehensive loss		(58.6)	(55.3)
<b>Total equity</b>	14	<b>361.9</b>	<b>349.6</b>
<b>Total liabilities and equity</b>		<b>2,091.5</b>	<b>2,193.4</b>

(See Notes to the Condensed Consolidated Financial Statements)

**SUPERIOR PLUS CORP.**  
**Condensed Consolidated Statement of Changes in Equity**

(unaudited millions of Canadian dollars)	Share Capital	Contributed Surplus <sup>(1)</sup>	Total Capital	Deficit	Accumulated other comprehensive loss	Total
<b>January 1, 2011</b>	1,600.9	5.5	<b>1,606.4</b>	<b>(797.9)</b>	<b>(54.1)</b>	<b>754.4</b>
Net earnings	-	-	-	41.1	-	41.1
Share issued under Dividend Reinvestment Plan	9.2	-	9.2	-	-	9.2
Dividends declared to shareholders	-	-	-	(40.0)	-	(40.0)
Unrealized foreign currency losses on translation of foreign operations	-	-	-	-	(13.3)	(13.3)
Actuarial defined benefit gains	-	-	-	-	1.3	1.3
Reclassification of derivative gains and losses previously deferred	-	-	-	-	0.6	0.6
Income tax on other comprehensive income	-	-	-	-	(0.5)	(0.5)
<b>March 31, 2011</b>	1,610.1	5.5	<b>1,615.6</b>	<b>(796.8)</b>	<b>(66.0)</b>	<b>752.8</b>
Net loss	-	-	-	(343.7)	-	(343.7)
Option value associated with redemption of convertible debentures	-	(2.2)	(2.2)	-	-	(2.2)
Shares issued under Dividend Reinvestment Plan	19.7	-	19.7	-	-	19.7
Dividends declared to shareholders	-	-	-	(87.7)	-	(87.7)
Unrealized foreign currency gains on translation of foreign operations	-	-	-	-	26.9	26.9
Actuarial defined benefit losses	-	-	-	-	(26.8)	(26.8)
Reclassification of derivative gains and losses previously deferred	-	-	-	-	5.3	5.3
Income tax on other comprehensive loss	-	-	-	-	5.3	5.3
<b>December 31, 2011</b>	1,629.8	3.3	<b>1,633.1</b>	<b>(1,228.2)</b>	<b>(55.3)</b>	<b>349.6</b>
Net earnings	-	-	-	28.7	-	28.7
Shares issued under Dividend Reinvestment Plan	3.6	-	3.6	-	-	3.6
Dividends declared to shareholders	-	-	-	(16.7)	-	(16.7)
Unrealized foreign currency losses on translation of foreign operations	-	-	-	-	(6.5)	(6.5)
Actuarial defined benefit gains	-	-	-	-	4.3	4.3
Income tax on other comprehensive income	-	-	-	-	(1.1)	(1.1)
<b>March 31, 2012</b>	1,633.4	3.3	<b>1,636.7</b>	<b>(1,216.2)</b>	<b>(58.6)</b>	<b>361.9</b>

(See Notes to the Condensed Consolidated Financial Statements)

<sup>(1)</sup> Contributed surplus represents Superior's equity reserve for the option value associated with the issuance of convertible unsecured subordinated debentures and warrants.

**SUPERIOR PLUS CORP.****Condensed Consolidated Statement of Net Earnings and Comprehensive Income**

(unaudited, millions of Canadian dollars except per share amounts)	Notes	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
<b>REVENUES</b>	17	<b>1,065.9</b>	1,138.8
Cost of sales (includes products & services)	17	<b>(827.8)</b>	(900.4)
<b>Gross profit</b>		<b>238.1</b>	238.4
<b>EXPENSES</b>			
Selling, distribution and administrative costs	17	<b>179.5</b>	175.7
Finance expense	17	<b>21.4</b>	21.6
Unrealized losses (gains) on derivative financial instruments	12	<b>2.4</b>	(14.4)
		<b>203.3</b>	182.9
<b>Net earnings before income taxes</b>		<b>34.8</b>	55.5
Income tax expense	13	<b>(6.1)</b>	(14.4)
<b>Net earnings</b>		<b>28.7</b>	41.1
<b>Net earnings</b>		<b>28.7</b>	41.1
Other comprehensive income:			
Unrealized foreign currency losses on translation of foreign operations		<b>(6.5)</b>	(13.3)
Actuarial defined benefit gains		<b>4.3</b>	1.3
Reclassification of derivative gains previously deferred		—	0.6
Income tax expense on other comprehensive loss		<b>(1.1)</b>	(0.5)
<b>Total comprehensive income for the period</b>		<b>25.4</b>	29.2
<b>Net Earnings per Share</b>			
From operations:			
Basic and diluted	15	<b>\$0.26</b>	\$0.38

(See Notes to the Condensed Consolidated Financial Statements)

**SUPERIOR PLUS CORP.****Condensed Consolidated Statement of Cash Flows**

(unaudited, millions of Canadian dollars)	Notes	Three Months Ended March 31, 2012	Three Months Ended March 31, 2011
<b>OPERATING ACTIVITIES</b>			
Net earnings		28.7	41.1
Adjustments for:			
Depreciation included in selling, distribution and administrative costs	6	11.0	12.2
Amortization of intangible assets		6.3	6.5
Depreciation included in cost of sales	6	10.9	11.4
Amortization of customer related costs		0.9	1.2
Unrealized losses (gains) on derivative financial instruments	12	2.4	(14.4)
Customer contract related costs		(0.4)	(0.8)
Finance costs recognized in net earnings		21.4	21.6
Income tax expense recognized in net earnings		6.1	14.4
Decrease (Increase) in non-cash operating working capital items	16	33.6	(35.5)
Net cash flows from operating activities		120.9	57.7
Income taxes received (paid)		0.4	(0.1)
Interest paid		(4.9)	(4.2)
Cash flows from operating activities		116.4	53.4
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6.0)	(7.8)
Proceeds from disposal of property, plant and equipment		0.9	1.0
Other acquisitions		-	(4.6)
Cash flows used in operating activities		(5.1)	(11.4)
<b>FINANCING ACTIVITIES</b>			
Net proceeds (repayment) of revolving term bank credits and other debt		(92.2)	8.3
Repayment of finance lease obligations		(3.6)	(4.1)
Net proceeds (repayment) from accounts receivable sales program		-	(0.8)
Proceeds from the dividend reinvestment program		3.6	9.2
Dividends paid to shareholders		(16.7)	(43.6)
Cash flows used in financing activities		(108.9)	(31.0)
Net increase in cash and cash equivalents		2.4	11.0
Cash and cash equivalents, beginning of period		5.2	8.9
Effect of translation of foreign denominated cash and cash equivalents		(0.3)	(0.4)
Cash and cash equivalents, end of period		7.3	19.5

(See Notes to the Condensed Consolidated Financial Statements)

## Notes to the Unaudited Condensed Consolidated Financial Statements

(unaudited, Tabular amounts in Canadian millions of dollars, unless noted otherwise, except per share amounts.)

### 1. Organization

Superior Plus Corp. (Superior) is a diversified business corporation, incorporated under the Canada Business Corporations Act. The address of the registered office is 840 – 7<sup>th</sup> Avenue SW, Calgary, Alberta. Superior holds 100% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc., as general partner and Superior as limited partner. Superior holds 100% of the interest of Superior General Partner Inc. Superior does not conduct active business operations but rather distributes to shareholders the income it receives from Superior Plus LP in the form of partnership allocations, net of expenses and interest payable on the convertible unsecured subordinated debentures (the debentures). Superior's investments in Superior Plus LP are financed by share capital and debentures. Superior is a publicly traded company with its common shares trading on the Toronto Stock Exchange ("TSX") under the exchange symbol SPB.

The accompanying Unaudited Condensed Consolidated Financial Statements (Consolidated Financial Statements) of Superior as at March 31, 2012 and the three months ended March 31, 2012 and 2011 were authorized for issue by the Board of Directors on May 2, 2012.

### Reportable Operating Segments

Superior operates three distinct reportable operating segments: Energy Services, Specialty Chemicals and Construction Products Distribution. Superior's Energy Services operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels. Energy Services also provides fixed-price natural gas and electricity supply services. Superior's Specialty Chemicals operating segment is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chloralkali products to the U.S. Midwest. Superior's Construction Products Distribution operating segment is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada (See Note 19).

### 2. Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance and comply with International Accounting Standards 34 *Interim Financial Reporting* (IAS 34) as issued by the International Financial Accounting Standards Board (IASB) using the accounting policies Superior adopted in its annual consolidated financial statements as at and for the year ended December 31, 2011. Those accounting policies are based on the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that were applicable at that time. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently throughout the consolidated entities.

These Consolidated Financial Statements are presented in Canadian dollars, which is Superior's functional and presentation currency. All financial information presented in Canadian dollars has been rounded to the nearest hundred thousand. These Consolidated Financial Statements should be read in conjunction with Superior's 2011 annual consolidated financial statements.

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in the accounting policies below and incorporate the accounts of Superior and its wholly-owned subsidiaries. Subsidiaries are all entities over which Superior has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The results of subsidiaries are included in Superior's income statement from date of acquisition, or in the case of disposals, up to the date of disposal. All transactions and balances between Superior and Superior's subsidiaries have been eliminated on consolidation. Superior's subsidiaries are all wholly owned directly or indirectly by Superior Plus Corp.

### Significant Accounting Policies

**(a) Significant Accounting Judgments, Estimates and Assumptions**

The preparation of Superior’s Consolidated Financial Statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings (loss) and related disclosures. The estimates and associated assumptions are based on historical experience and various other factors that are deemed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are consistent with those disclosed in Superior’s 2011 annual consolidated financial statements.

**(b) Recent Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (“IFRIC”) that are mandatory for accounting periods beginning January 1, 2012 or later periods. The standards are consistent with those disclosed in Superior’s 2011 annual consolidated financial statements.

Superior adopted the following standard on January 1, 2012:

*IAS 12 – Income Taxes, amendments regarding Deferred Tax: Recovery of Underlying Assets;*

IAS 12, *Income Taxes*, was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying amount of an asset will be recovered through the sale of the asset. The amendment to IAS 12 is effective for reporting periods beginning on or after January 1, 2012. The adoption of IAS 12 did not impact Superior’s financial results and financial position.

**3. Seasonality of Operations**

**Energy Services**

Energy Services sales typically peak in the first quarter when approximately one-third of annual propane and other refined fuels sales volumes and gross profits are generated due to the demand from heating end-use customers. They then decline through the second and third quarters rising seasonally again in the fourth quarter with heating demand. Similarly, net working capital levels are typically at seasonally high levels during the first and fourth quarters, and normally decline to seasonally low levels in the second and third quarters. Net working capital levels are also significantly influenced by wholesale propane prices and other refined fuels.

**Construction Products Distribution**

Construction Products Distribution sales typically peak during the second and third quarters with the seasonal increase in building and remodeling activities. They then decline through the first and fourth quarters. Similarly, net working capital levels are typically at seasonally high levels during the second and third quarters, and normally decline to seasonally low levels in the first and fourth quarters.

**4. Trade and Other Receivables**

A summary of trade and other receivables are as follows:

	Notes	March 31, 2012	December 31, 2011
Trade receivables, net of allowances	12	400.3	427.1
Accounts receivable – other		36.3	45.1
Finance lease receivable		0.7	0.7
Trade and other receivables		437.3	472.9

## 5. Inventories

The cost of inventories recognized as an expense during the three months ended March 31, 2012 was \$756.2 million (March 31, 2011 - \$820.2 million). Superior recorded an inventory write down of \$0.7 million and \$nil, respectively during the three months ended March 31, 2012 and 2011. Superior recorded no reversals of inventory write downs during the three months ended March 31, 2012 and 2011.

## 6. Property, Plant and Equipment

	Land	Buildings	Specialty Chemicals Plant & Equipment	Energy Services Retailing Equipment	Construction Products Distribution Equipment	Leasehold Improve- -ments	Total
<b>Cost</b>							
Balance at December 31, 2011	29.7	147.3	728.4	591.5	41.2	9.6	1,547.7
<b>Balance at March 31, 2012</b>	<b>29.8</b>	<b>146.1</b>	<b>726.5</b>	<b>584.3</b>	<b>41.6</b>	<b>10.0</b>	<b>1,538.3</b>
<b>Accumulated Depreciation and Impairment</b>							
Balance at December 31, 2011	–	38.8	308.2	285.8	22.4	7.5	662.7
<b>Balance at March 31, 2012</b>	<b>–</b>	<b>39.9</b>	<b>317.1</b>	<b>289.6</b>	<b>22.4</b>	<b>7.9</b>	<b>676.9</b>
<b>Carrying Amount</b>							
Balance at December 31, 2011	29.7	108.5	420.2	305.7	18.8	2.1	885.0
<b>Balance at March 31, 2012</b>	<b>29.8</b>	<b>106.2</b>	<b>409.4</b>	<b>294.7</b>	<b>19.2</b>	<b>2.1</b>	<b>861.4</b>

Depreciation per cost category:

	March 31, 2012	March 31, 2011
Cost of sales	10.9	11.4
Selling, distribution and administrative costs	11.0	12.2
<b>Total</b>	<b>21.9</b>	<b>23.6</b>

The carrying amount of Superior's property, plant, and equipment includes \$78.7 million as at March 31, 2012 (December 31, 2011 – \$74.2 million) of leased assets.

## 7. Provisions

	Decommissioning Costs	Environmental Expenditures	Total
Balance at December 31, 2011	15.5	1.7	17.2
Unwinding of discount	0.1	–	0.1
Impact of change in discount rate	(0.5)	–	(0.5)
Net foreign currency exchange difference	(0.2)	–	(0.2)
<b>Balance at March 31, 2012</b>	<b>14.9</b>	<b>1.7</b>	<b>16.6</b>

### *Decommissioning costs*

#### *Specialty Chemicals*

Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. The provision for decommissioning costs is on a discounted basis and is based on existing technologies at current prices

or long-term price assumptions, depending on the expected timing of the activity. As at March 31, 2012, the discount rate used in Superior's calculation was 2.6% (December 31, 2011 – 2.5%). Superior estimates the total undiscounted amount of expenditures required to settle its decommissioning liabilities is approximately \$20.1 million (December 31, 2011 - \$20.3 million) which will be paid out over the next twenty to twenty eight years. While Superior's provision for decommissioning costs is based on the best estimate of future costs and the economic lives of the chemical facilities, there is uncertainty regarding both the amount and timing of incurring these costs.

#### *Energy Services*

Superior makes full provision for the future costs of decommissioning certain assets associated with Superior's Energy Services operating segment. Superior estimates the total undiscounted amount of expenditures required to settle its decommissioning liabilities is approximately \$9.0 million (December 31, 2011 – \$9.2 million) which will be paid out over the next twenty to twenty five years. The risk-free rate of 2.6% (December 31, 2011 – 2.5%) was used to calculate the present value of the estimated cash flows.

#### *Environmental Expenditures*

Provisions for environmental remediation are made when a clean-up is probable and the amount of the obligation can be reliably estimated. Generally, this coincides with commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The provision for environmental liabilities has been estimated using existing technology, at current prices and discounted using a risk-free discount rate of 2.6% (December 31, 2011 – 2.5%). The majority of these costs are expected to be incurred over the next 10 years. The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also Superior's share of the liability.

### **8. Trade and Other Payables**

A summary of trade and other payables is as follows:

	<b>March 31, 2012</b>	December 31, 2011
Trade payables	<b>225.8</b>	243.9
Other payables	<b>44.3</b>	47.8
Amounts due to customers under construction contracts	<b>3.4</b>	2.2
Share based payments	<b>3.4</b>	3.7
Trade and other payables	<b>276.9</b>	297.6

### **9. Deferred Revenue**

	<b>March 31, 2012</b>	December 31, 2011
Balance at beginning of the period	<b>14.2</b>	6.8
Deferred during the period	<b>1.2</b>	21.4
Released to net earnings	<b>(6.7)</b>	(14.5)
Foreign exchange impact	<b>(0.2)</b>	0.5
Balance at end of period	<b>8.5</b>	14.2

The deferred revenue relates to Energy Services unearned service revenue and deferred sales to a customer within the Specialty Chemicals segment.

## 10. Borrowings

	Year of Maturity	Effective Interest Rate	March 31, 2012	December 31, 2011
<b>Revolving term bank credits <sup>(1)</sup></b>				
Bankers Acceptances (BA)	2015	Floating BA rate plus applicable credit spread	<b>180.8</b>	219.5
Canadian Prime Rate Loan	2015	Prime rate plus credit spread	<b>8.0</b>	19.8
LIBOR Loans (US\$114.0 million; 2011– US\$138.9 million)	2015	Floating LIBOR rate plus applicable credit spread	<b>113.8</b>	141.3
US Base Rate Loan (US\$13.0 million; 2011– US\$29.2 million)	2015	US Prime rate plus credit spread	<b>13.0</b>	29.7
			<b>315.6</b>	410.3
<b>Other Debt</b>				
Deferred consideration	2012- 2016	Non-interest bearing	<b>3.6</b>	4.0
			<b>3.6</b>	4.0
<b>Senior Secured Notes <sup>(2)</sup></b>				
Senior secured notes subject to fixed interest rates (US\$124.0 million; 2011 – US\$124.0 million)	2012- 2015	7.65%	<b>123.9</b>	126.1
<b>Senior Unsecured Debentures</b>				
Senior unsecured debentures	2016	8.25%	<b>150.0</b>	150.0
<b>Leasing Obligations</b>				
Leasing obligations			<b>69.9</b>	71.7
Total Borrowings before deferred financing fees			<b>663.0</b>	762.1
Deferred financing fees			<b>(6.6)</b>	(6.4)
Borrowings			<b>656.4</b>	755.7
Current maturities			<b>(48.2)</b>	(54.3)
Borrowings			<b>608.2</b>	701.4

<sup>(1)</sup> Superior and its wholly-owned subsidiaries, Superior Plus Financing Inc. and Commercial E Industrial (Chile) Limitada, reduced the revolving term bank credit borrowing capacity to \$570 million from \$615 million on March 28, 2012. The credit facilities mature on June 27, 2015 and are secured by a general charge over the assets of Superior and certain of its subsidiaries. As at March 31, 2012, Superior had \$33.2 million of outstanding letters of credit (December 31, 2011 – \$34.8 million) and approximately \$84.1 million of outstanding financial guarantees (December 31, 2011 – \$84.2 million). The fair value of Superior's revolving term bank credits, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market based interest rates, the short-term nature of the underlying debt instruments and other related factors.

<sup>(2)</sup> Senior secured notes (the Notes) totaling US\$124.0 million and US\$124.0 million (respectively, Cdn\$123.9 million at March 31, 2012 and Cdn\$126.1 million at December 31, 2011) secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments began in the fourth quarter of 2009. Management has estimated the fair value of the Notes based on comparisons to treasury instruments with similar maturities, interest rates and credit risk profiles. The estimated fair value of the Notes at March 31, 2012 was Cdn\$123.1 million (December 31, 2011 – Cdn\$121.1 million).

Repayment requirements of Borrowings before deferred financing costs are as follows:

Current maturities	48.2
Due in 2013	54.0
Due in 2014	361.2
Due in 2015	41.1
Due in 2016	155.7
Due in 2017	2.8
Subsequent to 2017	–
<b>Total</b>	<b>663.0</b>

## 11. Convertible Unsecured Subordinated Debentures

Superior's debentures are as follows:

	December 2012	October 2015	December 2014	June 2017	June 2018	October 2016 <sup>(1)</sup>	<b>Total Carrying Value</b>
Maturity							
Interest rate	5.75%	5.85%	7.50%	5.75%	6.0%	7.5%	
Conversion price per share	\$36.00	\$31.25	\$13.10	\$19.00	\$15.10	\$11.35	
Debentures outstanding as at March 31, 2012	49.3	74.0	66.9	166.9	143.4	71.5	572.0
Less current maturities	(49.3)	–	–	–	–	–	(49.3)
<b>Debentures outstanding as at March 31, 2012</b>	<b>–</b>	<b>74.0</b>	<b>66.9</b>	<b>166.9</b>	<b>143.4</b>	<b>71.5</b>	<b>522.7</b>
Debentures outstanding as at December 31, 2011	–	73.9	66.6	166.6	143.1	71.5	521.7
<b>Quoted market value as at March 31, 2012</b>	<b>50.4</b>	<b>73.4</b>	<b>70.2</b>	<b>152.7</b>	<b>134.6</b>	<b>74.4</b>	<b>555.7</b>
Quoted market value as at December 31, 2011	50.0	63.0	65.2	122.5	105.6	62.3	468.6

<sup>(1)</sup> Superior issued \$75.0 million in 7.5% convertible unsecured subordinated debentures during the fourth quarter of 2011.

The debentures may be converted into shares at the option of the holder at any time prior to maturity and may be redeemed by Superior in certain circumstances. Superior may elect to pay interest and principal upon maturity or redemption by issuing shares to a trustee in the case of interest payments, and to the debenture holders in the case of payment of principal. The number of any shares issued will be determined based on market prices for the shares at the time of issuance. Also Superior has a cash conversion put option which allows Superior to settle any conversion of debentures in cash, in lieu of delivering common shares to the debenture holders of the June 2018 and October 2016 convertible debentures. The cash conversion put option has been classified as an embedded derivative and measured at fair value through net earnings (loss) (FVTNL) (see Note 12 for further details).

## 12. Financial Instruments

IFRS requires disclosure around fair value and specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect Superior's market assumptions. These two types of inputs create the following fair value hierarchy:

- *Level 1* – quoted prices in active markets for identical instruments.
- *Level 2* – quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- *Level 3* – valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The fair value of a financial instrument is the amount of consideration that would be estimated to be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values

are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which Superior has immediate access. Where bid and ask prices are unavailable, Superior uses the closing price of the most recent transaction of the instrument. In the absence of an active market, Superior estimates fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis using, to the extent possible, observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, Superior looks primarily to available readily observable external market inputs including factors such as forecast commodity price curves, interest rate yield curves, currency rates, and price and rate volatilities as applicable.

Description	Notional <sup>(1)</sup>	Term	Effective Rate	Fair Value Input Level	Asset (Liability)	
					March 31, 2012	December 31, 2011
Natural gas financial swaps–AECO	28.11 GJ <sup>(2)</sup>	2012-2016	CDN\$4.66/GJ	Level 1	(81.5)	(78.9)
Foreign currency forward contracts, net sale	US\$624.1 <sup>(3)</sup>	2012-2015	1.03	Level 1	11.8	5.7
Foreign currency forward contracts, balance sheet related	US\$32.0	2012-2014	1.01	Level 1	(0.3)	–
Interest rate swaps – CDN\$	\$150.0	2012-2017	Six month BA rate plus 2.65%	Level 2	8.2	10.9
Debenture embedded derivative	\$225.0	2012-2018	–	Level 3	(0.7)	(0.6)
Energy Services Propane wholesale purchase and sale contracts, net sale	4.08 USG <sup>(4)</sup>	2012-2013	\$1.62/USG	Level 2	(0.3)	(0.6)
Energy Services Butane wholesale purchase and sale contracts, net sale	0.40 USG <sup>(4)</sup>	2012-2013	\$1.17/USG	Level 2	0.6	0.2
Energy Services electricity swaps	0.91MWh <sup>(5)</sup>	2012-2016	\$48.43/MWh	Level 2	(22.8)	(16.0)
Energy Services swaps and option purchase and sale contracts	7.7 Gallons <sup>(4)</sup>	2012	\$2.86 US/Gallon	Level 2	0.4	(0.7)

<sup>(1)</sup> Notional values as at March 31, 2012 <sup>(2)</sup> Millions of gigajoules purchased <sup>(3)</sup> Millions of dollars/EUROS purchased <sup>(4)</sup> Millions of United States gallons purchased <sup>(5)</sup> Millions of mega watt hours (MWh)

All financial and non-financial derivatives are designated as fair value through net earnings or loss upon their initial recognition.

Description	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas financial swaps – NYMEX and AECO	–	–	49.7	31.8
Energy Services electricity swaps	–	–	12.0	10.8
Foreign currency forward contracts, net	9.5	7.9	0.4	5.2
Foreign currency forward contracts, balance sheet	–	0.1	0.3	0.1
Interest rate swaps	2.6	5.6	–	–
Debenture embedded derivative	–	–	–	0.7
Energy Services propane wholesale purchase and sale contracts	2.1	–	2.4	–
Energy Services butane wholesale purchase and sale contracts	0.6	–	–	–
Energy Services heating oil purchase and sale contracts	0.6	–	0.2	–
<b>As at March 31, 2012</b>	<b>15.4</b>	<b>13.6</b>	<b>65.0</b>	<b>48.6</b>
As at December 31, 2011	13.3	16.0	61.7	47.6

Description	For the three months ended March 31, 2012		For the three months ended March 31, 2011	
	Realized gain (loss)	Unrealized gain (loss)	Realized gain (loss)	Unrealized gain (loss)
Natural gas financial swaps – NYMEX and AECO	(14.5)	(2.6)	(17.9)	13.5
Energy Services electricity swaps	(3.7)	(6.8)	(1.4)	0.6
Foreign currency forward contracts, net	1.5	6.8	5.8	4.5
Foreign currency forward contracts, balance sheet related	–	(0.3)	–	–
Interest rate swaps	–	(2.7)	–	(2.7)
Energy Services propane wholesale purchase and sale contracts	–	–	–	2.4
Energy Services butane wholesale purchase and sale contracts	–	–	–	(0.1)
Energy Services heating oil purchase and sale contracts	(2.2)	1.1	(2.1)	(1.2)
Specialty Chemicals fixed-price power purchase agreements	(0.7)	–	(0.9)	(5.4)
Total realized and unrealized (losses) gains on financial and non-financial derivatives	(19.6)	(4.5)	(16.5)	11.6
Foreign currency translation of senior secured notes	–	2.2	–	3.6
Change in fair value of debenture embedded derivative	–	(0.1)	–	(0.8)
Total realized and unrealized (losses) gains	(19.6)	(2.4)	(16.5)	14.4

Realized gains (losses) on financial and non-financial derivatives and foreign currency translation gains (losses) on the revaluation of Canadian domiciled US-denominated working capital have been classified on the statement of net earnings (loss) based on the underlying nature of the financial statement line item and/or the economic exposure being managed.

The following summarizes Superior's classification and measurement of financial assets and liabilities:

	<b>Classification</b>	<b>Measurement</b>
<b>Financial Assets</b>		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative assets	FVTNL	Fair Value
Notes and finance lease receivable	Loans and receivables	Amortized cost
<b>Financial liabilities</b>		
Trade and other payables	Other liabilities	Amortized cost
Dividends and interest payable	Other liabilities	Amortized cost
Provisions	Other liabilities	Amortized cost
Borrowings	Other liabilities	Amortized cost
Convertible unsecured subordinated debentures <sup>(1)</sup>	Other liabilities	Amortized cost
Derivative liabilities	FVTNL	Fair Value

<sup>(1)</sup> Except for derivatives embedded in the related financial instruments that are classified as FVTNL and measured at fair value.

### **Non-Derivative Financial Instruments**

The fair value of Superior's cash and cash equivalents, trade and other receivables, notes and finance lease receivables, trade and other payables, and dividends and interest payable approximates their carrying value due to the short-term nature of these amounts. The carrying value and the fair value of Superior's borrowings and debentures, is provided in Notes 10 and 11.

### **Financial Instruments – Risk Management**

#### ***Market Risk***

Financial derivatives and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Superior assesses the inherent risks of these instruments by grouping derivative and non-financial derivatives related to the exposures these instruments mitigate. Superior's policy is not to use financial derivative or non-financial derivative instruments for speculative purposes. Superior does not formally designate its derivatives as hedges; as a result, Superior does not apply hedge accounting and is required to designate its financial derivatives and non-financial derivatives as fair value through net earnings or loss. Details on Superior's market risk policies are consistent with those disclosed in Superior's 2011 annual consolidated financial statements.

#### ***Credit Risk***

Superior utilizes a variety of counterparties in relation to its derivative and non-financial derivative instruments in order to mitigate its counterparty risk. Superior assesses the credit worthiness of its significant counterparties at the inception and throughout the term of a contract. Superior is also exposed to customer credit risk. Energy Services deals with a large number of small customers, thereby reducing this risk. Specialty Chemicals, due to the nature of its operations, sells its products to a relatively small number of customers. Specialty Chemicals mitigates its customer credit risk by actively monitoring the overall credit worthiness of its customers. Energy Services has minimal exposure to customer credit risk as local natural gas and electricity distribution utilities have been mandated, for a nominal fee, to provide Energy Services with invoicing, collection and the assumption of bad debts risk for residential customers. Energy Services actively monitors the credit worthiness of its commercial customers. Overall, Superior's credit quality is enhanced by its portfolio of customers which is diversified across both geographic (primarily Canada and North America) and end-use (primarily commercial, residential and industrial) markets.

Allowance for doubtful accounts and past due receivables are reviewed by Superior at each reporting date. Superior updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade receivable balances of each customer taking into account historic collection trends of past due accounts and current economic conditions. Trade receivables are written-off once it is determined they are not collectable.

Pursuant to their respective terms, trade receivables, before deducting an allowance for doubtful accounts, are aged as follows:

	<b>March 31, 2012</b>	December 31, 2011
Current	<b>271.9</b>	280.3
Past due less than 90 days	<b>119.3</b>	128.1
Past due over 90 days	<b>27.5</b>	39.5
<b>Trade Receivable</b>	<b>418.7</b>	447.9

The current portion of Superior's trade receivable is neither impaired nor past due and there are no indications as of the reporting date that the debtors will not meet their obligations to pay.

Superior's trade receivables are stated after deducting a provision of \$18.4 million as at March 31, 2012 (December 31, 2011 – \$20.8 million). The movement in the provision for doubtful accounts was as follows:

	<b>March 31, 2012</b>	December 31, 2011
Allowance for doubtful accounts, opening	<b>(20.8)</b>	(14.0)
Opening adjustment due to acquisitions	–	0.3
Impairment losses recognized on receivables	<b>(1.2)</b>	(10.8)
Amounts recovered	<b>0.1</b>	3.7
Amounts written off during the period as uncollectible	<b>3.5</b>	–
<b>Allowance for doubtful accounts, ending</b>	<b>(18.4)</b>	(20.8)

#### ***Liquidity Risk***

Liquidity risk is the risk that Superior cannot meet a demand for cash or fund an obligation as it comes due. Liquidity risk also includes the risk of not being able to liquidate assets in a timely manner at a reasonable price.

To ensure Superior is able to react to contingencies and investment opportunities quickly, Superior maintains sources of liquidity at the corporate and subsidiary level. The primary source of liquidity consists of cash and other financial assets, undrawn committed revolving term bank credit facility, equity markets and debenture markets.

Superior is subject to the risks associated with debt financing, including the ability to refinance indebtedness at maturity. Superior believes these risks are mitigated through the use of long-term debt secured by high quality assets, maintaining debt levels that are in management's opinion are appropriate, and by diversifying maturities over an extended period of time. Superior also seeks to include in its agreements terms that protect it from liquidity issues of counterparties that might otherwise impact liquidity.

Superior's contractual obligations associated with its financial liabilities are as follows:

	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017 and Thereafter</b>	<b>Total</b>
Revolving term bank credits and term loans	48.2	54.0	361.2	41.1	155.7	2.8	663.0
Convertible unsecured subordinated debentures	49.3	–	66.9	74.0	71.5	310.3	572.0
US\$ foreign currency forward sales contracts (US\$)	124.1	200.0	156.0	144.0	–	–	624.1
CDN\$ natural gas purchases	11.2	9.9	0.1	(0.5)	–	–	20.7
US\$ propane purchases (US\$)	1.8	0.3	–	–	–	–	2.1

Superior's contractual obligations are considered to be normal course operating commitments and do not include the impact of mark-to-market fair values on financial and non-financial derivatives. Superior expects to fund these obligations through a combination of cash flow from operations, proceeds on revolving term bank credits and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities as at March 31, 2012 are consistent with those disclosed in Superior's 2011 annual consolidated financial statements.

### 13. Income Taxes

Consistent with prior periods, Superior recognizes a provision for income taxes for its subsidiaries that are subject to current and deferred income taxes, including United States income tax and Chilean income tax.

Total income tax expense comprised of current taxes and deferred taxes for the three months ended March 31, 2012 was \$6.1 million, compared to \$14.4 million in the comparative period. For the three months ended March 31, 2012, deferred income tax expense from operations in Canada, the United States and Chile was \$5.9 million, which resulted in a corresponding total net deferred income tax asset of \$302.7 million.

### 14. Total Equity

Superior is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares. The holders of common shares are entitled to dividends if, as and when, declared by the Board of Directors: to one vote per share at meetings of the holders of common shares; and upon liquidation, dissolution or winding up of Superior to receive pro rata the remaining property and assets of Superior, subject to the rights of any shares having priority over the common shares, of which none are outstanding.

Preferred shares are issuable in series with each class of preferred share having such rights as the Board of Directors may determine. Holders of preferred shares are entitled, in priority to holders of common shares, to be paid ratably with holders of each other series of preferred shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series upon liquidation, dissolution or winding up of Superior to be paid ratably with holders of each other series of preferred shares the amount, if any, specified as being payable preferentially to holders of such series. Superior does not have any preferred shares outstanding.

	Issued Number of Common Shares (Millions)	Total Equity
Total equity, December 31, 2011	110.8	349.6
Net earnings for the period	–	28.7
Other comprehensive loss	–	(3.3)
Issuance of common shares for the dividend reinvestment plan	0.6	3.6
Dividends declared to shareholders <sup>(1)</sup>	–	(16.7)
<b>Total equity, March 31, 2012</b>	<b>111.4</b>	<b>361.9</b>

(1) Dividends to shareholders are declared at the discretion of Superior. During the three months ended March 31, 2012, Superior paid dividends of \$16.7 million or \$0.15 per share (March 31, 2011 – \$43.6 million or \$0.41 per share).

### Other Capital Disclosures

#### Additional Capital Disclosures

Superior's objectives when managing capital are: (i) to maintain a flexible capital structure to preserve its ability to meet its financial obligations, including potential obligations from acquisitions; and (ii) to safeguard Superior's assets while at the same time maximizing the growth of its businesses and returns to its shareholders.

In the management of capital, Superior includes shareholders' equity (excluding accumulated other comprehensive income) (AOCI), current and long-term debt, convertible debentures, securitized accounts receivable and cash and cash equivalents.

Superior manages its capital structure and makes adjustments in light of changes in economic conditions and nature of the underlying assets. In order to maintain or adjust the capital structure, Superior may adjust the amount of dividends to Shareholders, issue additional share capital, issue new debt or convertible debentures, issue new debt or convertible debentures with different characteristics and/or increase or decrease the amount of securitized accounts receivable.

Superior monitors its capital based on the ratio of senior debt outstanding to net earnings before interest, taxes, depreciation, amortization and other non-cash expenses (EBITDA), as defined by its revolving term credit facility, and the ratio of total debt outstanding to EBITDA. Superior's reference to EBITDA as defined by its revolving term credit facility may be referred to as compliance EBITDA in other public reports of Superior.

Superior is subject to various financial covenants in its credit facility agreements, including senior debt and total debt to EBITDA ratios, which are measured on a quarterly basis. As at March 31, 2012 and December 31, 2011 Superior was in compliance with all of its financial covenants.

Superior's financial objectives and strategy related to managing its capital as described above have remained unchanged from the prior fiscal year. Superior believes that its debt to EBITDA ratios are within reasonable limits, in light of Superior's size, the nature of its businesses and its capital management objectives.

### **Financial Measures utilized for bank covenant purposes**

#### ***Compliance EBITDA***

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and other non-cash expenses calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information. Compliance EBITDA is not a defined performance measure under IFRS. Superior's calculation of compliance EBITDA may differ from similar calculations used by comparable entities.

The capital structure of Superior and the calculation of its key capital ratios are as follows:

As at	<b>March 31, 2012</b>	December 31, 2011
Total shareholders' equity	<b>361.9</b>	349.6
Exclude accumulated other comprehensive loss	<b>58.6</b>	55.3
Shareholders' equity (excluding AOCL)	<b>420.5</b>	404.9
Current borrowings <sup>(1)</sup>	<b>48.2</b>	54.3
Borrowings <sup>(1)</sup>	<b>614.8</b>	707.8
Less: Senior unsecured debentures	<b>(150.0)</b>	(150.0)
Consolidated secured debt	<b>513.0</b>	612.1
Add: Senior unsecured debentures	<b>150.0</b>	150.0
Consolidated debt	<b>663.0</b>	762.1
Current portion of convertible unsecured subordinated debentures <sup>(1)</sup>	<b>49.3</b>	49.9
Convertible unsecured subordinated debentures <sup>(1)</sup>	<b>539.5</b>	539.3
Total debt	<b>1,251.8</b>	1,351.3
Total capital	<b>1,672.3</b>	1,756.2

<sup>(1)</sup> Borrowings and convertible unsecured subordinated debentures are before deferred issue costs.

<b>Twelve months ended</b>	<b>March 31, 2012</b>	December 31, 2011
Net loss	(315.0)	(302.6)
Adjusted for:		
Finance expense	85.3	85.5
Realized gains on derivative financial instruments included in finance expense	2.3	2.3
Depreciation of property, plant and equipment	47.2	48.4
Depreciation and amortization included in cost of sales	44.4	44.9
Amortization of intangible assets	41.7	41.9
Impairment of intangible assets and goodwill	378.6	378.6
Impairment of property, plant and equipment	3.4	3.4
Income tax recovery	(58.7)	(50.4)
Unrealized losses on derivative financial instruments	26.5	9.7
Proforma impact of acquisitions	0.2	1.5
<b>Compliance EBITDA <sup>(1)</sup></b>	<b>255.9</b>	<b>263.2</b>

<sup>(1)</sup> EBITDA, as defined by Superior's revolving term credit facility, is calculated on a trailing 12-month basis taking into consideration the pro forma impact of acquisitions and dispositions in accordance with the requirements of Superior's credit facility. Superior's calculation of EBITDA and debt to EBITDA ratios may differ from those of similar entities.

	<b>March 31, 2012</b>	December 31, 2011
Consolidated secured debt to Compliance EBITDA	<b>2.0:1</b>	2.3:1
Consolidated debt to Compliance EBITDA	<b>2.6:1</b>	2.9:1
Total debt to Compliance EBITDA	<b>4.9:1</b>	5.1:1

#### 15. Net Earnings per Share

	<b>Three months ended March 31, 2012</b>	Three months ended March 31, 2011
Net earnings per share computation, basic and diluted <sup>(1)</sup>		
Net earnings for the period	28.7	41.1
Weighted average shares outstanding	111.1	108.1
Net earnings per share, basic and diluted	<b>\$0.26</b>	\$0.38

<sup>(1)</sup> All outstanding convertible debentures have been excluded from this calculation as they were anti-dilutive.

#### 16. Supplemental Disclosure of Non-Cash Operating Working Capital Changes

	<b>Three month ended March 31, 2012</b>	Three months ended March 31, 2011
<b>Changes in non-cash working capital</b>		
Trade receivable and other	40.5	(21.4)
Inventories	28.1	10.9
Trade and other payables	(31.8)	(18.3)
Purchased working capital	–	1.1
Other	(3.2)	(7.8)
	<b>33.6</b>	<b>(35.5)</b>

## 17. Supplemental Disclosure of Condensed Consolidated Statement of Comprehensive Income

	Three months ended March 31, 2012	Three months ended March 31, 2011
<b>Revenues</b>		
Revenue from products	1,040.4	1,111.6
Revenue from the rendering of services	15.9	16.2
Rental revenue	5.3	6.8
Construction contract revenue	2.6	0.1
Realized gains on derivative financial instruments	1.7	4.1
	<b>1,065.9</b>	<b>1,138.8</b>
<b>Cost of sales (includes products and services)</b>		
Cost of products and services	(795.5)	(868.4)
Depreciation of property, plant and equipment	(10.9)	(11.4)
Realized losses on derivative financial instruments	(21.4)	(20.6)
	<b>(827.8)</b>	<b>(900.4)</b>
<b>Selling, distribution and administrative costs</b>		
Other selling, distribution and administrative costs	85.4	80.0
Employee future benefit expense	0.7	0.7
Employee costs	74.9	76.0
Depreciation of property, plant and equipment	11.0	12.2
Amortization of intangible assets	6.3	6.5
Realized losses on the translation of U.S. denominated net working capital	1.2	0.3
	<b>179.5</b>	<b>175.7</b>
<b>Finance expense</b>		
Interest on borrowings	9.2	9.2
Interest on convertible unsecured subordinated debentures	9.2	9.3
Interest on obligations under finance leases	1.3	1.3
Unwind of discount on debentures, borrowing and decommissioning liabilities	1.7	1.8
	<b>21.4</b>	<b>21.6</b>

## 18. Related Party Transactions

Transactions between Superior and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

For the three months ended March 31, 2012 and 2011, Superior incurred \$0.1 million and \$1.0 million in legal fees respectively with Norton Rose Canada LLP. Norton Rose Canada LLP is a related party with Superior as a board member is a Partner at the law firm.

## 19. Reportable Segment Information

Superior has adopted IFRS 8 *Operating Segments*, which requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. Segment revenues reported below represents revenues generated from external customers.

	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>For the three months ended March 31, 2012</b>					
<b>Revenues</b>	<b>747.6</b>	<b>134.1</b>	<b>184.2</b>	<b>–</b>	<b>1,065.9</b>
Cost of sales (includes product & services)	(604.9)	(82.7)	(140.2)	–	(827.8)
<b>Gross Profit</b>	<b>142.7</b>	<b>51.4</b>	<b>44.0</b>	<b>–</b>	<b>238.1</b>
<b>Expenses</b>					
Selling, distribution and administrative costs	99.0	34.3	42.2	4.0	179.5
Finance expense	1.0	0.1	0.3	20.0	21.4
Unrealized losses (gains) on derivative financial instruments	7.6	–	–	(5.2)	2.4
	<b>107.6</b>	<b>34.4</b>	<b>42.5</b>	<b>18.8</b>	<b>203.3</b>
Net earnings (loss) before income taxes	35.1	17.0	1.5	(18.8)	34.8
Income tax expense	–	–	–	(6.1)	(6.1)
<b>Net earnings (loss)</b>	<b>35.1</b>	<b>17.0</b>	<b>1.5</b>	<b>(24.9)</b>	<b>28.7</b>

	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>For the three months ended March 31, 2011</b>					
<b>Revenues</b>	<b>841.6</b>	<b>131.1</b>	<b>166.1</b>	<b>–</b>	<b>1,138.8</b>
Cost of sales (includes product & services)	(688.1)	(85.9)	(126.4)	–	(900.4)
<b>Gross Profit</b>	<b>153.5</b>	<b>45.2</b>	<b>39.7</b>	<b>–</b>	<b>238.4</b>
<b>Expenses</b>					
Selling, distribution and administrative costs	102.5	32.5	37.5	3.2	175.7
Finance expense	1.0	0.1	0.3	20.2	21.6
Unrealized losses (gains) on derivative financial instruments	(15.2)	5.4	–	(4.6)	(14.4)
	<b>88.3</b>	<b>38.0</b>	<b>37.8</b>	<b>18.8</b>	<b>182.9</b>
Net earnings (loss) before income taxes	65.2	7.2	1.9	(18.8)	55.5
Income tax expense	–	–	–	(14.4)	(14.4)
<b>Net earnings (loss)</b>	<b>65.2</b>	<b>7.2</b>	<b>1.9</b>	<b>(33.2)</b>	<b>41.1</b>

#### Net working capital, Total assets, Total liabilities, Acquisitions and Purchase of property, plant and equipment

	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>As at March 31, 2012</b>					
Net working capital <sup>(1)</sup>	208.1	34.1	118.0	(34.9)	325.3
Total assets	924.6	604.0	221.2	341.7	2,091.5
Total liabilities	336.1	195.0	84.3	1,114.2	1,729.6
<b>As at December 31, 2011</b>					
Net working capital <sup>(1)</sup>	239.8	25.7	129.8	(18.0)	377.3
Total assets	1,008.3	618.8	218.8	347.5	2,193.4
Total liabilities	369.2	208.3	68.8	1,197.5	1,843.8
<b>For the three months ended March 31, 2012</b>					
Acquisitions	–	–	–	–	–
Purchase of property, plant and equipment	2.9	2.5	0.6	–	6.0
<b>For the three months ended March 31, 2011</b>					
Acquisitions	4.6	–	–	–	4.6
Purchase of property, plant and equipment	4.1	2.8	0.9	–	7.8

<sup>(1)</sup> Net working capital reflects amounts as at the quarter end and is comprised of trade and other receivables, prepaid expenses and inventories, less trade and other payables, deferred revenue and dividends and interest payable.

## 20. Geographic Information

	Canada	United States	Other	Total Consolidated
<b>Revenues for the three months ended March 31, 2012</b>	<b>454.2</b>	<b>583.8</b>	<b>27.9</b>	<b>1,065.9</b>
<b>Property, plant and equipment as at March 31, 2012</b>	<b>475.7</b>	<b>338.2</b>	<b>47.5</b>	<b>861.4</b>
<b>Intangible assets as at March 31, 2012</b>	<b>23.8</b>	<b>34.1</b>	<b>–</b>	<b>57.9</b>
<b>Goodwill as at March 31, 2012</b>	<b>185.6</b>	<b>0.5</b>	<b>–</b>	<b>186.1</b>
<b>Total assets as at March 31, 2012</b>	<b>1,396.8</b>	<b>625.7</b>	<b>69.0</b>	<b>2,091.5</b>
Revenues for the three months ended March 31, 2011	515.1	601.9	21.8	1,138.8
Property, plant and equipment as at December 31, 2011	486.5	349.3	49.2	885.0
Intangible assets as at December 31, 2011	26.9	38.7	–	65.6
Goodwill as at December 31, 2011	185.6	0.5	–	186.1
Total assets as at December 31, 2011	1,337.9	788.3	67.1	2,193.4