



TSX: SPB

May 13, 2020

Superior Plus Corp. Announces First Quarter Results and Update on 2020 Adjusted EBITDA and Leverage Guidance

Superior Plus Corp. (“Superior”) (TSX:SPB) announced today the financial and operating results for the first quarter ended March 31, 2020. Unless otherwise expressed, all financial figures are expressed in Canadian dollars.

Due to the significantly warmer weather experienced during the first quarter in the Eastern U.S. and warmer weather in Canada, as well as the anticipated modest impacts from the COVID-19 pandemic and low price of oil, Superior expects 2020 Adjusted EBITDA to be at the lower end of the previously communicated guidance range of \$475 million to \$515 million.

“Our management team in every business has done a superb job in adapting and adjusting to the warmer weather as well as the slowdown of the economy to enable Superior to maintain our Adjusted EBITDA guidance for 2020 at the lower end”, said Luc Desjardins, President and Chief Executive Officer. “I am proud of our employees and our ability to respond quickly to this unprecedented situation.”

“Our first quarter results were impacted by warmer weather in the Eastern U.S., which was 17% warmer than the prior year and the five-year average”, added Luc Desjardins. “The average weather in Canada was also 10% warmer than the prior year, which also had an impact on our sales volumes. The increase in our average margins in the Canadian and U.S. propane distribution businesses compared to the prior year quarter helped offset the decrease in sales volumes related to warm weather. Our Specialty Chemicals business results were also lower due to continued weakness in the caustic soda and hydrochloric acid markets, partially offset by stronger sodium chlorate results.”

COVID-19 Update

The rapid outbreak of the novel Coronavirus (“COVID-19”) pandemic has resulted in unprecedented actions to control the spread of the virus and has resulted in governments and businesses globally enacting emergency measures and restrictions to combat the spread of COVID-19. These measures and restrictions, which include the implementation of travel bans, mandated or voluntary business closures and self-imposed and mandatory quarantine periods, isolation orders and social distancing have caused material disruptions to businesses globally, resulting in an economic slowdown and have led to minor disruptions to our workforce and operating facilities, customers, production, sales and operations, and supply chain.

In response to COVID-19 and in-line with recommendations from local health authorities, enhanced operating procedures and protocols were instituted to maintain our sites and facilities to even higher levels of cleanliness. Propane distribution and the production and distribution of our specialty chemicals products have been declared critical and essential infrastructure and products by all the provinces, states and territories we operate in. All of Superior's facilities and locations continue to operate with modified operating procedures to ensure the safety of our employees, customers, suppliers and the communities we operate in. Superior has not experienced any operational disruptions to its facilities or other assets as a result of COVID-19.

The duration and impact of the COVID-19 outbreak on the economy are unknown at this time, and, as a result, it is difficult to estimate the longer-term impact on our operations and the markets for our products. However, based on current information, we only expect a modest impact to our business primarily as it relates to our customers that are deemed non-essential and our oil and gas customers in our Canadian propane distribution and Specialty Chemicals businesses. In response to the anticipated impacts of COVID-19 and as part of our ongoing cost-savings initiatives, we took immediate action to protect our business and financial strength in an effort to position Superior to emerge from this situation even stronger. In 2020, we have reduced our planned capital expenditures by approximately \$30 million and reduced our expected operational expenses for the remainder of the year by \$30 million.

Luc Desjardins further stated, "The safety, health and well-being of our employees and the communities in which we operate remain our primary focus. Our goal is to operate safely and to mitigate potential exposure. As such, we have implemented physical distancing strategies, increased cleaning and disinfection at our facilities and offices, provided personal protective equipment as required, executed remote working policies, and eliminated all non-essential travel. Due to the variable cost structure of our businesses and our ability to react quickly to changing situations, we were able to take the appropriate measures to minimize the expected impact of COVID-19 on our business."

2020 Adjusted EBITDA Guidance Update

Superior now expects to be at the lower end of the previously communicated 2020 Adjusted EBITDA guidance range of \$475 million to \$515 million primarily due to the significantly warmer than average weather experienced in the first quarter, as well as the anticipated impacts from COVID-19 and the lower price of oil on our business and our customers. Average weather, as measured by degree days for the remainder of 2020 is anticipated to be consistent with the five-year average for Canada and the U.S.

Business and Financial Highlights

- Superior achieved first quarter Adjusted EBITDA of \$219.3 million, a \$20.6 million or 9% decrease over the prior year quarter primarily due to lower EBITDA from operations in U.S. propane distribution ("U.S. Propane") EBITDA, as well as lower EBITDA from operations in Specialty Chemicals, partially offset by higher EBITDA from operations in Canadian propane distribution ("Canadian Propane") and lower corporate costs.
- EBITDA from Operations during the first quarter was \$223.9 million, a \$25.4 million or a 10% decrease from the prior year quarter primarily due to lower results from U.S. Propane and Specialty Chemicals, partially offset by higher results from Canadian Propane. Please see below for further discussion on the first quarter EBITDA from Operations by business.
- AOCF before transaction and other costs during the first quarter was \$187.9 million, a \$23.1 million or 11% decrease compared to the prior year quarter primarily due to lower Adjusted EBITDA and to a lesser extent,

higher interest and cash tax expenses. AOCF before transaction and other costs per share was \$1.07, \$0.14 or 12% lower than the prior year quarter due to the decrease in AOCF before transaction and other costs.

- Superior had net earnings of \$11.4 million in the first quarter, a \$145.2 million decrease compared to the prior year quarter due to a loss on derivative financial instruments and translation of US denominated borrowings in the current quarter compared to a gain on derivative financial instruments and translation of US denominated borrowings in the prior year quarter and lower gross profit.
- Net cash flows from operating activities in the first quarter were \$84.8 million, a \$27.4 million decrease from the prior year quarter primarily due to the impact of lower net earnings net of non-cash adjustments and to a lesser extent the change in non-cash operating working capital.
- Superior does not expect COVID-19 or the adjustments to operating procedures to have an impact on the anticipated realized synergies from the acquisition of NGL Retail East (“NGL Propane”). In the first quarter, U.S. Propane achieved approximately US \$3.9 million in synergies related to the NGL Propane acquisition and the tuck-in acquisitions. Superior still expects to achieve US \$24 million of run-rate synergies related to the NGL Propane acquisition exiting 2020.
- U.S. Propane achieved EBITDA from operations for the first quarter of \$103.4 million, a decrease of \$22.0 million or 18% compared to the prior year quarter primarily due to the impact of warmer weather, partially offset by the incremental contribution from the tuck-in acquisitions completed in the past 12 months, higher average unit margins and realized synergies from the NGL Propane acquisition and the tuck-in acquisitions. Total sales volumes decreased 67 million litres or 14% primarily due to the impact of warmer weather. Average weather, as measured by degree days, across markets where Superior operates in the Eastern U.S. was 17% warmer than the prior year quarter and the five-year average. According to the National Oceanic and Atmospheric Administration, which has been keeping records since 1985, the first quarter of 2020 was one of the warmest winters on record for regions where Superior operates in the Eastern U.S. Average U.S. Propane sales margin for the first quarter was 41.8 cents per litre compared to 40.3 cents per litre in the prior year quarter primarily due to sales and marketing initiatives, including effective margin management in a declining wholesale propane price environment, and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated gross profit.
- Canadian Propane achieved EBITDA from operations for the first quarter of \$86.6 million, an increase of \$2.3 million or 3% compared to the prior year quarter primarily due to higher average unit margins and lower operating expenses, partially offset by lower sales volumes. Average propane sales margins in the first quarter were 20.0 cents per litre compared to 15.9 cents per litre in the prior year quarter due to improved wholesale market fundamentals compared to the prior year quarter. Total sales volumes were 729 million litres, a decrease of 193 million litres or 21%, primarily due to the impact of warmer weather, a reduction in butane sales, competitive pressures and reduced demand. Average weather across Canada, as measured by degree days was 10% warmer than the prior year quarter and 4% warmer than the five-year average. Butane sales volumes declined 80 million litres due to reduced focus on wholesale butane sales related to market conditions. Operating costs were \$63.8 million, a decrease of \$3.7 million primarily due to lower volume-related expenses, fuel costs and incentive plan costs.
- Specialty Chemicals EBITDA from operations for the first quarter was \$33.9 million, a decrease of \$5.7 million or 14% compared to the prior year quarter primarily due to lower gross profit, partially offset by lower operating expenses. Gross profit was \$53.0 million, a \$7.5 million decrease due to lower chlor-alkali sales prices and volumes, partially offset by higher sodium chlorate sales prices and lower electricity mill rates. Operating expenses were \$29.3 million, a \$2.7 million decrease primarily due to the impact of the gain on translation of US denominated working capital and lower incentive plan costs.

- Superior’s corporate operating and administrative costs for the first quarter were \$0.6 million, a decrease of \$5.0 million primarily due to the lower long-term incentive plan costs related to the decline in Superior’s share price.

Financial Overview

<i>(millions of dollars, except per share amounts)</i>	Three Months Ended	
	March 31	
	2020	2019
Revenue	840.2	1,036.0
Gross Profit	399.2	428.3
Net earnings	11.4	156.6
Net earnings per share, basic and diluted ⁽¹⁾	\$ 0.07	\$ 0.90
EBITDA from operations ⁽²⁾	223.9	249.3
Adjusted EBITDA ⁽²⁾	219.3	239.9
Net cash flows from operating activities	84.8	112.2
Net cash flows from operating activities per share – basic and diluted ⁽¹⁾	\$ 0.48	\$ 0.64
AOCF before transaction and other costs ⁽²⁾⁽³⁾	187.9	211.0
AOCF before transaction and other costs per share – basic and diluted ⁽¹⁾⁽²⁾⁽³⁾	\$ 1.07	\$ 1.21
AOCF ⁽²⁾	182.6	206.0
AOCF per share– basic and diluted ⁽¹⁾⁽²⁾	\$ 1.04	\$ 1.18
Cash dividends declared	31.2	31.5
Cash dividends declared per share	\$ 0.18	\$ 0.18

⁽¹⁾ The weighted average number of shares outstanding for the three months ended March 31, 2020 is 174.9 million (March 31, 2019 –174.9 million). There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three months ended March 31, 2020 and 2019.

⁽²⁾ EBITDA from operations, Adjusted EBITDA, AOCF before transaction and other costs, and AOCF are Non-GAAP measures. Refer to “Non-GAAP Financial Measures” for further details and the First Quarter Management Discussion & Analysis (“MD&A”) for reconciliations.

⁽³⁾ Transaction and other costs for the three months ended March 31, 2020 and 2019 are related to acquisition activity, restructuring and the integration of acquisitions. See “Transaction and Other Costs” for further details.

Segmented Information

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
EBITDA from operations ⁽¹⁾		
Canadian Propane Distribution	86.6	84.3
U.S. Propane Distribution	103.4	125.4
Specialty Chemicals	33.9	39.6
	223.9	249.3

⁽¹⁾ See “Non-GAAP Financial Measures”.

Business Development and Acquisition Update

- On January 9, 2020, Superior acquired the propane distribution assets of an independent propane distributor in Southern California for total consideration of US \$22.7 million (CDN \$29.8 million). The purchase price was paid primarily with cash from Superior’s credit facility, as well as deferred payments.

Dividend Reinvestment Program

Superior reinstated its Dividend Reinvestment Program (the “DRIP”) with the February 2020 dividend paid on March 13, 2020. Proceeds from the DRIP are anticipated to be used for debt reduction and general corporate purposes, which includes funding retail propane distribution acquisitions. The DRIP provides Superior’s shareholders the opportunity to reinvest their cash dividend in Superior at a 4% discount to the market price of Superior’s common shares. Further information on Superior's DRIP can be found in the Investor Relations section of Superior's website at www.superiorplus.com.

Debt Management and Leverage Update

Superior remains focused on managing both its debt and its leverage ratio. Superior’s Total Debt to Adjusted EBITDA leverage ratio for the trailing twelve months was 4.0x as at March 31, 2020, compared to 3.7x at December 31, 2019. The increase in the leverage ratio from December 31, 2019 was primarily due to lower Adjusted EBITDA, and higher debt related to the impact of the weaker Canadian dollar on the translation of Superior’s U.S. denominated debt and tuck-in acquisitions completed in the past 12 months.

Superior’s total debt as at March 31, 2020, was \$2,045.1 million, an increase of \$89.0 million from December 31, 2019 primarily due to new leases entered into under IFRS 16, the impact of the weaker Canadian dollar on U.S. denominated debt and the acquisition completed in January 2020, partially offset by cash generated from operations.

Superior is well within its covenants under its credit facility agreement and unsecured note indentures. Superior’s Senior debt to Credit Facility EBITDA ratio was 4.0x as at March 31, 2020, and cannot exceed 5.0x. Superior also had available liquidity of \$232.1 million available under the credit facility as at March 31, 2020.

Superior is updating its previously communicated expected Total Debt to Adjusted EBITDA leverage ratio range at December 31, 2020 from 3.4x to 3.8x to a range of 3.6x to 4.0x. The increase is due to lower results of U.S. Propane and Specialty Chemicals in the first quarter and the expected impact from a weaker Canadian dollar on the translation of US denominated debt.

MD&A and Financial Statements

Superior’s MD&A, the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements for the three months ended March 31, 2020 provide a detailed explanation of Superior’s operating results. These documents are available online at Superior’s website at www.superiorplus.com under the Investor Relations section and on SEDAR under Superior’s profile at www.sedar.com.

Virtual-Only Annual General Meeting and 2020 First Quarter Results Presentations

Due to the current COVID-19 pandemic and the latest directives from public health and other government authorities to maintain physical distance and eliminate social gatherings, we will now hold our annual meeting in a virtual-only format whereby shareholders may attend and participate in the annual meeting via live webcast on Wednesday, May 13, 2020 at 4:00 PM EDT. Please see Superior's website at www.superiorplus.com for detailed instructions.

Superior has posted presentations on the Superior website in the Investor Relations section that will be used during the Annual General Meeting and the 2020 First Quarter Conference Call. The Annual General Meeting and First

Quarter Results presentations contain information related to Superior's financial results as well as updates on Superior's operations.

2020 First Quarter Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the First Quarter Results at 10:30 a.m. EDT on Thursday, May 14, 2020. To participate in the call, dial: 1-844-389-8661. Internet users can listen to the call live, or as an archived call on Superior's website at www.superiorplus.com under the Events section.

Non-GAAP Financial Measures

Throughout the first quarter earnings release, Superior has used the following terms that are not defined by International Financial Reporting Standards ("Non-GAAP Financial Measures"), but are used by management to evaluate the performance of Superior and its business: AOCF before and after transaction and other costs, earnings before interest, taxes, depreciation and amortization ("EBITDA") from operations, Adjusted Gross Profit, Adjusted EBITDA, Total Debt to Adjusted EBITDA leverage ratio, Senior Debt, Credit Facility EBITDA and Senior Debt to Credit Facility EBITDA leverage ratio. These measures may also be used by investors, financial institutions and credit rating agencies to assess Superior's performance and ability to service debt. Non-GAAP financial measures do not have standardized meanings prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Securities regulations require that Non-GAAP financial measures are clearly defined, qualified and reconciled to their most comparable GAAP financial measures. Except as otherwise indicated, these Non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific items may only be relevant in certain periods. See "Non-GAAP Financial Measures" in the MD&A for a discussion of Non-GAAP financial measures and certain reconciliations to GAAP financial measures.

The intent of Non-GAAP financial measures is to provide additional useful information to investors and analysts, and the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Non-GAAP financial measures differently. Investors should be cautioned that AOCF, EBITDA from operations, Adjusted EBITDA and Credit Facility EBITDA should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Superior's performance. Non-GAAP financial measures are identified and defined as follows:

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

AOCF 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 in its calculation of AOCF; these items would generally, but not necessarily, be infrequent in nature and could distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring. AOCF and AOCF per share are presented before and after transaction and other costs.

AOCF per share before transaction and other costs is calculated by dividing AOCF before transaction and other costs by the weighted average number of shares outstanding. AOCF per share is calculated by dividing AOCF by the weighted average number of shares outstanding.

AOCF is a performance measure used by management and investors to evaluate Superior's ongoing performance of its businesses and ability to generate cash flow. AOCF 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. AOCF is also used as one component in determining short-term incentive compensation for certain management employees.

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized AOCF. Adjustments recorded by Superior as part of its calculation of AOCF include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Energy Distribution 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 expenses, which can differ significantly from quarter to quarter. AOCF is reconciled to cash flow from operating activities. Please refer to the Financial Overview section of the MD&A for the reconciliation.

Adjusted Gross Profit

Adjusted gross profit represents revenue less cost of sales adjusted for realized gains and losses on commodity derivative instruments related to risk management. Management uses Adjusted Gross Profit to set margin targets and measure results. Unrealized gains and losses on commodity derivative instruments are excluded because of the accounting mis-match that exists as a result of the customer contract not being included in the determination of the fair value for this risk management activity.

Adjusted EBITDA

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, losses (gains) on disposal of assets, finance expense, restructuring costs, transaction and other costs, and unrealized gains (losses) on derivative financial instruments. Adjusted EBITDA is used by Superior and investors to assess its consolidated results and ability to service debt. Adjusted EBITDA is reconciled to net earnings before income taxes.

EBITDA from operations

EBITDA from operations is defined as Adjusted EBITDA excluding costs that are not considered representative of Superior's underlying core operating performance, including gains and losses on foreign currency hedging contracts, corporate costs and transaction and other costs. Management uses EBITDA from operations to set targets for Superior (including annual guidance and variable compensation targets). EBITDA from operations is reconciled to net earnings before income taxes. Please refer to the Results of Operating Segments in the MD&A for the reconciliations.

Operating Expenses

Operating expenses include wages and benefits for employees, drivers, service and administrative labour, fleet maintenance and operating costs, freight and distribution expenses excluded from cost of sales, along with the costs associated with owning and maintaining land, buildings and equipment, such as rent, repairs and maintenance, environmental, utilities, insurance and property tax costs. Operating expenses exclude gains or losses on disposal of assets, depreciation and amortization and non-recurring expenses, such as transaction, restructuring and integration costs.

Operating expenses are defined as SD&A expenses adjusted for amortization and depreciation, gains or losses on disposal of assets and transaction, restructuring and other costs.

Non-GAAP Financial Measures Used for bank covenant purposes

Total Debt to Adjusted EBITDA Leverage Ratio and Pro Forma Adjusted EBITDA

Adjusted EBITDA for the Total Debt to Adjusted EBITDA leverage ratio is defined as Adjusted EBITDA calculated on a 12-month trailing basis giving pro forma effect to acquisitions and dispositions adjusted to the first day of the calculation period (“Pro Forma Adjusted EBITDA”). Pro Forma Adjusted EBITDA is used by Superior to calculate its Total Debt to Adjusted EBITDA leverage ratio.

To calculate the Total Debt to Adjusted EBITDA leverage ratio divide the sum of borrowings before deferred financing fees and lease liabilities by Pro Forma Adjusted EBITDA. Total Debt to Adjusted EBITDA leverage ratio is used by Superior and investors to assess its ability to service debt.

Senior Debt

Senior Debt includes total borrowing before deferred financing fees and vehicle lease obligations, and excludes the remaining lease obligations. Senior Debt is used by Superior to calculate its debt covenants and other credit information.

Credit Facility EBITDA

Credit Facility EBITDA is defined as Adjusted EBITDA calculated on a 12-month trailing basis giving pro forma effect to acquisitions and dispositions adjusted to the first day of the calculation period, and excludes the impact from the adoption of IFRS 16 and EBITDA from undesignated subsidiaries. Credit Facility EBITDA is used by Superior to calculate its debt covenants and other credit information. Please refer to Non-GAAP Financial Measures in the MD&A for the reconciliation.

Credit Facility leverage ratio

Credit Facility leverage ratio is defined as Senior Debt divided by Credit Facility EBITDA. Senior Debt to Credit Facility EBITDA is used by Superior for calculation of bank covenants and other credit information.

Forward Looking Information

Certain information included herein is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information may include statements regarding the objectives, business strategies to achieve those objectives, expected financial results (including those in the area of risk management), economic or market conditions, and the outlook of or involving Superior, Superior LP and its businesses. Such information is typically identified by words such as “anticipate”, “believe”, “continue”, “estimate”, “expect”, “plan”, “forecast”, “future”, “outlook”, “guidance”, “may”, “project”, “should”, “strategy”, “target”, “will” or similar expressions suggesting future outcomes.

Forward-looking information in this document includes: future financial position, consolidated and business segment outlooks, expected Adjusted EBITDA, the duration and anticipated impact of the COVID-19 pandemic and the expected economic recession, estimates of the impact COVID-19 may have on our operations, expected reduction of 2020 planned capital expenditures and operational expenses, anticipated run-rate synergies from the acquisition of NGL Retail East, the markets for our products and our financial results, expected total debt to Adjusted EBITDA ratio, anticipated impact from the weaker Canadian dollar, anticipated uses of proceeds from the DRIP, business strategy and objectives, development plans and programs, organic growth, weather, economic activity in Western Canada, product pricing and sourcing, caustic soda and hydrochloric acid markets, caustic potash customer mix, volumes and pricing, wholesale propane market fundamentals, electricity costs, exchange rates, expected synergies

from the acquisition of NGL and other acquisitions, improvements and the timing associated in North American chlor-alkali markets, expected seasonality of demand, and future economic conditions.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future and may not be appropriate for other purposes. Forward-looking information herein is based on various assumptions and expectations that Superior believes are reasonable in the circumstances. No assurance can be given that these assumptions and expectations will prove to be correct. Those assumptions and expectations are based on information currently available to Superior, including information obtained from third party industry analysts and other third party sources, and the historic performance of Superior's businesses. Such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, business prospects, utilization of tax basis, regulatory developments, currency, exchange and interest rates, future commodity prices relating to the oil and gas industry, future oil rig activity levels, trading data, cost estimates, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP, the assumptions set forth under the "Financial Outlook" sections of our MD&A. The forward looking information is also subject to the risks and uncertainties set forth below.

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond our control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt service charges, the loss of key personnel, the anticipated duration and impact of the COVID-19 pandemic and the expected economic recession, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, reduced customer demand, operational risks involving our facilities, force majeure, labour relations matters, our ability to access external sources of debt and equity capital, and the risks identified in (i) our MD&A under the heading "Risk Factors" and (ii) Superior's most recent Annual Information Form. The preceding list of assumptions, risks and uncertainties is not exhaustive.

When relying on our forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Any forward-looking information is provided as of the date of this document and, except as required by law, neither Superior nor Superior LP undertakes to update or revise such information to reflect new information, subsequent or otherwise. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

For more information about Superior, visit our website at www.superiorplus.com or contact:

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF 2020 FIRST QUARTER RESULTS MAY 13, 2020

This Management's Discussion and Analysis (MD&A) contains information about the performance and financial position of Superior Plus Corp. (Superior) as at and for the three months ended March 31, 2020 and 2019, as well as forward-looking information about future periods. The information in this MD&A is current to May 13, 2020, and should be read in conjunction with Superior's first quarter 2020 unaudited condensed interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2020 and 2019.

The accompanying unaudited condensed interim consolidated financial statements of Superior were prepared by and are the responsibility of Superior's management. Superior's unaudited condensed interim consolidated financial statements as at and for the three months ended March 31, 2020 and 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All financial amounts in this MD&A are expressed in millions of Canadian dollars except where otherwise noted. All tables are for the three months ended March 31 of the period indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more details.

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 holds 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: Canadian Propane Distribution, U.S. Propane Distribution and Specialty Chemicals. The Canadian Propane Distribution segment includes the Canadian retail propane distribution business and the wholesale natural gas liquid marketing businesses with operations located in Canada and California. The U.S. Propane Distribution segment distributes propane gas and liquid fuels primarily in the Eastern United States, as well as the Midwest and California. Specialty Chemicals is a leading supplier of sodium chlorate and technology to the pulp and paper industry and a regional supplier of chlor-alkali products in the U.S. Midwest and Western Canada. Reportable segment information has also been restated to comply with the current presentation.

Current Economic Conditions

The rapid outbreak of the novel strain of the coronavirus, specifically identified as the COVID-19 pandemic, has caused governments worldwide to enact emergency measures and restrictions to combat the spread of the virus. These measures and restrictions, which include the implementation of travel bans, mandated and voluntary business closures, self-imposed and mandatory quarantine periods, isolation orders and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. For the first quarter of 2020, COVID-19 did not have a material impact on Superior's business, financial condition or results of operations. The future impact of the COVID-19 pandemic on liquidity, volatility, credit availability and market and financial conditions generally could change at any time. The duration and impact of the COVID-19 outbreak on the economy are unknown at this time, and, as a result, it is difficult to estimate the longer-term impact on our operations and the markets for our products. However, based on current information, including measures we have implemented to reduce capital and operating expenses, we only expect a modest impact to our business.

COVID-19 has also resulted in a significant decrease on global demand for crude oil. In addition to the impact of COVID-19, production levels during March and April by OPEC+ countries, contributed to excess global supply and caused the price of oil to be exceptionally volatile. Propane is a derivative of natural gas processing and oil refining, continued volatility in the price of oil could lead to disruptions in the supply of propane if the production of oil and gas is curtailed because it is uneconomic. In addition to the risk on the supply of propane, demand for Superior's products from our customers in the oil and gas industry could be impacted as the combined impact of COVID-19 and volatile oil prices has had a significantly negative impact on the energy industry.

Superior's operating segments are considered essential services in all provinces, states and territories in which Superior operates. In response to COVID-19 and in-line with recommendations from local health authorities, enhanced operating procedures and protocols were instituted to protect our employees and customers and to maintain our sites and facilities to even higher levels of cleanliness.

Management is continuing to monitor these situations and may be required to take further actions that may materially alter operations.

Non-GAAP Financial Measures

Throughout the MD&A, Superior has used the following terms that are not defined under generally accepted accounting principles (GAAP), but are used by management to evaluate the performance of Superior and its businesses: adjusted operating cash flow (AOCF) before and after transaction and other costs, earnings before interest, taxes, depreciation and amortization (EBITDA) from operations, Adjusted EBITDA, Total Debt to Adjusted EBITDA Leverage Ratio, Credit Facility EBITDA, Senior Debt and Adjusted Gross Profit. These measures may also be used by investors, financial institutions and credit rating agencies to assess Superior's performance and ability to service debt. Non-GAAP financial measures do not have standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Securities regulations require that Non-GAAP financial measures are clearly defined, qualified and reconciled to their most comparable GAAP financial measures. Except as otherwise indicated, these Non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific items may only be relevant in certain periods.

The intent of using Non-GAAP financial measures is to provide additional useful information to investors and analysts; the measures do not have standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate Non-GAAP financial measures differently. See "Non-GAAP Financial Measures" for more information about these measures.

Forward-Looking Information

Certain information included herein is forward-looking information within the meaning of applicable Canadian securities laws. Forward-looking information may include statements regarding the objectives, business strategies to achieve those objectives, expected financial results (including those in the area of risk management), economic or market conditions, and the outlook of or involving Superior, Superior LP and its businesses. Such information is typically identified by words such as "anticipate", "believe", "continue", "estimate", "expect", "plan", "forecast", "future", "outlook", "guidance", "may", "project", "should", "strategy", "target", "will" or similar expressions suggesting future outcomes.

Forward-looking information in this document includes: future financial position, consolidated and business segment outlooks, expected Adjusted EBITDA, the duration and anticipated impact of the COVID-19 pandemic and the expected economic recession, estimates of the impact COVID-19 may have on our operations, the markets for our products and our financial results, expected total debt to Adjusted EBITDA ratio, anticipated impact from the weaker Canadian dollar, anticipated uses of proceeds from the DRIP, business strategy and objectives, development plans and programs, organic growth, weather, economic activity in Western Canada, product pricing and sourcing, caustic soda and hydrochloric acid markets, caustic potash customer mix, volumes and pricing, wholesale propane market fundamentals, electricity costs, exchange rates, expected synergies from the acquisition of NGL and other

acquisitions, improvements and the timing associated in North American chlor-alkali markets, expected seasonality of demand, and future economic conditions.

Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future and may not be appropriate for other purposes. Forward-looking information herein is based on various assumptions and expectations that Superior believes are reasonable in the circumstances. No assurance can be given that these assumptions and expectations will prove to be correct. Those assumptions and expectations are based on information currently available to Superior, including information obtained from third party industry analysts and other third-party sources, and the historic performance of Superior's businesses. Such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, business prospects, utilization of tax basis, regulatory developments, currency, exchange and interest rates, future commodity prices relating to the oil and gas industry, future oil rig activity levels, trading data, cost estimates, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP, the assumptions set forth under the "Financial Outlook" sections in this MD&A. The forward-looking information is also subject to the risks and uncertainties set forth below.

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond our control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt service charges, the loss of key personnel, the anticipated impact of the COVID-19 pandemic and the expected economic recession, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, reduced customer demand, operational risks involving our facilities, force majeure, labour relations matters, our ability to access external sources of debt and equity capital, and the risks identified in (i) this MD&A under "Risk Factors" and (ii) Superior's most recent Annual Information Form. The preceding list of assumptions, risks and uncertainties is not exhaustive.

When relying on Superior's forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the preceding factors, other uncertainties and potential events. Any forward-looking information is provided as of the date of this document and, except as required by law, neither Superior nor Superior LP undertakes to update or revise such information to reflect new information, subsequent or otherwise. For the reasons set forth above, investors should not place undue reliance on forward-looking information.

FINANCIAL OVERVIEW

Summary of AOCF

<i>(millions of dollars except per share amounts)</i>	Three Months Ended	
	March 31	
	2020	2019
Revenue ⁽¹⁾	840.2	1,036.0
Gross profit ⁽¹⁾	399.2	428.3
EBITDA from operations ⁽²⁾	223.9	249.3
Corporate operating and administrative costs	(0.6)	(5.6)
Realized losses on foreign currency hedging contracts	(4.0)	(3.8)
Adjusted EBITDA ⁽²⁾	219.3	239.9
Interest expense	(27.1)	(26.5)
Cash income tax expense	(4.3)	(2.4)
AOCF before transaction and other costs ⁽²⁾	187.9	211.0
Transaction and other costs ⁽³⁾	(5.3)	(5.0)
AOCF ⁽²⁾	182.6	206.0
AOCF per share before transaction and other costs ⁽²⁾⁽³⁾⁽⁴⁾	\$1.07	\$1.21
AOCF per share ⁽²⁾⁽³⁾⁽⁴⁾	\$1.04	\$1.18
Dividends declared per share ⁽⁴⁾	\$0.18	\$0.18

⁽¹⁾ Revenue and gross profit have been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim consolidated financial statements. For purposes of determining margin per litre, gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See “Non-GAAP Financial Measures”.

⁽²⁾ EBITDA from operations, Adjusted EBITDA, AOCF before transaction and other costs, and AOCF are Non-GAAP measures. See “Non-GAAP Financial Measures”.

⁽³⁾ Transaction and other costs for the three months ended March 31, 2020 and 2019 are related to acquisition activity, restructuring and the integration of acquisitions. See “Transaction and Other Costs” for further details.

⁽⁴⁾ The weighted average number of shares outstanding for the three months ended March 31, 2020 and 2019 was 174.9 million and 174.9 million shares respectively. There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three months ended March 31, 2020 and 2019.

Comparable GAAP Financial Information

<i>(millions of dollars except per share amounts)</i>	Three Months Ended	
	March 31	
	2020	2019
Net earnings for the period ⁽¹⁾	11.4	156.6
Net earnings per share, basic and diluted ⁽¹⁾	\$0.07	\$0.90
Cash flows from operating activities	84.8	112.2
Cash flows from operating activities per share, basic and diluted	\$0.48	\$0.64

⁽¹⁾ Net earnings has been restated to adjust amortization and depreciation expense as a result of finalizing the purchase price allocation of the NGL acquisition in the second quarter of 2019. See Note 2(b) in the unaudited condensed interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2020 and 2019.

Segmented Information

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
EBITDA from operations ⁽¹⁾		
Canadian Propane Distribution	86.6	84.3
U.S. Propane Distribution	103.4	125.4
Specialty Chemicals	33.9	39.6
	223.9	249.3

⁽¹⁾ EBITDA from operations is a Non-GAAP measure. See “Non-GAAP Financial Measures”.

AOCF Reconciled to Cash Flows from Operating Activities ⁽¹⁾

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
Cash flows from operating activities	84.8	112.2
Non-cash interest expense, loss on redemption and other	2.7	1.9
Changes in non-cash operating working capital	83.8	74.0
Income taxes paid	0.5	1.8
Interest paid	44.9	46.9
Cash income tax expense	(4.3)	(2.4)
Finance expense recognized in net earnings	(29.8)	(28.4)
AOCF⁽¹⁾	182.6	206.0

⁽¹⁾ AOCF is a Non-GAAP measure. See “Non-GAAP Financial Measures”.

Acquisition of Western Propane Service (“Western”)

On January 9, 2020, Superior acquired a Southern California retail propane distribution company, operating under the tradename, Western for total consideration of US\$22.7 million (C\$29.8 million). The acquisition was funded by drawing on Superior’s credit facility and deferring US\$4.0 million (C\$5.2 million) in payments over the next five years.

Consolidated Statement of Net Earnings

	Three Months Ended	
	March 31	
<i>(millions of dollars except per share amounts)</i>	2020	2019 ⁽¹⁾
Revenue	840.2	1,036.0
Cost of sales (includes products and services)	(441.0)	(607.7)
Gross profit	399.2	428.3
Expenses		
Selling, distribution and administrative costs ("SD&A")	(231.1)	(236.1)
Finance expense	(29.8)	(28.4)
Gains (losses) on derivatives and foreign currency translation of borrowings	(116.0)	28.8
	(376.9)	(235.7)
Earnings before income taxes	22.3	192.6
Income tax (expense)	(10.9)	(36.0)
Net earnings for the period	11.4	156.6
Net earnings per share, basic and diluted ⁽²⁾	\$0.07	\$0.90

⁽¹⁾ Revenue and gross profit has been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim consolidated financial statements. For purposes of determining margin per litre, gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See "Non-GAAP Financial Measures". SD&A has been restated to adjust amortization and depreciation expense as a result of finalizing the purchase price allocation of the NGL acquisition in the second quarter of 2019. See the unaudited condensed interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2020 and 2019.

⁽²⁾ The weighted average number of shares outstanding for the three months ended March 31, 2020 and 2019 was 174.9 million and 174.9 million shares respectively. There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three months ended March 31, 2020 and 2019.

Q1 2020 Financial Results Compared to the Prior Year Quarter

Adjusted EBITDA for the three months ended March 31, 2020 was \$219.3 million, a decrease of \$20.6 million or 9% compared to the prior year quarter Adjusted EBITDA of \$239.9 million. The decrease is primarily due to lower EBITDA from operations and slightly higher realized losses on foreign currency hedging contracts partially offset by lower corporate costs. EBITDA from operations decreased \$25.4 million or 10% compared to the prior year quarter primarily due to lower U.S. Propane EBITDA from operations and, to a lesser extent, lower Specialty Chemicals EBITDA from operations partly offset by higher Canadian Propane EBITDA from operations. U.S. Propane EBITDA from operations was \$103.4 million, a decrease of \$22.0 million or 18% primarily due to warmer weather, partially offset by the impact of tuck-in acquisitions completed in the past twelve months, the impact of effective margin management in a declining wholesale propane price environment, and additional synergies. Specialty Chemicals EBITDA from operations was \$33.9 million, a decrease of \$5.7 million or 14% primarily due to lower chlor-alkali sales volumes and prices partially offset by lower power costs and the impact of the weaker Canadian dollar on translation of U.S. denominated sales and working capital. Canadian Propane EBITDA from operations was \$86.6 million, an increase of \$2.3 million or 3% primarily due to stronger Canadian wholesale market fundamentals, compared to the prior year quarter, the impact of Butane losses in the prior year quarter, effective margin management in a declining wholesale propane price environment, partially offset by lower sales volumes due to warmer weather, and to a lesser extent the impact of low crude oil prices and COVID-19 on some of our customers. Superior's realized losses on foreign currency hedging contracts were \$4.0 million, modestly higher than a realized loss of \$3.8 million in the prior year quarter. Corporate operating and administrative costs were \$0.6 million, a decrease of \$5.0 million primarily due to lower incentive plan costs related to the share price depreciation.

AOCF before transaction and other costs for the three months ended March 31, 2020 was \$187.9 million, a decrease of \$23.1 million or 11% from the prior year quarter AOCF before transaction and other costs of \$211.0 million. The

decrease from the prior year quarter is primarily due to lower Adjusted EBITDA discussed above, and to a lesser extent, higher interest and cash income tax expenses. Interest expense increased \$0.6 million or 2% primarily due to higher average debt balances and the impact of the weaker Canadian dollar on the translation of U.S. denominated finance costs. Cash income tax expense increased \$1.9 million as a result of utilization of available tax pools and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated taxes. AOCF per share before transaction and other costs was \$1.07 per share, a decrease of \$0.14 per share or 12% from the prior year quarter primarily due to the lower AOCF before transaction and other costs discussed above.

AOCF for the three months ended March 31, 2020 was \$182.6 million, a decrease of \$23.4 million or 11% from the prior year quarter AOCF of \$206.0 million due to the decreased AOCF before transaction and other costs discussed above. AOCF per share for the three months ended March 31, 2020 was \$1.04 per share, a decrease of \$0.14 per share or 12% from the prior year quarter. Transaction and other costs for the three months ended March 31, 2020 were \$5.3 million, \$0.3 million higher than the prior year quarter. Costs incurred in the current quarter related primarily to the integration of acquisitions and Specialty Chemicals strategic review are comparable to the integration and acquisition related costs incurred in the prior year quarter.

Revenue for the three months ended March 31, 2020 was \$840.2 million, a decrease of \$195.8 million or 19% due to lower revenue in the Canadian Propane Distribution, U.S. Propane Distribution, and Specialty Chemicals segments. Canadian Propane Distribution revenue for the three months ended March 31, 2020 was \$340.6 million, a decrease of \$95.2 million or 22% primarily due to the impact of lower wholesale propane prices and the impact of lower sales volumes. U.S. Propane Distribution revenue for the three months ended March 31, 2020 was \$342.0 million, a decrease of \$86.8 million or 20% primarily due to lower sales volumes related to warmer weather, and the impact of lower wholesale propane prices, partially offset by the additional revenues from the tuck-in acquisitions completed in 2019. Specialty Chemicals revenue for the three months ended March 31, 2020 was \$157.6 million, a decrease of \$13.8 million or 8% primarily due to lower chlor-alkali sales volumes and average sales prices. Consolidated gross profit was \$399.2 million, a decrease of \$29.1 million or 7% from \$428.3 million primarily due to lower U.S. Propane and Canadian Propane gross profit and to a lesser extent Specialty Chemicals gross profit. Gross profit decreased due to the above reasons and was partially offset by effective margin management in a declining wholesale propane price environment, improved wholesale market fundamentals within the Canadian supply portfolio management business and lower average power costs in the Specialty Chemical segment.

SD&A was \$231.1 million for the three months ended March 31, 2020, a decrease of \$5.0 million or 2% from the prior year quarter primarily due to a decrease in Corporate SD&A, Specialty Chemicals SD&A and to a lesser extent Canadian Propane SD&A, partially offset by an increase in U.S. Propane SD&A. Corporate SD&A costs were \$2.6 million, a decrease of \$4.3 million from \$6.9 million in the prior year quarter primarily due to lower incentive plan costs related to share price depreciation. Specialty Chemicals SD&A costs were \$36.6 million for the three months ended March 31, 2020, a decrease of \$2.5 million or 6% from \$39.1 million primarily due to lower distribution costs, a gain on the translation of non-cash working capital and to a lesser extent lower incentive plan costs, partially offset by the impact of the weaker Canadian dollar on US denominated expenses. Canadian Propane Distribution SD&A costs were \$82.1 million a decrease of \$1.6 million or 2% from \$83.7 million in the prior year quarter primarily due to lower distribution costs as a result of lower sales volumes and to a lesser extent lower incentive plan costs partially offset by higher depreciation expense. U.S. Propane Distribution SD&A costs were \$109.8 million, an increase of \$3.4 million from \$106.4 million in the prior year quarter primarily due to the impact of tuck-in acquisitions completed in 2019 and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated SD&A, partially offset by incremental synergies.

Finance expense for the three months ended March 31, 2020 was \$29.8 million, an increase of \$1.4 million or 5% from \$28.4 million in the prior year quarter. The increase is primarily due to higher debt as a result of tuck-in acquisitions completed in the past twelve months and to a lesser extent the impact of the weaker Canadian dollar on US denominated finance expense.

Gains (losses) on derivatives and foreign currency translation of borrowings consists of unrealized gains (losses) on derivative financial instruments net of realized gains (losses) on derivative financial instruments. Unrealized and

realized losses on derivative financial instruments were \$116.0 million for the three months ended March 31, 2020 compared to a gain of \$28.8 million in the prior year quarter. This is mainly related to changes in market prices of commodities, timing of maturities of underlying financial instruments and foreign exchange rates relative to amounts hedged. For additional details, refer to Note 12 of the 2020 unaudited condensed interim consolidated financial statements.

Total income tax expense of \$10.9 million was \$25.1 million lower than the prior year quarter's expense of \$36.0 million. Current income tax expense was \$4.3 million, an increase of \$1.9 million from the prior year quarter. Deferred income tax expense was \$6.6 million, a decrease from the \$33.6 million expense in the prior year quarter primarily due to lower earnings before tax.

The net earnings for the three months ended March 31, 2020 was \$11.4 million, compared to a net earnings of \$156.6 million in the prior year quarter. The decrease from the prior year quarter is primarily due to unrealized losses on derivative instruments and translation of foreign currency borrowings recorded in the current period compared to unrealized gains on derivative instruments and translation of foreign currency borrowings in the prior year quarter and the impact of the NGL, UPE and other tuck-in acquisitions. Basic and diluted earnings per share was \$0.07, compared to basic and diluted earnings per share of \$0.90 in the prior year quarter.

RESULTS OF SUPERIOR'S OPERATING SEGMENTS

Superior's operating segments consists of Canadian Propane which includes its wholesale business, U.S. Propane and Specialty Chemicals.

CANADIAN PROPANE DISTRIBUTION

Canadian Propane Distribution's condensed operating results:

<i>(millions of dollars)</i>	Three Months Ended	
	2020	2019
Revenue	340.6	435.8
Cost of Sales	(189.9)	(275.6)
Gross profit	150.7	160.2
Realized losses on derivatives related to commodity risk management	(0.3)	(8.4)
Adjusted gross profit ⁽¹⁾	150.4	151.8
Selling, distribution and administrative costs	(82.1)	(83.7)
Add back (deduct):		
Amortization and depreciation included in selling, distribution and administrative costs	18.3	17.2
Transaction, restructuring, and other costs	0.2	-
(Gain) loss on disposal of assets and other	(0.2)	(1.0)
EBITDA from operations⁽²⁾	86.6	84.3
Add back (deduct):		
Gain (loss) on disposal of assets and other	0.2	1.0
Transaction, restructuring, and other costs	(0.2)	-
Amortization and depreciation included in selling, distribution and administrative costs	(18.3)	(17.2)
Unrealized gain (losses) on derivative financial instruments	(5.9)	6.7
Finance expense	(1.4)	(1.0)
Earnings before income tax	61.0	73.8

⁽¹⁾ Revenue, cost of sales, and gross profit has been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim financial statements. For purposes of determining margin per litre gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See "Non-GAAP Financial Measures".

⁽²⁾ EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Earnings before Income Taxes to EBITDA from Operations".

Revenue for the three months ended March 31, 2020 was \$340.6 million, a decrease of \$95.2 million from the prior year quarter primarily due to lower wholesale propane prices and, to a lesser extent, lower sales volumes. Wholesale propane supply prices were lower primarily due to the increase in propane inventory levels in the U.S. compared to the prior year quarter, driven by decreased propane exports out of North America and the impact from lower average West Texas Intermediate (“WTI”) crude oil prices compared to the prior year quarter.

Canadian Propane Adjusted Gross Profit

<i>(millions of dollars)</i>	Three Months Ended	
	2020	2019
Propane distribution	146.0	154.9
Realized losses on derivatives related to commodity risk management	(0.3)	(8.4)
Propane distribution adjusted gross profit	145.7	146.5
Other services	4.7	5.3
Adjusted gross profit	150.4	151.8

Propane distribution adjusted gross profit for the three months ended March 31, 2020 was \$145.7 million, a decrease of \$0.8 million, from the prior year quarter primarily due to lower sales volumes partially offset by improved wholesale market fundamentals compared to the prior year quarter and effective margin management in a lower wholesale propane price environment. Total sales volumes were 729 million litres, a decrease of 193 million litres or 21%, primarily due to warmer weather, competitive pressures and reduced demand. Average weather across Canada for the three months ended March 31, 2020, as measured by degree days was 10% warmer than the prior year quarter and 4% warmer than the five-year average. Residential sales volumes decreased by 9 million litres or 12% due to the impact of warmer weather than the prior year quarter. Commercial sales volumes decreased by 14 million litres or 10% due primarily to warmer weather, competitive pressures and to a lesser extent, the impact of COVID-19 and economic conditions in Western Canada. Oilfield volumes decreased by 9 million litres or 16%, largely due to warmer weather, weaker economic condition in Western Canada, and the loss of a large customer, after it was acquired by another company that is serviced by a competitor. Industrial volumes decreased by 4 million litres or 6% due to a reduction in propane consumption by mining customers, primarily due to warmer weather and competitive pressures. Motor fuels sales volumes decreased by 4 million litres or 10% from the prior year quarter due to competitive pressures, government incentives for electric forklifts, and to a lesser extent reduced demand due to the impact of COVID-19. Wholesale propane volumes were 146 million litres or 30% lower compared to the prior year quarter primarily due to warmer weather, and lower butane sales volumes as management reduces its exposure to butane as a result of weak results in the prior year.

Average propane sales margins for the three months ended March 31, 2020 were 20.0 cents per litre compared to 15.9 cents per litre in the prior year quarter due to improved wholesale market fundamentals compared to the prior year quarter and effective margin management in a lower wholesale propane price environment.

Other services gross profit primarily includes equipment rental, installation, repair and maintenance and customer minimum use charges. Other services gross profit was \$4.7 million, a decrease of \$0.6 million or 11% from the prior year quarter primarily due to a reduction in services activity and equipment rentals in Western Canada and to a lesser extent the impact of COVID-19 delaying non-essential service activity.

Canadian Propane Distribution Sales Volumes
Volumes by End-Use Application

<i>(millions of litres)</i>	Three Months	
	March 31	
	2020	2019
Residential	66	75
Commercial	123	137
Oilfield	49	58
Industrial	64	68
Motor Fuels	36	40
Wholesale	347	493
Other	44	51
Total	729	922

Volumes by Region ⁽¹⁾

<i>(millions of litres)</i>	Three Months	
	March 31	
	2020	2019
Western Canada	280	359
Eastern Canada	156	190
Atlantic Canada	44	42
United States	249	331
Total	729	922

⁽¹⁾ 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; Atlantic Canada region consists of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island. United States region consists primarily of California, Maine, Idaho, Kansas, Michigan, Washington, Alaska, North Dakota, Pennsylvania, and New York.

Selling, Distribution and Administrative Costs

Selling, distribution and administrative costs were \$82.1 million, a decrease of \$1.6 million or 2% over the prior year quarter primarily due to lower volume related expenses and to a lesser extent lower employee incentive costs, partially offset by higher depreciation and additional rail costs associated with rail blockades as a result of political protests in February.

Earnings

Earnings before income tax was \$61.0 million, a decrease of \$12.8 million over the prior year quarter, as a result of lower gross profit related primarily to lower sales volumes partially offset by, lower SD&A.

Financial Outlook

EBITDA from operations in 2020 for Canadian Propane Distribution is anticipated to be lower than 2019. The anticipated decrease in EBITDA is primarily due to an expected decrease in sales volumes in Western Canada and with customers impacted by COVID-19. Sales volumes in Western Canada are expected to decrease related to continued headwinds in the oil and gas sector and weaker economic activity.

In addition to the significant assumptions referred to above, refer to “Forward-Looking Information” and “Risk Factors to Superior” for a detailed review of significant business risks affecting the Canadian Propane Distribution business.

U.S. PROPANE DISTRIBUTION

U.S. Propane Distribution's condensed operating results:

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019 ⁽¹⁾
Revenue	342.0	428.8
Cost of Sales	(146.5)	(221.2)
Gross profit	195.5	207.6
Realized gains (losses) on derivatives related to commodity risk management	(14.2)	(4.3)
Adjusted gross profit	181.3	203.3
Selling, distribution and administrative costs	(109.8)	(106.4)
Add back (deduct):		
Amortization and depreciation included in selling, distribution and administrative costs	27.2	24.6
Transaction, restructuring, and other costs	3.6	3.7
Loss (gain) on disposal of assets and other	1.1	0.2
EBITDA from operations⁽²⁾	103.4	125.4
Add back (deduct):		
(Loss) gain on disposal of assets and other	(1.1)	(0.2)
Transaction, restructuring, and other costs	(3.6)	(3.7)
Amortization and depreciation included in selling, distribution and administrative costs	(27.2)	(24.6)
Unrealized losses on derivative financial instruments	(5.3)	5.7
Finance expense	(1.7)	(1.0)
Earnings before income tax	64.5	101.6

⁽¹⁾ Revenue, cost of sales, and gross profit has been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim financial statements. For purposes of determining margin per litre gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See "Non-GAAP Financial Measures". SD&A has been restated to adjust amortization and depreciation expense as a result of finalizing the purchase price allocation of the NGL acquisition in the second quarter of 2019. See the unaudited condensed interim consolidated financial statements and notes thereto as at and for the three months ended March 31, 2020 and 2019.

⁽²⁾ EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Earnings before Income Taxes to EBITDA from Operations".

Revenue for the three months ended March 31, 2020 was \$342.0 million, a decrease of \$86.8 million from the prior year quarter primarily due to lower sales volumes as a result of warmer weather and lower wholesale propane prices. Wholesale propane supply prices were lower primarily due to the increase in propane inventory levels in the U.S. compared to the prior year quarter, driven by lower exports out of North America and the impact from lower average WTI crude oil prices compared to the prior year quarter.

U.S. Propane Adjusted Gross Profit

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
Propane distribution	190.8	201.6
Realized gains (losses) on derivatives related to commodity risk management	(14.2)	(4.3)
Propane distribution adjusted gross profit	176.6	197.3
Other services ⁽¹⁾	4.7	6.0
Adjusted gross profit	181.3	203.3

⁽¹⁾ Other services has been restated to align with Canadian Propane Distribution by excluding fees which form part of propane distribution margins.

Propane distribution adjusted gross profit for the three months ended March 31, 2020 was \$176.6 million, a decrease of \$20.7 million or 10% from the prior year quarter primarily due to the impact of warmer weather on sales volumes

partially offset by effective margin management in a lower wholesale propane price environment and to a lesser extent the impact of tuck-in acquisitions completed in the past twelve months.

Total sales volumes were 422 million litres, a decrease of 67 million litres or 14% primarily due to the impact of warmer weather, partially offset by incremental volumes from tuck-in acquisitions. Average weather, as measured by degree days, across markets where U.S. Propane operates for the three months ended March 31, 2020 was 17% warmer than the prior year quarter and the five-year average. Residential sales volumes decreased by 48 million litres or 16% from the prior year quarter due primarily to warmer weather partially offset by the impact of the tuck-in acquisitions completed in the past twelve months. Commercial volumes decreased by 9 million litres or 6% compared to the prior year quarter primarily due to warmer weather. Wholesale volumes decreased by 10 million litres or 45% due to the impact of warmer weather during the quarter.

U.S. Propane average sales margins were 41.8 cents per litre an increase of 4% from 40.3 cents per litre in the prior year quarter. Average sales margins improved primarily due to sales and marketing initiatives, including effective margin management in a declining wholesale propane price environment, and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated gross profit.

Other services gross profit primarily includes equipment, installation, repair and maintenance charges. Other services gross profit was \$4.7 million, a decrease of 22% over the prior year quarter primarily due to a strategic shift to focus on higher margin activities.

U.S. Propane Distribution Sales Volumes

End-Use Application ⁽¹⁾⁽²⁾

<i>(millions of litres)</i>	Three Months Ended	
	2020	2019
Residential	257	305
Commercial	153	162
Wholesale	12	22
Total	422	489

⁽¹⁾ Includes heating oil, propane, diesel and gasoline sold in over twenty-two states primarily in the Eastern United States and California. Comparative figures have been reclassified to reflect the current period presentation.

⁽²⁾ Comparative figures have been reclassified to conform with the current period presentation.

Selling, Distribution and Administrative Costs

SD&A costs were \$109.8 million, an increase of \$3.4 million or 3% over the prior year quarter. The increase in SD&A costs is primarily due to the impact of tuck-in acquisitions and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated SD&A compared to the prior year quarter, partially offset by the realization of incremental synergies.

Earnings

Earnings before tax of \$64.5 million, decreased by \$37.1 million over the prior year quarter primarily due to lower adjusted gross profit as described above and higher amortization and depreciation expense due to tuck-in acquisitions completed in 2019.

Financial Outlook

EBITDA from operations in 2020 for U.S. Propane is anticipated to be lower than 2019. The anticipated decrease in EBITDA is primarily due to the mild weather in the first quarter of 2020 and to a much lesser extent lower sales volumes related to the impact of COVID-19 partially offset by contributions from tuck-in acquisitions completed in 2020 and the impact of achieving incremental synergies of US\$5.0 or US\$24 million in run-rate synergies exiting 2020. Average weather for the remainder of 2020 in the Eastern U.S., as measured by degree days, is anticipated to be consistent with the five-year average.

In addition to the significant assumptions referred to above, refer to “Forward-Looking Information” and “Risk Factors to Superior” for a detailed review of significant business risks affecting the Propane Distribution businesses.

SPECIALTY CHEMICALS

Specialty Chemicals’ condensed operating results:

<i>(millions of dollars except per metric tonne (MT) amounts)</i>	Three Months Ended			
	2020		March 31	
	\$ per MT		\$ per MT	
Revenue	157.6	800	171.4	832
Cost of Sales	(104.6)	(531)	(110.9)	(538)
Gross Profit ⁽¹⁾	53.0	269	60.5	294
Selling, distribution and administrative costs (SD&A)	(36.6)	(186)	(39.1)	(190)
Add back (deduct):				
Depreciation included in cost of sales	10.2	52	11.1	54
Loss on disposal of assets and impairment	–	–	(0.1)	–
Restructuring costs	(0.3)	(2)	–	–
Amortization and depreciation included in SD&A costs	7.6	39	7.2	35
EBITDA from operations⁽²⁾	33.9	172	39.6	193
Add back (deduct):				
(Loss) on disposal of assets and impairment	–	–	0.1	–
Amortization and depreciation included in SD&A costs	(7.6)	–	(7.2)	–
Depreciation included in cost of sales	(10.2)	–	(11.1)	–
Restructuring costs	0.3	–	–	–
Unrealized (loss) gain on foreign currency translation of lease liabilities	(4.3)	–	1.4	–
Finance expense	(2.0)	–	(1.7)	–
Earnings before tax	10.1	–	21.1	–

⁽¹⁾ Gross Profit per MT after adding back depreciation included in cost of sales for the three months ended March 31, 2020 was \$321/MT and for the 2019 was \$348/MT.

⁽²⁾ EBITDA from operations is a Non-GAAP financial measure. See “Non-GAAP Financial Measures” and “Reconciliation of Earnings before Income Taxes to EBITDA from Operations”.

Sales Volumes by Product

<i>(thousands of MTs)</i>	Three Months Ended	
	2020	March 31
	2020	2019
Sodium chlorate	119	118
Chlor-alkali	77	87
Chlorite	1	1
Total	197	206

Revenue for the three months ended March 31, 2020 was \$157.6 million a decrease of \$13.8 million or 8% from the prior year quarter. This was primarily due to lower chlor-alkali sales volumes and selling prices and was partially offset by the impact of the weaker Canadian dollar on U.S. denominated sales.

Sodium chlorate sales volumes were consistent with the prior year, as a 4% reduction in exports related to challenges from COVID-19 were offset with increased Chilean and North American sales volumes. Sodium chlorate sales prices were consistent with the prior year quarter as the impact of the weaker Canadian dollar on US denominated sales were offset by customer mix.

Chlor-alkali sales volumes decreased by 10 thousand MTs or 11% due to lower hydrochloric acid, caustic soda and caustic potash sales volumes. Hydrochloric acid sales volumes decreased 12% primarily due to continued lower demand from the U.S. oil and gas sector related to less rig activity. Caustic soda sales volumes decreased 5% primarily due to competitive pressures related to North American market fundamentals. Caustic potash sales volume decreased 13% primarily due to an early close to the 2020 de-icing season. Average hydrochloric acid and caustic soda sales prices decreased by approximately 40% and 24% respectively for the aforementioned reasons. Caustic potash sales prices were consistent with the prior year as a decrease due to customer mix was offset with the impact of the weaker Canadian dollar on US denominated sales contracts.

Chlorite sales volumes were consistent with continued lower demand into the U.S. oil and gas market.

Gross profit was \$53.0 million, a decrease of \$7.5 million or 12% from the prior year quarter due primarily to lower chlor-alkali sales volumes and selling prices partially offset by 19% lower North American sodium chlorate power costs and to a lesser extent the impact of the weaker Canadian dollar compared to the prior year quarter on U.S. denominated sales. Power costs were lower due to milder weather, lower natural gas prices and to a lesser extent the impact of the closure of a high-power cost plant in the prior year.

SD&A costs were \$36.6 million, a decrease of \$2.5 million over the prior year quarter primarily due to a gain on translation of US denominated working capital in 2020, lower distribution costs, and lower employee incentive costs, partially offset by the impact of the weaker Canadian dollar on U.S. denominated expenses.

Earnings before tax for the three months ended March 31, 2020 was \$10.1 million, a decrease of \$11.0 million over the prior year quarter due to lower gross profit and an unrealized loss on the translation of U.S. denominated lease liabilities.

Financial Outlook

EBITDA from operations for Specialty Chemicals in 2020 is anticipated to be lower than 2019 due primarily to an expected decrease in chlor-alkali gross profit, partially offset by a modest increase in sodium chlorate gross profit and a modest decrease in operating expenses. Chlor-alkali gross profit is anticipated to be lower than 2019 due to continued weakness in hydrochloric acid demand and pricing driven by reduced oil and gas demand, a decrease in caustic potash sales volumes and pricing related to customer mix, and weakness in caustic soda pricing related to supply and demand fundamentals in North American markets. Sodium chlorate gross profit is anticipated to be modestly higher than 2019 as lower sales volumes will be more than offset with improved pricing driven by the weaker Canadian dollar and customer mix and decreases in electricity mill rates.

In addition to the significant assumptions detailed above, refer to “Forward-Looking Information” and to “Risk Factors to Superior” for a detailed review of the significant business risks affecting Superior’s Specialty Chemicals segment.

CONSOLIDATED CAPITAL EXPENDITURE SUMMARY

Superior classifies its capital expenditures into three main categories: efficiency, process improvement and growth-related; maintenance capital; and investment in finance leases.

Efficiency, process improvement and growth-related expenditures include expenditures such as the acquisition of new customer equipment to facilitate growth, system upgrades and initiatives to facilitate improvements in customer service. The capital expenditures are discretionary and non-recurring.

Maintenance capital expenditures include required regulatory spending on tank refurbishments, replacement of chlorine railcars, replacement of plant equipment and any other required expenditures related to maintaining operations.

Superior's capital expenditures:

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
Efficiency, process improvement and growth-related	13.7	10.2
Maintenance capital	15.0	7.1
	28.7	17.3
Proceeds on disposition of assets and proceeds on refinancing vehicle leases	(4.4)	(2.0)
Property, plant and equipment acquired through acquisition	8.1	–
<i>Total net capital expenditures</i>	32.4	15.3
Investment in leased assets net of proceeds from refinanced vehicles	15.7	1.4
Total expenditures including finance leases	48.1	16.7

Efficiency, process improvement and growth-related expenditures were \$13.7 million for 2020 compared to \$10.2 million in the prior year quarter. The increase over the prior year quarter is primarily due to costs incurred to expand a chlorate plant located in Quebec, Georgia and to a lesser extent integration activity and timing of expenditures.

Maintenance capital expenditures were \$15.0 million for 2020 compared to \$7.1 million in the prior year quarter, consisting primarily of required maintenance and general capital across Superior's segments. The increase is primarily due to timing of expenditures.

Property, plant and equipment acquired through acquisition is the allocation of fair value to these assets related to the acquisitions completed during the quarter.

Superior entered into new leases with capital-equivalent value of \$29.4 million, net of refinancing previously acquired vehicles for \$13.7 million for a net value of \$15.7 million for 2020, compared to \$1.4 million in the prior year quarter. The increase is primarily due to timing renewing property, railcar and vehicles leases. Generally, leased assets include vehicles for the Energy Distribution segments to support growth and replace aging vehicles, renewing railcar leases in the Specialty Chemicals segment and timing of renewing property leases across the businesses.

Capital expenditures were funded from a combination of operating cash flow, revolving-term bank credit facilities and credit provided through the lease liability.

CORPORATE ADMINISTRATION COSTS

Corporate administration costs are \$2.6 million for 2020 a decrease of \$4.3 million, compared to \$6.9 million in the prior year quarter. The decrease from the prior year quarter is primarily due to lower incentive plan costs related to the decline in the share price.

FINANCE EXPENSE

Finance expense was \$29.8 million for the three months ended 2020 an increase of \$1.4 million, compared to \$28.4 million in the prior year quarter. The increase is primarily due to higher average debt for the year compared to the prior year quarter primarily due to financing tuck-in acquisitions completed in 2019 and to a lesser extent the impact of the weaker Canadian dollar on U.S. denominated finance expense.

TRANSACTION AND OTHER COSTS

Superior's transaction and other costs have been categorized together and excluded from segmented results. The table below summarizes these costs:

<i>(millions of dollars)</i>	Three Months Ended	
	March 31	
	2020	2019
Total transaction, restructuring and integration costs	5.3	5.0

For the three months ended March 31, 2020, Superior incurred \$5.3 million in costs related primarily to the integration of NGL, and the strategic review of Specialty Chemicals. The costs in the prior year quarter related primarily to the integration of NGL and tuck-in acquisitions.

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 Canadian, U.S., Luxembourg, and Chilean income tax.

Total income tax expense for the three months ended March 31, 2020 of \$10.9 million, was comprised of \$4.3 million cash income tax expense and \$6.6 million deferred income tax expense. This compares to a total income tax expense of \$36.0 million in the prior period, which consisted of cash income tax expense of \$2.4 million and \$33.6 million deferred income tax expense.

Cash income taxes for the three months ended March 31, 2020 was \$4.3 million (2019 – \$2.4 million), consisting of income taxes in Canada of \$1.7 million (2019 – \$0.1 million), in the U.S. of \$1.2 million (2019 – \$0.9 million), in Chile of \$0.8 million (2019 – \$0.8 million), and in Luxembourg of \$0.6 million (2019 – \$0.6 million). Deferred income tax expense for the three months ended March 31, 2020 was \$6.6 million (2019 – \$33.6 million), resulting in a net deferred income tax asset of nil as at March 31, 2020.

FINANCIAL OUTLOOK

Superior expects to be at the lower end of the previously communicated 2020 Adjusted EBITDA guidance range of \$475 million to \$515 million primarily due to the significantly warmer than average weather experienced in the first quarter, as well as the anticipated impact from the COVID-19 pandemic and the low price of oil on our business and our customers. The impact of COVID-19 and low oil prices is based on management's current view of the demand environment. As a result of the ongoing impact of the COVID-19 pandemic and the impact of low oil prices to the broader macro-economy, results may differ from these assumptions.

Achieving Superior's Adjusted EBITDA depends on the operating results of its segments. In addition to the operating results of Superior's segments, significant assumptions underlying the achievement of Superior's 2020 guidance are:

- Weather for the remainder of 2020 is expected to be consistent with the average temperature for the last five years;
- Economic growth in Canada and the U.S. is expected to be negative in Q2 and begin stabilizing in Q4;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior estimates maintenance and non-recurring capital expenditures net of disposals and including vehicle leases to be in the range of \$110 million to \$130 million in 2020;
- Superior is substantively hedged for its estimated U.S. dollar exposure for 2020, and due to the hedge position, a change in the Canadian to U.S. dollar exchange rate for 2020 would not have a material impact to Superior.
- The foreign currency exchange rate between the Canadian dollar and U.S. dollar is expected to average \$0.71 for the remainder of 2020 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;
- Canadian, Chilean and U.S. based cash taxes are expected to be in the range of \$10 million to \$20 million for 2020 based on existing statutory income tax rates and the ability to use available tax basis.

Canadian Propane Distribution

- Wholesale propane and natural gas liquid fundamentals related to basis differentials are not anticipated to be as strong as 2019;
- Wholesale propane prices are not anticipated to significantly affect demand for propane and related services;
- Operating costs are expected to be lower due to continuous improvement initiatives and restructuring activities.

U.S. Propane Distribution

- Wholesale propane prices are anticipated to be consistent to modestly higher than 2019, impacting margin opportunities;
- Tuck-in acquisition opportunities are anticipated to be consistent with 2019;
- Wholesale propane prices are not anticipated to significantly affect demand for propane and related services; and
- Continue to realize synergies from the NGL acquisition and tuck-in acquisitions primarily through supply chain efficiencies, margin management improvements and operational expense savings.

Specialty Chemicals

- Chlor-Alkali sales prices for caustic soda and hydrochloric acid are anticipated to be lower than 2019 but are expected to recover in the later portion of 2020 from fourth quarter levels;
- Average plant utilization will approximate 90%-95% in 2020.

In addition to Superior's significant assumptions detailed above, refer to "Forward-Looking Information" and for a detailed review of Superior's significant business risks, refer to "Risk Factors to Superior."

LIQUIDITY AND CAPITAL RESOURCES

Debt Management Update

Superior remains focused on managing both its debt and its Total Debt to Adjusted EBITDA Leverage Ratio. Superior's Total Debt to Adjusted EBITDA Leverage Ratio for the trailing twelve months was 4.0x as at March 31, 2020, compared to 3.7x at December 31, 2019. The increase in the Total Debt to Adjusted EBITDA Leverage Ratio from December 31, 2019 was due to the impact of the weaker Canadian dollar on the translation of Superior's U.S. denominated debt, entering new or extending leases and to a lesser extent the acquisition of Western, partially offset by cash generated from operations. Superior anticipates its Total Debt to Adjusted EBITDA Leverage Ratio to be in the range of 3.6x to 4.0x as at December 31, 2020. The increase in the range is due to lower Adjusted EBITDA in the first quarter and the expected impact from a weaker Canadian dollar on US denominated debt.

Total Debt to Adjusted EBITDA Leverage Ratio is a Non-GAAP measure, see "Non-GAAP Financial Measures".

Borrowing

Superior's revolving syndicated bank facility (credit facility), term loans and lease obligations (collectively borrowing) before deferred financing fees was \$2,045.1 million as at March 31, 2020, an increase of \$89.0 million from \$1,956.1 million as at December 31, 2019. The increase is primarily due to the impact of the weaker Canadian dollar on U.S. denominated debt, new leases and the Western acquisition.

Superior's total and available sources of credit are detailed below:

	As at March 31, 2020			
(millions of dollars)	Total Amount	Borrowing	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities ⁽¹⁾	750.0	484.7	33.2	232.1
Term loans ⁽¹⁾	1,262.2	1,262.2	—	—
Other debt ⁽²⁾	32.6	32.6	—	—
Lease liabilities	265.6	265.6	—	—
Total	2,310.4	2,045.1	33.2	232.1

⁽¹⁾ Revolving term bank credit facilities and term loan balances are presented before deferred financing fees.

⁽²⁾ Accounts receivable factoring and deferred consideration.

Net Working Capital

Consolidated net working capital was \$ 144.7 million as at March 31, 2020 an increase of \$94.8 million from \$49.9 million as at December 31, 2019. The differences are primarily due to timing of customer receipts building in the heating season compared to the timing of supplier payments. Consolidated net working capital decreased by \$44.4 million from \$189.1 million as at March 31, 2019. The decrease from the prior year is due to the weaker Canadian dollar on US denominated working capital, the impact of decreasing propane prices and timing of customer receipts compared to disbursements.

Compliance

In accordance with the credit facility, Superior must maintain certain covenants and ratios that require Non-GAAP financial measures. Superior is in compliance with the lender covenants as at March 31, 2020 and the covenant details are found in the credit facility documents filed in the System for Electronic Document Analysis and Retrieval (“SEDAR”).

Pension Plans

As at March 31, 2020, Superior had an estimated defined benefit going concern surplus of approximately \$7.8 million (December 31, 2019 – \$25.9 million surplus) and a pension solvency deficiency of approximately \$11.5 million (December 31, 2019 – \$11.0 million surplus). 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 audited consolidated financial statements.

Contractual Obligations and Other Commitments

(millions of dollars)	Note ⁽¹⁾	Total	12 months ended March 31			
			Current	Years 2-3	Years 4-5	Thereafter
Borrowing	10	1,779.5	10.0	15.4	1,261.9	492.2
Lease Liabilities	12	265.6	54.0	84.5	54.7	72.4
Operating leases ⁽²⁾	12	10.9	4.8	6.0	0.1	–
US\$ foreign currency forward sales contracts	12	524.9	241.4	190.5	93.0	–
US\$/CAD call options ⁽³⁾	12	36.0	–	–	36.0	–
Natural gas, diesel, WTI, butane, propane, and heating oil ⁽⁴⁾	12	91.5	51.7	39.8	–	–
Total contractual obligations		2,708.4	361.9	336.2	1,445.7	564.6

⁽¹⁾ Notes to the March 31, 2020 unaudited condensed interim consolidated financial statements.

⁽²⁾ Operating leases comprise Superior’s off-balance-sheet obligations and are contracts that do not meet the definition of a lease under IFRS 16 or are exempt.

⁽³⁾ USD/CAD call options expiring in December 2023 with strikes ranging from 1.40 to 1.47 settling in 2024.

⁽⁴⁾ Does not include the impact of financial derivatives.

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

As at March 31, 2020, the following common shares were issued and outstanding:

	Issued number of common shares (Millions)	Share Capital
Balance as at December 31, 2019	174.9	\$2,339.9
Common shares issued under dividend reinvestment plan	0.3	2.7
Balance as at March 31, 2020	175.2	\$2,342.6

Dividends Declared to Shareholders

Dividends declared to Superior's shareholders depend on its cash flow from operating activities with consideration for Superior's changes in working capital requirements, investing activities and financing activities. See "Summary of AOCF" for 2020, above, and "Summary of Cash Flow" for additional details.

Dividends declared to shareholders for the three months ended March 31, 2020 were \$31.2 million or \$0.18 per share compared to \$31.5 million or \$0.18 for the prior year quarter. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

Superior has a Dividend Reinvestment and Optional Share Purchase Plan ("DRIP") that was not utilized in 2019. On January 28, 2020 Superior reinstated the DRIP that commenced with the February dividend which was paid on March 13, 2020.

SUMMARY OF CASH FLOW

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

	Three Months Ended	
	March 31	
<i>(millions of dollars)</i>	2020	2019
Cash flows from operating activities	84.8	112.2
Investing activities:		
Purchase of property, plant and equipment and intangible assets	(28.7)	(17.3)
Proceeds on disposal of property, plant and equipment	4.4	2.0
Acquisitions, net of cash acquired and assets sold	(23.7)	–
Cash flows used in investing activities	(48.0)	(15.3)
Financing activities:		
Net proceeds (repayment) of revolving term bank credits and other debt	0.1	(57.9)
Proceeds received from vehicle refinancing	13.7	–
Repayment of finance lease obligation	(12.0)	(13.4)
Dividends paid to shareholders	(28.5)	(31.5)
Cash flows (used in) from financing activities	(26.7)	(102.8)
Net increase (decrease) in cash and cash equivalents during the period	10.1	(5.9)
Cash and cash equivalents, beginning of the period	26.5	23.9
Effect of translation of foreign currency-denominated cash	(2.3)	(0.6)
Cash and cash equivalents, end of the period	34.3	17.4

Cash flows from operating activities for 2020 was \$84.8 million, a decrease of \$27.4 million, from the prior year quarter. The decrease is primarily a result of a lower EBITDA from operations compared to the prior year quarter, and partially offset by the lower cash-outflows from changes in non-cash operating working capital compared to the prior year quarter due to timing of supplier payments relative to customer receipt.

Cash flows used in investing activities for 2020 was \$48.0 million, an increase from the prior year quarter primarily due to the Western acquisition in January, higher capital expenditures and offset by the cash inflow from assets disposed and refinanced vehicle leases.

Cash flows used in financing activities was \$26.7 million, a decrease of \$76.1 million from the prior year quarter, due to lower net borrowing on the revolving term bank credit facilities due to decreased acquisition activity compared to the prior year quarter and lesser dividends paid as a result of the DRIP.

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, share-based compensation 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.

As at March 31, 2020 Superior has hedged approximately 94% of estimated U.S. dollar exposure for calendar 2020 and approximately 63% for calendar 2021. A summary of Superior’s U.S. dollar forward contracts and options for the rolling twelve months is provided in the table below.

(US\$ millions except exchange rates)	12 months ended March 31					
	Current	2022	2023	2024	2025	Total
Net US\$ forward sales	241.4	123.5	67	48.0	45.0	524.9
Sold USD/CAD Call Options	0.0	0.0	0.0	9.0	27.0	36.0
Net average external US\$/CDN\$ exchange rate	1.33	1.33	1.32	1.38	1.40	1.35

For additional details on Superior’s financial instruments, including the amount and classification of gains and losses recorded in Superior’s unaudited condensed interim 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 interim consolidated financial statements for the three months ended March 31, 2020.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Disclosure controls and procedures (DC&P) are designed by or under the supervision of Superior’s President and Chief Executive Officer (CEO) and the Executive Vice President and Chief Financial Officer (CFO) in order to provide reasonable assurance that all material information relating to Superior is communicated to them by others in the organization as it becomes known and is appropriately disclosed as required under the continuous disclosure requirements of securities legislation and regulation. In essence, these types of controls are related to the quality, reliability and transparency of financial and non-financial information that is filed or submitted under securities legislation and regulation. The CEO and CFO are assisted in this responsibility by a Disclosure Committee, which is composed of senior leadership of Superior. The Disclosure Committee has established procedures so that it becomes aware of any material information affecting Superior in order to evaluate and discuss this information and determine the appropriateness and timing of its public release.

Internal Controls over Financial Reporting (ICFR) are also designed by or under the supervision of Superior's CEO and CFO and effected by Superior's Board of Directors, management and other personnel in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that its objectives are met. Due to inherent limitations in all such systems, no evaluation of controls can provide absolute assurance that all control issues within a company have been detected. Accordingly, Superior's disclosure controls and procedures are designed to provide reasonable, not absolute, assurance that the objectives of the corporation's disclosure control system are met.

Changes in Internal Controls over Financial Reporting

No changes were made in Superior's ICFR that have materially affected, or are reasonably likely to materially affect, Superior's ICFR for the three months ended March 31, 2020.

Effectiveness

An evaluation of the effectiveness of Superior's DC&P and ICFR was conducted as at March 31, 2020 by and under the supervision of Superior's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Superior's DC&P and ICFR were effective at March 31, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Superior's audited consolidated financial statements were prepared in accordance with IFRS. The significant accounting policies are described in the audited consolidated financial statements for the year ended December 31, 2019. 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. Superior's critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, deferred income tax assets and liabilities, the valuation of financial and non-financial derivatives, asset impairments, the purchase price allocation for business combinations and the assessment of potential provision for asset retirement obligations.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee effective for accounting periods beginning on or after January 1, 2020, or later periods. The changes in accounting policies and disclosures that are applicable to Superior are described in Note 2 (C) of the unaudited condensed consolidated financial statements.

NON-GAAP FINANCIAL MEASURES

Throughout the MD&A, Superior has used the following terms that are not defined by GAAP, but are used by management to evaluate the performance of Superior and its business. These measures may also be used by investors, financial institutions and credit rating agencies to assess Superior's performance and ability to service debt. Non-GAAP financial measures do not have standardized meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other companies. Securities regulations require that Non-GAAP financial measures be clearly defined, qualified and reconciled to their most comparable GAAP financial measures. Except as otherwise indicated, these Non-GAAP financial measures are calculated and disclosed on a consistent basis from period to period. Specific items may only be relevant in certain periods.

The intent of non-GAAP financial measures is to provide additional useful information to investors and analysts, and the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate non-GAAP financial measures differently. Investors should be cautioned that AOCF, EBITDA from operations, and Adjusted EBITDA should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Superior's performance. Non-GAAP financial measures are identified and defined as follows:

AOCF and AOCF per Share

AOCF 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. Interest expense included in AOCF is equal to finance expense as defined by IFRS, adjusted for unwinding of discount on debentures, borrowing and decommissioning liabilities and other non-recurring items. Superior may deduct or include additional items in its calculation of AOCF; these items would generally, but not necessarily, be infrequent in nature and could distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring. AOCF and AOCF per share are presented before and after transaction and other costs.

AOCF per share before transaction and other costs is calculated by dividing AOCF before transaction and other costs by the weighted average number of shares outstanding. AOCF per share is calculated by dividing AOCF by the weighted average number of shares outstanding.

AOCF is the main performance measure used by management and investors to evaluate Superior's ongoing performance of its businesses and ability to generate cash flow. AOCF 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. AOCF is also used as one component in determining short-term incentive compensation for certain management employees.

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized AOCF. Adjustments recorded by Superior as part of its calculation of AOCF include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Propane Distribution segments, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenue and expenses, which can differ significantly from quarter to quarter.

Adjusted EBITDA

Adjusted EBITDA represents earnings before interest, taxes, depreciation, amortization, losses (gains) on disposal of assets, finance expense, restructuring costs, transaction and other costs, and unrealized gains (losses) on derivative financial instruments. Adjusted EBITDA is used by Superior and investors to assess its consolidated results and ability to service debt. Adjusted EBITDA is reconciled to earnings before income taxes.

EBITDA from operations

EBITDA from operations is defined as Adjusted EBITDA excluding costs that are not considered representative of Superior's underlying core operating performance, including gains and losses on foreign currency hedging contracts, corporate costs and transaction and other costs. Management uses EBITDA from operations to set targets for Superior (including annual guidance and variable compensation targets). EBITDA from operations is reconciled to earnings before income taxes.

Adjusted Gross Profit

Adjusted gross profit represents revenue less cost of sales adjusted for realized gains and losses on commodity derivative instruments related to risk management. Management uses Adjusted Gross Profit to set margin targets and measure results. Unrealized gains and losses on commodity derivative instruments are excluded because of the accounting mis-match that exists as a result of the customer contract not being included in the determination of the fair value for this risk management activity.

Total Debt to Adjusted EBITDA Leverage Ratio and Pro Forma Adjusted EBITDA

Adjusted EBITDA for the Total Debt to Adjusted EBITDA leverage ratio is defined as Adjusted EBITDA calculated on a 12-month trailing basis giving pro forma effect to acquisitions and dispositions adjusted to the first day of the calculation period ("Pro Forma Adjusted EBITDA"). Pro Forma Adjusted EBITDA is used by Superior to calculate its Total Debt to Adjusted EBITDA Leverage Ratio.

To calculate the Total Debt to Adjusted EBITDA Leverage Ratio divide the sum of borrowings before deferred financing fees and lease liabilities by Pro Forma Adjusted EBITDA. Total Debt to Adjusted EBITDA Leverage Ratio is used by Superior and investors to assess its ability to service debt.

QUARTERLY FINANCIAL AND OPERATING INFORMATION

GAAP Measures

<i>(millions of dollars, except per share amounts)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Revenue ⁽²⁾	840.2	821.0	450.1	545.8	1036.0	889.2	486.7	486.1
Gross profit ⁽²⁾	399.2	366.0	195.0	223.7	428.3	323.5	174.6	162.7
Net earnings (loss)	11.4	74.6	(59.3)	(29.3)	156.6	(48.3)	(39.8)	9.1
Per share, basic	\$0.07	0.43	(0.34)	(0.17)	0.90	(0.28)	(0.23)	0.06
Per share, diluted	\$0.07	0.43	(0.34)	(0.17)	0.90	(0.28)	(0.23)	0.06
Net working capital (deficit) ⁽¹⁾	144.7	49.9	14.1	48.8	189.1	97.3	(10.6)	(5.1)

⁽¹⁾ Net working capital as at the quarter-end is comprised of trade and other receivables, prepaid expenses and deposits and inventories, less trade and other payables, contract liabilities, and dividends payable.

⁽²⁾ Revenue and gross profit have been presented excluding realized gains and losses on commodity derivative instruments. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed consolidated financial statements. See “Non-GAAP Financial Measures”.

Non-GAAP Financial Measures ⁽¹⁾

<i>(millions of dollars, except per share amounts)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Adjusted EBITDA	219.3	176.7	48.2	59.7	239.9	153.0	25.9	42.8
AOCF before transaction and other costs	187.9	145.0	19.2	31.0	211.0	132.7	2.2	29.3
Per share, basic	\$1.07	0.83	0.11	0.18	1.21	0.76	0.01	0.21
Per share, diluted	\$1.07	0.83	0.11	0.18	1.21	0.76	0.01	0.21
AOCF	182.6	139.4	13.1	17.8	206.0	125.2	(13.4)	20.3
Per share, basic	\$1.04	0.80	0.07	0.10	1.18	0.72	(0.08)	0.14
Per share, diluted	\$1.04	0.80	0.07	0.10	1.18	0.72	(0.08)	0.14

⁽¹⁾ Net AOCF before transaction and other costs, AOCF and the related per share amounts, are Non-GAAP financial measures.

Fluctuations in Superior’s individual quarterly results is subject to seasonality. 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 of heating from end-use customers. They then decline through the second and third quarters, rising seasonally again in the fourth quarter with heating demand. In addition, acquisitions and divestitures may impact quarterly results. For information on acquisitions and divestments see Note 4 in the 2020 unaudited condensed interim consolidated financial statements.

Volumes

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Canadian propane sales volumes (millions of litres)	729	753	393	437	922	765	340	380
U.S. propane sales volumes (millions of litres)	422	361	158	201	489	391	161	157
Chemical sales volumes (thousands of MT)	197	199	210	210	206	202	212	208

Canadian propane sales by end-use application are as follows:

<i>(millions of litres)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Residential	66	59	20	26	75	59	20	29
Commercial	123	102	42	57	137	105	45	58
Oilfield	49	55	35	36	58	59	46	47
Industrial	64	58	52	53	68	60	51	55
Motor Fuels	36	41	42	44	40	44	45	47
Wholesale	347	375	190	207	493	385	121	127
Other	44	63	12	14	51	53	12	17
Total	729	753	393	437	922	765	340	380

U.S. propane sales by end-use application are as follows ⁽¹⁾:

<i>(millions of litres)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Residential	257	215	61	92	305	239	78	39
Commercial	153	137	90	100	162	132	68	76
Wholesale	12	9	7	9	22	20	15	42
Total	422	361	158	201	489	391	161	157

⁽¹⁾ Comparative figures have been reclassified to reflect the current period presentation of end use.

Specialty Chemicals sales volumes by product are as follows:

<i>(thousands of MT)</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Sodium chlorate	119	120	122	120	118	117	121	115
Chlor-alkali	77	78	86	88	87	84	88	91
Chlorite	1	1	2	2	1	1	3	2
Total	197	199	210	210	206	202	212	208

RECONCILIATION OF EARNINGS (LOSS) BEFORE INCOME TAXES TO ADJUSTED EBITDA

<i>(millions of dollars)</i>	Canadian Propane	U.S. Propane	Specialty	Corporate	Total
For the three months ended March 31, 2020	Distribution	Distribution	Chemicals	Corporate	Total
Earnings (loss) before income taxes	61.0	64.5	10.1	(113.3)	22.3
Add: Depreciation and amortization included in selling, distribution and administrative costs	18.3	27.2	7.6	0.2	53.3
Depreciation included in cost of sales	–	–	10.2	–	10.2
(Gain) loss on disposal of assets and other	(0.2)	1.1	–	–	0.9
Finance expense	1.4	1.7	2.0	24.7	29.8
Unrealized loss on derivative financial instruments	5.9	5.3	4.3	82.0	97.5
Transaction, restructuring and other costs	0.2	3.6	(0.3)	1.8	5.3
Adjusted EBITDA	86.6	103.4	33.9	(4.6)	219.3

<i>(millions of dollars)</i>	Canadian Propane	U.S. Propane	Specialty	Corporate	Total
For the three months ended March 31, 2019	Distribution	Distribution	Chemicals	Corporate	Total
Earnings (loss) before income taxes	73.8	101.6	21.1	(3.9)	192.6
Add: Depreciation and amortization included in selling, distribution and administrative costs	17.2	24.6	7.2	–	49.0
Depreciation included in cost of sales	–	–	11.1	–	11.1
(Gain) loss on disposal of assets and other	(1.0)	0.2	(0.1)	–	(0.9)
Finance expense	1.0	1.0	1.7	24.7	28.4
Unrealized gain on derivative financial instruments	(6.7)	(5.7)	(1.4)	(31.5)	(45.3)
Transaction, restructuring and other costs	–	3.7	–	1.3	5.0
Adjusted EBITDA	84.3	125.4	39.6	(9.4)	239.9

RISK FACTORS TO SUPERIOR

The risks factors and uncertainties detailed below are a summary of Superior’s assessment of its material risk factors as detailed in Superior’s most recent Annual Information Form (“AIF”) under “Risks associated with our business” which is filed on the Canadian Securities Administrators’ website, www.sedar.com, and on Superior’s website, www.superiorplus.com. The AIF describes some of the most material risks to Superior’s business by type of risk: financial; strategic; operational; and legal.

General risks to Superior are as follow:

Catastrophic Events, Natural Disasters, Severe Weather and Disease

Superior may be negatively impacted to varying degrees by a number of events which are beyond our control, including cyber-attacks, unauthorized access, energy blackouts, pandemics, terrorist attacks, acts of war, earthquakes, hurricanes, tornados, fires, floods, ice storms or other natural or manmade catastrophes. While we engage in emergency preparedness, including business continuity planning, to mitigate risks, such events can evolve very rapidly and their impacts can be difficult to predict. As such, there can be no assurance that in the event of such a catastrophe that our operations and ability to carry on business will not be disrupted. The occurrence of such events may not release us from performing our obligations to third parties. A catastrophic event, including an outbreak of infectious disease, a pandemic or a similar health threat, such as the evolving 2019 Novel Coronavirus outbreak, or fear of any of the foregoing, could adversely impact us by causing operating or supply chain delays and disruptions, labour shortages, expansion project delays and facility shutdowns which could have a negative impact on our ability to conduct our business and increase our costs. In addition, liquidity and volatility, credit availability and market and financial conditions generally could change at any time as a result. Any of these events in isolation or in combination, could have a material negative impact on our financial condition, operating results and cash flows.

Cash Dividends to Shareholders are Dependent on the Performance of Superior LP

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

There is no assurance regarding the amount of cash to be distributed by Superior LP or generated by Superior LP and, therefore, there is no assurance regarding funds available for dividends to shareholders. The 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., the general partner of Superior LP, 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.

Additional Shares

In the event 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.

Access to Capital

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 and to make necessary principal payments and debenture redemptions under its term credit facilities may be impaired.

Interest Rates

Superior maintains floating interest rate exposure through a combination of floating interest rate borrowing and uses derivative instruments at times, to mitigate this risk. Demand for a significant portion of Propane Distribution's sales and substantially all of Specialty Chemicals' sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase, as does demand from Superior's customers, thereby increasing Superior's sales and its ability to pay higher interest costs. The opposite is also true. In this way, there is a common relationship among economic activity levels, interest rates and Superior's ability to pay higher or lower rates. Increased interest rates will, however, affect Superior's borrowing costs, which will have an adverse effect.

Foreign Exchange Risk

A portion of Superior's net cash flow is denominated in U.S. dollars. Accordingly, fluctuations in the Canadian/U.S. dollar exchange rate can impact profitability. Superior attempts to mitigate this risk with derivative financial instruments.

Changes in Legislation and Expected Tax Profile

There can be no assurance 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 CRA (or a provincial tax agency), the U.S. Internal Revenue Service (or a state or local tax agency), the Chilean Internal Revenue Service or the Luxembourg Tax Authorities (collectively, the "tax agencies") will agree with how Superior calculates its income for tax purposes or that these various tax agencies referenced herein will not change their administrative practices to the detriment of Superior or its shareholders.

Acquisitions and Divestitures

Superior may not be able to find or buy appropriate acquisition targets on economically acceptable terms. Superior's acquisition agreements will contain certain representations, warranties and indemnities from the respective vendors subject to certain applicable limitations and thresholds and Superior will conduct due diligence prior to completion of such acquisitions. If, however such representations and warranties are inaccurate or limited in applicability or if any liabilities that are discovered exceed such limits or are not covered by the representations, warranties or indemnities, or the applicable vendors default in their obligations or if certain liabilities are not identified in such agreements, Superior could become liable for any such liabilities which may have an adverse effect on Superior. In addition, there may be liabilities or risks that were not discovered in such due diligence investigations which could have an adverse effect on Superior.

Acquiring complementary businesses is required to optimally execute Superior's business strategy. Distribution systems, technologies, key personnel or businesses of companies Superior acquires may not be effectively assimilated into its business, or its alliances may not be successful. There is also no assurance regarding the completion of a planned acquisition as Superior may be unable to obtain shareholder approval for a planned acquisition or Superior may be unable to obtain government and regulatory approvals required for a planned acquisition, or required government and/or regulatory approvals may result in delays. There may be penalties associated with not completing a planned acquisition. Superior may not be able to successfully complete certain divestitures on satisfactory terms, if at all. Divestitures may reduce Superior's total revenue and net earnings by more than the sales price. The terms and conditions, representations, warranties and indemnities, if any, associated with divestiture activity may hold future risks.

Information Technology and Cyber Security

Superior utilizes a number of information technology systems for the management of its business and the operation of its facilities. The reliability and security of these systems is critical. If the function of these systems is interrupted or fails and cannot be restored quickly, or if the technologies are no longer supported, Superior's ability to operate its facilities and conduct its business could be compromised. Superior has continued to mature its approach to technology planning. Superior continually assesses and monitors its cyber security risk. In an effort to mitigate such risks, Superior has employed a fully managed third party cyber security service that deploys industry leading technology, conducted comprehensive employee training and utilizes monitoring software to protect its systems.

Although the technology systems Superior utilizes are intended to be secure and Superior has employed various methods to mitigate cyber risks, there is still a risk that an unauthorized third party could access the systems. Such a security breach could lead to a number of adverse consequences, including but not limited to, the unavailability, disruption or loss of key function within Superior's control systems and the unauthorized disclosure, corruption or loss of sensitive company, customer or personal information. Superior attempts to prevent such breaches through the implementation of various technology security measures, segregation of control systems from its general business network, engaging skilled consultants and employees to manage Superior's technology applications, conducting periodic audits and adopting policies and procedures as appropriate.

To date, Superior has not been subject to a cyber-security breach that has resulted in a material impact on its business or operations; there is no guarantee, however, that the measures it takes to protect its business systems and operational control systems will be effective in protecting against a breach in the future.

RISKS TO SUPERIOR'S SEGMENTS

Risks associated with the Propane Distribution business are set out below.

CANADIAN PROPANE DISTRIBUTION AND U.S. PROPANE DISTRIBUTION

Competition

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 with natural gas service. 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 future of the propane industry in general and Canadian propane distribution in particular. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Canadian Propane Distribution's sales. Increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand. Propane commodity prices are affected by crude oil and natural gas commodity prices.

Automotive propane demand depends on propane pricing, the market's acceptance of propane conversion options and the availability of infrastructure. Superior Propane has strategic partnerships with companies focused on after-market conversion technologies. This segment has been impacted by 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.

Competition in the U.S. propane distribution business' markets generally occurs on a local basis between large, full-service, national marketers and smaller, independent local marketers. Marketers primarily compete based on price and service and tend to operate in close proximity to customers, typically within a 60 kilometer marketing radius from a central depot, in order to minimize delivery costs and provide prompt service.

Volume Variability, Weather Conditions and Economic Demand

Weather, general economic conditions and the volatility in the cost of propane affect propane market volumes. Weather influences the demand for propane, primarily for home and facility heating uses and also for agricultural applications, such as crop drying.

Harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability of Superior to obtain propane from its suppliers. Such conditions may also increase Superior's operating costs and may reduce customers demand for propane, any of which may have an adverse effect on Superior. Conversely, low prices tend to make customers less price sensitive and less focused on their consumption volume.

Spikes in demand caused by weather or other factors can stress the supply chain and hamper Superior's ability to obtain additional quantities of propane. Transportation providers (railways and trucking companies) have limited ability to provide resources in times of extreme peak demand. Changes in propane supply costs are normally passed through to customers, but timing lags (between when Superior purchases the propane and when the customer purchases the propane) may result in positive or negative gross margin fluctuations. For U.S. propane distribution, demand from end-use heating applications is predictable. Weather and general economic conditions, however, affect distillates and propane market volumes. Weather influences the immediate demand, primarily for heating, while

longer-term demand declines due to economic conditions as customer's trend towards conservation and supplement heating with alternative sources such as electricity and to a lesser extent wood pellets and solar energy.

Demand, Supply and Pricing

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 customer's 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. Current unit margins may not be sustainable if market conditions change significantly.

Health, Safety and Environment

Superior's operations are subject to the risks associated with handling, storing and transporting propane in bulk. To mitigate risks, Superior has established a comprehensive environmental, health and safety protection program. It 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. propane distribution 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 pose the risk of spills which could adversely affect the soil 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 could either be more favourable to competing energy sources or increase compliance costs or otherwise negatively affect the operations of Propane Distribution in comparison with such competing energy sources. Any such changes could have an adverse effect on the operations of Propane Distribution.

Employee and Labour Relations

Approximately 20% of Superior's Canadian propane distribution business employees and 2% of the U.S. propane distribution business 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 renegotiation process that could have an adverse impact on Superior.

SPECIALTY CHEMICALS

Risks associated with the Specialty Chemicals business are as follows:

Competition

Specialty Chemicals competes with sodium chlorate, chlor-alkali 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 the segment's control, along with market pricing for pulp.

Supply Arrangements

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 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 Nutrien Inc. (formerly Potash Corporation of Saskatchewan). Specialty Chemicals has limited ability to source KCl from additional suppliers.

Foreign Currency Exchange

Specialty Chemicals is exposed to fluctuations in the U.S. dollar and the Euro versus the Canadian dollar. Specialty Chemicals manages its exposure to fluctuations between foreign currencies and the Canadian dollar by entering into hedge contracts with external third parties and internally with other Superior businesses.

Health, Safety and Environment

Specialty Chemicals' operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental, health and safety laws, regulations and requirements. There is potential for the release of highly toxic and lethal substances, including chlorine from a facility or transportation equipment. 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 segment's facilities unsafe, they may order that such facilities be shut down.

Regulatory

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

Manufacturing and Production

Specialty Chemicals' production facilities maintain complex process and electrical equipment. The facilities have existed for many years and undergone upgrades and improvements. 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 at the affected facility. Although the segment has insurance to mitigate substantial loss due to equipment outage, Specialty Chemicals' reputation and its ability to meet customer requirements could be harmed by a major electrical equipment failure.

Employee and Labour Relations

Approximately 25% 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 negotiation process that could have an adverse impact on Superior.

Superior Plus Corp.
Condensed Consolidated Balance Sheets

(Unaudited, millions of Canadian dollars)	Note	As at March 31 2020	As at December 31 2019
Assets			
Current Assets			
Cash and cash equivalents		34.3	26.5
Trade and other receivables	5	302.6	329.2
Prepays and deposits		65.3	57.1
Inventories	6	94.0	116.2
Other current financial assets	12	6.0	5.4
Total Current Assets		502.2	534.4
Non-Current Assets			
Property, plant and equipment	4	1,652.7	1,575.6
Intangible assets	4	403.4	388.8
Goodwill	4	1,161.8	1,080.9
Notes, finance lease receivables and other investments		2.6	2.8
Employee future benefits		10.6	12.0
Deferred tax assets	13	40.6	41.2
Other non-current financial assets	12	1.0	2.3
Total Non-Current Assets		3,272.7	3,103.6
Total Assets		3,774.9	3,638.0
Liabilities and Equity			
Current Liabilities			
Trade and other payables	8	289.4	424.0
Contract liabilities		17.3	18.1
Lease liabilities	11	54.0	52.4
Borrowings	10	10.0	10.1
Dividends payable		10.5	10.5
Other current financial liabilities	12	51.8	23.7
Total Current Liabilities		433.0	538.8
Non-Current Liabilities			
Lease liabilities	11	211.6	182.0
Borrowings	10	1,743.5	1,684.3
Other liabilities	9	28.1	29.7
Provisions	7	128.0	112.9
Employee future benefits		19.9	21.2
Deferred tax liabilities	13	40.6	28.5
Other non-current financial liabilities	12	24.1	1.6
Total Non-Current Liabilities		2,195.8	2,060.2
Total Liabilities		2,628.8	2,599.0
Equity			
Capital		2,342.6	2,339.9
Deficit		(1,426.0)	(1,406.2)
Accumulated other comprehensive earnings		229.5	105.3
Total Equity	14	1,146.1	1,039.0
Total Liabilities and Equity		3,774.9	3,638.0

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statements of Changes in Equity

(Unaudited, millions of Canadian dollars)	Share capital (Note 14)	Contributed surplus	Total capital	Deficit	Accumulated other comprehensive earnings	Total
As at January 1, 2020	2,338.7	1.2	2,339.9	(1,406.2)	105.3	1,039.0
Net earnings for the period	–	–	–	11.4	–	11.4
Unrealized foreign currency gain on translation of foreign operations	–	–	–	–	124.4	124.4
Actuarial defined-benefit loss	–	–	–	–	(0.2)	(0.2)
Total comprehensive earnings	–	–	–	11.4	124.2	135.6
Common shares issued under dividend reinvestment plan	2.7	–	2.7	–	–	2.7
Dividends and dividend equivalent declared to shareholders	–	–	–	(31.2)	–	(31.2)
As at March 31, 2020	2,341.4	1.2	2,342.6	(1,426.0)	229.5	1,146.1
As at January 1, 2019	2,338.7	1.2	2,339.9	(1,422.9)	171.9	1,088.9
Net earnings for the period ⁽ⁱ⁾	–	–	–	156.6	–	156.6
Unrealized foreign currency loss on translation of foreign operations	–	–	–	–	(32.8)	(32.8)
Actuarial defined-benefit gain	–	–	–	–	7.9	7.9
Income tax expense on other comprehensive loss	–	–	–	–	(2.1)	(2.1)
Total comprehensive earnings (loss)	–	–	–	156.6	(27.0)	129.6
Dividends and dividend equivalent declared to shareholders	–	–	–	(31.5)	–	(31.5)
As at March 31, 2019	2,338.7	1.2	2,339.9	(1,297.8)	144.9	1,187.0

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.**Condensed Consolidated Statements of Net Earnings and Total Comprehensive Earnings**

		Three Months Ended March 31	
(Unaudited, millions of Canadian dollars, except per share amounts)	Note	2020	2019 ⁽ⁱ⁾
Revenue	15, 17	840.2	1,036.0
Cost of sales (includes products and services)	15	(441.0)	(607.7)
Gross profit		399.2	428.3
Expenses			
Selling, distribution and administrative costs	15	(231.1)	(236.1)
Finance expense	15	(29.8)	(28.4)
Gains (losses) on derivatives and foreign currency translation of borrowings	12, 15	(116.0)	28.8
		(376.9)	(235.7)
Earnings before income taxes	15	22.3	192.6
Income tax expense	13	(10.9)	(36.0)
Net earnings for the period	15	11.4	156.6
Other comprehensive earnings (loss)			
Items that may be reclassified subsequently to net earnings (loss)			
Unrealized foreign currency gain (loss) on translation of foreign operations		124.4	(32.8)
Items that will not be reclassified to net earnings (loss)			
Actuarial defined-benefit gain (loss)		(0.2)	7.9
Income tax expense on other comprehensive earnings (loss)		–	(2.1)
Other comprehensive earnings (loss) for the period		124.2	(27.0)
Total comprehensive earnings for the period		135.6	129.6
Net earnings per share, basic and diluted	16	\$0.07	\$0.90

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statements of Cash Flows

(Unaudited, millions of Canadian dollars)	Note	Three Months Ended March 31	
		2020	2019 ⁽ⁱ⁾
OPERATING ACTIVITIES			
Net earnings for the period		11.4	156.6
Adjustments for:			
Depreciation included in selling, distribution and administrative costs		28.0	24.8
Depreciation of right-of-use assets included in selling, distribution and administrative costs		9.1	7.9
Depreciation included in cost of sales		10.2	11.1
Amortization of intangible assets		16.2	16.3
Losses (gains) on disposal of assets, impairments, and other non-cash items		0.9	(0.9)
Unrealized loss (gain) on financial and non-financial derivatives and foreign currency translation	12	97.5	(45.3)
Finance expense recognized in net earnings		29.8	28.4
Income tax expense recognized in net earnings	13	10.9	36.0
Changes in non-cash operating working capital and other	18	(83.8)	(74.0)
Net cash flows from operating activities before income taxes and interest paid		130.2	160.9
Income taxes paid		(0.5)	(1.8)
Interest paid		(44.9)	(46.9)
Cash flows from operating activities		84.8	112.2
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired	4	(23.7)	–
Purchase of property, plant and equipment and intangible assets	19	(28.7)	(17.3)
Proceeds on disposal of property, plant and equipment		4.4	2.0
Cash flows used in investing activities		(48.0)	(15.3)
FINANCING ACTIVITIES			
Proceeds of revolving term bank credits and other debt		543.4	571.2
Repayment of revolving term bank credits and other debt		(543.3)	(629.1)
Proceeds received from vehicle refinancing		13.7	–
Principal repayment of lease obligations		(12.0)	(13.4)
Dividends paid to shareholders		(28.5)	(31.5)
Cash flows used in financing activities		(26.7)	(102.8)
Net increase (decrease) in cash and cash equivalents during the period		10.1	(5.9)
Cash and cash equivalents, beginning of the period		26.5	23.9
Effect of translation of foreign currency-denominated cash and cash equivalents		(2.3)	(0.6)
Cash and cash equivalents, end of the period		34.3	17.4

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

SUPERIOR PLUS CORP.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, tabular amounts in millions of Canadian dollars, except per share amounts)

1. ORGANIZATION

Superior Plus Corp. (“Superior” or the “Company”) is a diversified business corporation, incorporated under the Canada Business Corporations Act. Superior is a publicly traded company with its common shares trading on the Toronto Stock Exchange under the exchange symbol SPB.

These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on May 13, 2020.

Reportable Operating Segments

Superior operates three reportable operating segments: Canadian Propane Distribution, United States (“U.S.”) Propane Distribution and Specialty Chemicals. The Canadian Propane Distribution segment includes the Canadian retail business and wholesale business with operations in Canada and California. The U.S. Propane Distribution segment distributes propane gas and liquid fuels along the Eastern U.S., and into the Midwest and California. Specialty Chemicals is a leading global supplier of sodium chlorate and technology to the pulp and paper industry and a regional supplier of chlor-alkali products in the U.S. Midwest and Western Canada.

References to Energy Distribution in the notes below refers to both Canadian Propane Distribution and U.S. Propane Distribution because of the inherent similarities of the businesses.

2. BASIS OF PRESENTATION

(a) Preparation of Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with International Accounting Standards (“IAS”) 34, *Interim Financial Reporting*, as issued by the International 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, 2019, except for the adoption of new standards effective as of January 1, 2020.

The unaudited condensed consolidated financial statements were prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the accounts of Superior and its 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 condensed consolidated statements of net earnings and total comprehensive earnings from date of acquisition, or in the case of disposals, up to the effective date of disposal.

All transactions and balances between Superior and Superior’s subsidiaries are eliminated upon consolidation. Superior’s subsidiaries are all wholly owned directly or indirectly by the Company. The assets and liabilities of Superior’s foreign operations are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognized in other comprehensive earnings for the period.

(b) Reclassification of Comparative Figures and Restatement

The purchase price allocation of NGL Propane, LLC (“NGL”) was finalized and all adjustments were recorded during the second quarter of 2019. Superior restated the comparative figures to record the impact of the final purchase price allocation for the three months ended March 31, 2019, amortization expense was increased by \$4.0 million, depreciation expense decreased by \$1.9 million for an aggregated decrease in net income of \$2.1 million.

In accordance with International Financial Reporting Standards (“IFRS”) 9, *Financial Instruments* (“IFRS 9”), management has recorded realized gains (losses) on derivatives in gains (losses) on derivatives and foreign currency translation of borrowings. In prior periods, realized gains and losses on derivative financial instruments were recognized as a component of revenue, cost of sales or finance expense/income, the classification of which depended on the underlying nature of the economic exposure being managed, while the unrealized gains (losses) on derivatives were recorded in its own line separately. In the current period, realized gains and losses on derivative financial instruments are recorded as a component of gains (losses) on derivatives and foreign currency translation of borrowings together with the unrealized gains (losses) on derivatives. Management has restated the comparative figures to conform with this presentation.

(c) Changes in Accounting Policies and Disclosures

Amendments to IFRS 3, *Definition of a Business* (“IFRS 3”)

The amendment to IFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarified that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the condensed consolidated financial statements of Superior, but may impact future periods should Superior enter into any business combinations.

Several amendments and interpretations apply for the first time in 2020, but do not have an impact on the condensed consolidated financial statements of Superior.

(d) Standards Issued But Not Yet Effective

Amendments to IAS 1, *Presentation of Financial Statements* (“IAS 1”), to clarify requirements for classifying liabilities as current or non-current

On January 23, 2020, the IASB issued amendments to IAS 1 (the “amendments”) to clarify the requirements for classifying liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists.
- Management expectations about events after the balance sheet date, for example on whether a covenant will be breached, or whether early settlement will take place, are not relevant.
- The amendments clarify the situations that are considered settlement of a liability.

The new guidance will be effective for annual periods starting on or after January 1, 2023. The amendments are not expected to have a significant impact on the Company’s condensed consolidated financial statements.

Superior has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

(e) Significant Accounting Judgments, Estimates and Assumptions

The preparation of Superior’s condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities,

revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors deemed 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 where assumptions and estimates are significant to the condensed consolidated financial statements are consistent with those disclosed in Superior's 2019 annual consolidated financial statements, except for the following:

COVID-19

The outbreak of the novel strain of the coronavirus, specifically identified as the COVID-19 pandemic, has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. At this time, it is not possible to reliably estimate the impact this will have on Superior's financial position and operating results. Judgments, estimates and assumptions made by management during the preparation of these condensed consolidated financial statements may also change as conditions related to the COVID-19 change. Changes in assumptions including, but not limited to, foreign exchange rates, interest rates and commodity prices could impact the fair value of items including derivative and non-derivative instruments, allowance for doubtful accounts, provisions and employee future benefits.

3. SEASONALITY OF OPERATIONS

Energy Distribution

Sales typically peak in the first quarter when approximately half 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 is typically at seasonal highs during the first and fourth quarters, and normally declines to seasonal lows in the second and third quarters. Net working capital is also significantly influenced by wholesale propane prices and other refined fuels.

For the 12 months ended March 31, 2020, Energy Distribution reported gross profit of \$954.9 million (March 31, 2019 – \$856.5 million) and net earnings of \$159.7 million (March 31, 2019 – \$168.9 million).

4. ACQUISITIONS

Acquisition in 2020

Western Propane Services (“Western”)

Purchase Price Allocation	Western
Cash	0.9
Accounts receivable	1.0
Prepaid expenses	0.1
Inventory	0.2
Property, plant and equipment	8.1
Intangible assets	8.9
Accounts payable and accrued liabilities	(1.0)
Lease liabilities	(2.3)
Deferred tax liabilities	(3.9)
Net identifiable assets and liabilities	12.0
Consideration transferred	
Fair value of deferred consideration	5.2
Cash paid on acquisition	24.6
Total consideration transferred	29.8
Goodwill arising on acquisition	17.8

Costs directly attributable to acquisitions are expensed and included in selling, distribution and administrative costs. The goodwill recognized represents the expected synergies from operations and the intangible assets that do not qualify for separate recognition. Goodwill arising on acquisition is deductible for tax purposes unless otherwise noted and forms part of the Energy Distribution segment, unless otherwise noted. The acquisition was initially funded by drawing on Superior’s credit facility, unless otherwise noted.

On January 9, 2020, Superior acquired all the issued and outstanding shares of Western, a Southern California retail propane distribution company for total consideration of US\$22.7 million (C\$29.8 million). The acquisition was funded by drawing on Superior’s credit facility and deferring US\$4.0 million (C\$5.2 million) in payments over the next five years.

The purchase price allocation is considered preliminary, and as a result, may be adjusted during the 12-month period following the acquisition once all the required information pertaining to working capital and customer attrition is obtained and assessed. Superior has allocated the purchase price to the identified assets and liabilities based on their current book value and fair value estimates based on available information. The amounts presented are based on their estimated fair value, management expects that any further changes will relate to finalizing the fair value of property, plant and equipment, intangible assets and goodwill. Goodwill is not deductible for tax purposes.

Revenue and net earnings for the three months ended March 31, 2020, would have been \$840.7 million and \$11.4 million, respectively, if the acquisition had occurred on January 1, 2020. Subsequent to the acquisition date of January 9, 2020, the acquisition contributed revenue and net earnings of \$5.5 million and \$1.2 million, respectively, to the U.S. Propane Distribution segment for the three months ended March 31, 2020.

Acquisitions in 2019

On April 1, 2019, Superior closed the acquisition of the propane distribution assets of Phelps Sungas Inc. and BMK Geneva, Inc. (“Phelps”), an independent propane distributor in New York. Superior has finalized the purchase price allocation during the three months ended March 31, 2020 and did not change the previously reported fair values.

During the year ended December 31, 2019, the Company closed three other acquisitions for total consideration of approximately \$22.8 million. This consisted of one acquisition in Canada and two acquisitions in the U.S. The purchase price allocations associated with these acquisitions are considered preliminary, and as a result, may be adjusted during the 12-month period following the acquisition once all the required information pertaining to working capital and customer attrition is obtained and assessed.

5. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	March 31 2020	December 31 2019
Trade receivables, net of allowances	287.2	320.7
Accounts receivable – other	15.4	8.5
Trade and other receivables	302.6	329.2

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

	March 31 2020	December 31 2019
Current	192.6	235.2
Past due less than 90 days	87.0	84.5
Past due over 90 days	18.1	10.3
Trade receivables	297.7	330.0

The current portion of Superior’s trade receivables is neither impaired nor past due and there are no indications as of the reporting date that the debtors will not make payment. Superior’s trade receivables are stated after deducting an allowance of \$10.5 million as at March 31, 2020 (December 31, 2019 – \$9.3 million). The movement in the allowance for doubtful accounts is as follows:

	March 31 2020	December 31 2019
Allowance for doubtful accounts, beginning of the period	(9.3)	(11.2)
Impairment losses recognized on receivables	(2.1)	(2.5)
Amounts written off during the period as uncollectible	1.2	3.5
Amounts recovered	0.1	0.9
Foreign exchange impact	(0.4)	–
Allowance for doubtful accounts, end of the period	(10.5)	(9.3)

6. INVENTORIES

	March 31 2020	December 31 2019
Propane, heating oil and other refined fuels	32.9	55.5
Propane retailing materials, supplies, appliances and other	13.6	13.2
Chemical finished goods and raw materials	29.5	30.2
Chemical stores, supplies and other	18.0	17.3
	94.0	116.2
	Three Months Ended March 31	
	2020	2019
Cost of inventories recognized as an expense	345.4	605.6
Inventory write-downs to (reversals from) cost of sales	0.9	(4.3)

7. PROVISIONS

	Restructuring	Decommissioning	Other	Total
Balance as at December 31, 2019	4.9	108.4	7.2	120.5
Additions	–	0.3	–	0.3
Utilization	(1.1)	(0.1)	–	(1.2)
Amounts reversed during the period	(0.3)	–	(0.7)	(1.0)
Unwinding of discount	–	0.4	–	0.4
Impact of change in discount rate	–	11.1	–	11.1
Net foreign currency exchange difference	–	3.9	0.2	4.1
Balance as at March 31, 2020	3.5	124.0	6.7	134.2

	March 31 2020	December 31 2019
Current (Note 8)	6.2	7.6
Non-current	128.0	112.9
	134.2	120.5

Superior is subject to various claims and potential claims in the normal course of business, but the Company does not expect the ultimate settlement of any of these to have a material effect on its financial results. The outcomes of all the proceedings and claims against Superior are subject to future resolution that includes the uncertainties of litigation. It is not possible for Superior to predict the result or magnitude of the claims due to the various factors and uncertainties involved in the legal process. Based on information currently known to Superior, it is not probable that the ultimate resolution of any proceedings and claims, individually or in total, will have a material effect on the condensed consolidated statements of net earnings and total comprehensive earnings or condensed consolidated balance sheets. If it becomes probable that Superior is liable, Superior will record a provision in the period the change in probability occurs, and the resulting impact could be material to the condensed consolidated statements of net earnings and total comprehensive earnings or condensed consolidated balance sheets.

8. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	March 31	December 31
	2020	2019
Trade payables	196.9	307.1
Provisions (Note 7)	6.2	7.6
Other payables	68.5	92.5
Current taxes payable	16.2	11.1
Share-based payments, current portion	1.6	5.7
Trade and Other Payables	289.4	424.0

9. OTHER LIABILITIES

	March 31	December 31
	2020	2019
Québec cap and trade payable	8.7	7.8
California cap and trade payable	8.9	7.2
Nova Scotia cap and trade payable	0.4	0.4
Share-based payments and others	10.1	14.3
Other liabilities	28.1	29.7

Superior operates in California, Nova Scotia, and Quebec, and is required to participate in the respective government cap and trade programs, which requires Superior to settle any liability with compliance instruments at the end of each compliance period. Intangible assets are recorded when compliance instruments are purchased, and cap and trade liabilities are recorded upon the import of propane. These are included in the condensed consolidated statements of cash flows net of the liability that has been accrued related to cap and trade.

10. BORROWINGS

	Year of Maturity	Effective Interest Rate	March 31 2020	December 31 2019
Revolving Term Bank Credit Facilities ⁽¹⁾				
Bankers' Acceptances ("BA")	2024	Floating BA rate plus 1.70%	22.0	5.0
Canadian Prime Rate Loan (Prime and Swing line)	2024	Prime rate plus 0.70%	–	14.9
LIBOR Loans (US\$318.0 million; 2019 – US\$332.0 million)	2024	Floating LIBOR rate plus 1.70%	447.2	431.3
US Base Rate Loans (Prime and Swing line) (US\$11 million; 2019 – US\$14.0 million)	2024	U.S. Prime rate plus 0.70%	15.5	18.1
			484.7	469.3
Other Debt				
Accounts receivable factoring program ⁽²⁾		Floating BA plus 1.625%	2.0	3.9
Deferred consideration and other	2020–2025	Non-interest bearing	30.6	23.8
			32.6	27.7
Senior Unsecured Notes				
Senior unsecured notes ⁽³⁾	2024	5.25%	400.0	400.0
Senior unsecured notes ⁽⁴⁾	2025	5.125%	370.0	370.0
Senior unsecured notes ⁽⁵⁾	2026	7.000%	492.2	454.7
			1,262.2	1,224.7
Total borrowings before deferred financing fees			1,779.5	1,721.7
Deferred financing fees and discounts			(26.0)	(27.3)
Total borrowings before current maturities			1,753.5	1,694.4
Current maturities			(10.0)	(10.1)
Total non-current borrowings			1,743.5	1,684.3

⁽¹⁾ As at March 31, 2020, Superior had \$33.2 million of outstanding letters of credit (December 31, 2019 – \$31.3 million) and \$278.0 million of outstanding financial guarantees on behalf of its businesses (December 31, 2019 – \$241.0 million). The fair value of Superior's revolving term bank credit facilities, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market-based interest rates and the short-term nature of the underlying debt instruments. On May 8, 2019, Superior extended and restated its syndicated credit facility with ten lenders, with no material changes to the financial covenants and extended its maturity to May 8, 2024. The credit facilities are secured by substantially all of the assets of Superior. The lender commitments remain the same at \$750 million and can be expanded further to \$1,050 million on condition that no event of default has occurred and lender consent is provided.

⁽²⁾ Superior has entered into a Master Receivables Purchase Agreement with a financial institution by which it may purchase from time to time, on an uncommitted revolving basis, 100% interest in receivables from Superior. The maximum aggregate amount of purchased receivables purchased by the financial institution under this agreement and outstanding at any time is limited to \$15 million. As at March 31, 2020, the accounts receivable factoring program is \$2.0 million (December 31, 2019 – \$3.9 million).

⁽³⁾ These senior unsecured notes were issued at par value and mature on February 27, 2024. The senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. Interest is payable semi-annually on February 27 and August 27, and commenced August 27, 2017. The fair value of the senior unsecured notes is \$381.8 million (December 31, 2019 – \$410.0 million), based on prevailing market prices.

⁽⁴⁾ These senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The fair value of the senior unsecured notes is \$343.2 million (December 31, 2019 – \$374.9 million), based on prevailing market prices.

⁽⁵⁾ These US\$350 million senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The fair value of the senior unsecured notes is \$483.4 million (December 31, 2019 – \$489.0 million), based on prevailing market prices. During the three months ended March 31, 2020, foreign exchange translation loss amounted to \$42.9 million (Three months ended March 31, 2019 – \$17.6 million foreign exchange translation gain), see Note 12.

Repayment requirements of borrowings before deferred financing fees are as follows:

Current maturities	10.0
Due in 2022	7.4
Due in 2023	8.0
Due in 2024	889.7
Due in 2025	372.2
Due in 2026	492.2
Total	1,779.5

11. LEASING ARRANGEMENTS

The lease liabilities by operating segment are as follows:

	Propane Distribution		Specialty	Corporate	Total
	Canada	U.S.	Chemicals		
Lease liabilities as at December 31, 2019	72.7	46.3	113.9	1.5	234.4
Lease liabilities assumed as part of a business combination	–	2.3	–	–	2.3
Additions	6.2	23.1	0.1	–	29.4
Finance expense on lease liabilities	0.9	0.9	1.6	–	3.4
Lease payments	(4.6)	(4.2)	(6.6)	–	(15.4)
Impact of changes in foreign exchange rates and other	0.6	3.4	7.5	–	11.5
Lease liabilities as at March 31, 2020	75.8	71.8	116.5	1.5	265.6

	March 31 2020	December 2019
Current portion of lease liabilities	54.0	52.4
Non-current portion of lease liabilities	211.6	182.0
Total lease liabilities	265.6	234.4

Included in the above lease liabilities, as at March 31, 2020, are vehicle and other fleet lease obligations of \$85.5 million (December 31, 2019 – \$73.0 million).

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 input 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 price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which Superior has immediate access (Level 1). Where bid and ask prices are unavailable, Superior uses the closing price of the instrument's most recent transaction. 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 (Level 2). Superior uses internally developed methodologies and unobservable inputs to determine the fair value of some financial instruments when required (Level 3).

Fair values determined using valuation models require 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 forecast commodity price curves, interest rate yield curves, currency rates and price and rate volatilities as applicable.

All financial and non-financial derivatives are designated as FVTPL upon their initial recognition.

For items that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing their classification at the end of each reporting period. During the three months ended March 31, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

	As at March 31, 2020			
	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts, net sale	2.2	–	–	2.2
Equity derivative contract	–	0.8	–	0.8
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	4.0	–	4.0
Total assets	2.2	4.8	–	7.0
Liabilities				
Foreign currency options, USD/CAD sold calls	3.1	–	–	3.1
Foreign currency forward contracts, net sale	37.8	–	–	37.8
Cross-currency interest rate exchange agreements	0.2	–	–	0.2
Equity derivative contract	–	5.5	–	5.5
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	29.3	–	29.3
Total liabilities	41.1	34.8	–	75.9
Total net liabilities	(38.9)	(30.0)	–	(68.9)
Current portion of assets	1.6	4.4	–	6.0
Current portion of liabilities	18.6	33.2	–	51.8

As at December 31, 2019

	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts, net sale	3.5	–	–	3.5
Equity derivative contract	–	0.9	–	0.9
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	3.3	–	3.3
Total assets	3.5	4.2	–	7.7
Liabilities				
Foreign currency forward contracts	3.2	–	–	3.2
Cross-currency interest rate exchange agreements	5.8	–	–	5.8
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	16.3	–	16.3
Total liabilities	9.0	16.3	–	25.3
Total net liabilities	(5.5)	(12.1)	–	(17.6)
Current portion of assets	2.1	3.3	–	5.4
Current portion of liabilities	7.8	15.9	–	23.7

The following table outlines quantitative information about how the fair values of these financial and non-financial assets and liabilities are determined, including valuation techniques and inputs used:

Description	Notional	Term	Effective Rates	Valuation Technique(s) and Key Input(s)
Level 1 fair value hierarchy:				
Foreign currency forward contracts, net sale	US\$524.9	2020–2024	\$1.34	Quoted bid prices in the active market.
Foreign currency options sold USD/CAD calls	US\$36.0	2024	\$1.40– \$1.47	Quoted bid prices in the active market.
Cross-currency interest rate exchange agreements	US\$190.0	2020	\$1.41	Quoted bid prices in the active market.
Level 2 fair value hierarchy:				
Equity derivative contracts	C\$22.5	2020–2022	\$10.39	Discounted cash flows – Future cash flows are estimated based on the share price.
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	95.81 USG ⁽ⁱ⁾	2020–2023	\$0.33– \$1.80	Quoted bid prices for similar products in an active market.

⁽ⁱ⁾ Millions of United States gallons (“USG”) purchased.

Superior's realized and unrealized financial instrument gains (losses) for the three months ended March 31, 2020 and 2019 are as follows:

Description	Three Months Ended March 31 2020			Three Months Ended March 31 2019		
	Realized Loss	Unrealized Gain (Loss)	Total	Realized Loss	Unrealized Gain (Loss)	Total
Foreign currency forward contracts – net sale and foreign currency options, USD/CAD sold calls	(4.0)	(39.2)	(43.2)	(3.8)	18.7	14.9
Cross-currency interest rate swaps	–	5.6	5.6	–	(7.4)	(7.4)
Equity derivative contracts	–	(5.5)	(5.5)	–	2.7	2.7
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	(14.5)	(11.2)	(25.7)	(12.7)	12.3	(0.4)
Total gains (losses) on financial and non-financial derivatives	(18.5)	(50.3)	(68.8)	(16.5)	26.3	9.8
Foreign exchange gain (loss) on U.S. dollar debt and lease liabilities	–	(47.2)	(47.2)	–	19.0	19.0
Total gains (losses)	(18.5)	(97.5)	(116.0)	(16.5)	45.3	28.8

Realized and unrealized gains or losses on financial and non-financial derivatives and foreign currency translation gains or losses on the revaluation of Canadian domiciled U.S.-denominated working capital have been classified on the condensed consolidated statements of net earnings and total comprehensive earnings as a component of gains (losses) on derivatives and foreign currency translation of borrowings.

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

	Classification	Measurement
Financial Assets		
Cash and cash equivalents	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative assets	FVTPL	Fair value
Notes and finance lease receivable	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other liabilities	Amortized cost
Dividends payable	Other liabilities	Amortized cost
Borrowings	Other liabilities	Amortized cost
Derivative liabilities	FVTPL	Fair value

The fair value of cash and cash equivalents, trade and other receivables, notes and finance lease receivable, trade and other payables, dividends payable and revolving term bank credit facilities correspond to the respective carrying amounts due to their short-term nature and/or the interest rate on the asset is commensurate with market interest rates for the type of asset with similar duration and credit risk. The fair value of senior unsecured notes disclosed in Note 10 are determined by quoted market prices (Level 1 fair value hierarchy).

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the condensed consolidated balance sheets when Superior currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, Superior enters into various master netting agreements or other similar arrangements that do not meet the criteria for

offsetting, but do, however, still allow for the related amount to be set off in certain circumstances, such as bankruptcy or the termination of contracts. As at March 31, 2020 and December 31, 2019, Superior has not recorded any amount against other current and non-current financial liabilities.

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 financial and non-financial derivatives according 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 and, as a result, Superior does not apply hedge accounting and is required to designate its financial derivatives and non-financial derivatives as held for trading.

Energy Distribution enters into various propane forward purchase and sale agreements to manage the economic exposure of its wholesale customer supply contracts. Energy Distribution monitors its fixed-price propane positions on a daily basis to monitor compliance with established risk management policies. Energy Distribution maintains a substantially balanced fixed-price propane position in relation to its wholesale customer supply commitments.

Superior, on behalf of its operating divisions, enters into foreign currency forward contracts to manage the economic exposure of its operations to movements in foreign currency exchange rates. Energy Distribution contracts a portion of its fixed-price natural gas, and propane purchases and sales in U.S. dollars and enters into forward U.S.-dollar purchase contracts to create an effective Canadian-dollar fixed-price purchase cost. Superior enters into U.S.-dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in U.S. dollars. Interest expense on Superior's U.S.-dollar debt is also used to mitigate the impact of foreign exchange fluctuations.

Superior manages its overall liquidity risk in relation to its general funding requirements by utilizing a mix of short-term and long-term debt instruments. Superior reviews its mix of short-term and long-term debt instruments on an ongoing basis to ensure it is able to meet its liquidity requirements.

Credit Risk

Superior utilizes a variety of counterparties in relation to its financial derivative and non-financial derivative instruments in order to mitigate its counterparty risk. Superior assesses the creditworthiness of its significant counterparties at the inception and throughout the term of a contract. Superior is also exposed to customer credit risk. Energy Distribution deals with a large number of small customers, thereby reducing this risk. Energy Distribution actively monitors the creditworthiness of its commercial customers. 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 creditworthiness of its customers. Overall, Superior's credit quality is enhanced by its portfolio of customers, which is diversified across geographical (primarily Canada and the U.S.) and end-use (primarily commercial, residential and industrial) markets.

Allowances for doubtful accounts and past due receivables are reviewed by Superior as at each consolidated balance sheet date. Superior updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade and other receivables with each customer, taking into account historical collection trends of past due accounts and current economic conditions. Trade and other receivables are written off once it is determined they are uncollectible.

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 it is able to react to contingencies and investment opportunities quickly, Superior maintains sources of liquidity at the corporate and subsidiary levels. The main sources of liquidity are cash and other financial assets, the 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 in management's opinion are appropriate, and by diversifying maturities over an extended period. Superior also seeks to include in its agreements terms that protect it from liquidity issues of counterparties that might otherwise affect liquidity.

Equity Price Risk

Equity price risk is the risk of volatility in earnings as a result of volatility in Superior's share price. Superior has equity price risk exposure to shares that it issues under various forms of share-based compensation programs, which affect earnings when outstanding units are revalued at the end of each reporting period. Superior uses equity derivatives to manage volatility derived from its share-based compensation program.

As at March 31, 2020, Superior estimates that a 10% increase in its share price would have resulted in a \$1.8 million increase in earnings due to the revaluation of equity derivative contracts.

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

	Current	12 months ended March 31					Thereafter	Total
		2022	2023	2024	2025	2026		
Borrowings	10.0	7.4	8.0	889.7	372.2	492.2	–	1,779.5
Lease liabilities	54.0	47.6	36.9	30.5	24.2	15.4	57.0	265.6
Non-cancellable, low-value, short-term leases and leases with variable lease payments	4.8	3.5	2.5	0.1	–	–	–	10.9
US\$-foreign currency forward sales contracts	241.4	123.5	67.0	48.0	45.0	–	–	524.9
US\$/CAD call options ⁽ⁱ⁾	–	–	–	9.0	27.0	–	–	36.0
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	51.7	39.4	0.4	–	–	–	–	91.5

⁽ⁱ⁾USD/CAD call options expiring in December 2023 with strike prices ranging from \$1.40 to \$1.47 settling in 2024.

Superior's contractual obligations are considered 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 flows from operations, proceeds on revolving term bank credit facilities and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities are consistent as at March 31, 2020 and December 31, 2019.

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 Canadian, U.S. income taxes, Chilean and Luxembourg income taxes.

Total income tax expense, composed of current income taxes and deferred income taxes for the three months ended March 31, 2020, was \$4.3 million and \$6.6 million, respectively, compared to \$2.4 million and \$33.6 million in the comparative periods. For the three months ended March 31, 2020, deferred income tax expense was \$6.6 million,

which resulted in a corresponding total net deferred income tax asset of nil as at March 31, 2020 (December 31, 2019 – \$12.7 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 shareholders' meetings; 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 is outstanding.

	Issued Number of Common Shares (Millions)	Total Capital	Total Equity
As at December 31, 2019	174.9	2,339.9	1,039.0
Issuance of common shares	0.3	2.7	2.7
Net earnings for the period	–	–	11.4
Other comprehensive earnings	–	–	124.2
Dividends declared to shareholders	–	–	(31.2)
As at March 31, 2020	175.2	2,342.6	1,146.1

Superior restarted its Dividend Reinvestment Plan and Optional Share Purchase Program (the “DRIP”) commencing with the February 2020 dividend which was paid in March 13, 2020. During the three months ended March 31, 2020, Superior issued 0.3 million shares under the DRIP for total gross proceeds of \$2.7 million (March 31, 2019 – nil).

15. SUPPLEMENTAL DISCLOSURE OF CONSOLIDATED STATEMENTS OF NET EARNINGS AND TOTAL COMPREHENSIVE EARNINGS

	Three Months Ended March 31	
	2020	2019 ⁽ⁱ⁾
Revenue		
Revenue from products	802.7	995.7
Revenue from the rendering of services	26.7	29.9
Tank and equipment rental	10.8	10.4
	840.2	1,036.0
Cost of sales (includes products and services)		
Cost of products and services ⁽ⁱⁱ⁾	(430.8)	(596.6)
Depreciation included in cost of sales	(10.2)	(11.1)
	(441.0)	(607.7)
Selling, distribution and administrative costs		
Other selling, distribution and administrative costs	(59.7)	(62.5)
Restructuring, transaction and other costs	(5.3)	(5.0)
Employee future benefit expense	(0.5)	(0.5)
Employee costs	(92.9)	(95.5)
Vehicle operating costs	(18.0)	(20.1)
Facilities maintenance expense	(2.3)	(3.0)
Depreciation of right-of-use assets	(9.1)	(7.9)
Depreciation included in selling, distribution and administrative costs	(28.0)	(24.8)
Amortization of intangible assets	(16.2)	(16.3)
Low value, short-term and variable lease payments	(0.7)	(0.5)
Gain (loss) on disposal of assets	(0.9)	0.9
Realized gain (loss) on the translation of U.S.- denominated net working capital	2.5	(0.9)
	(231.1)	(236.1)
Finance expense		
Interest on borrowings	(23.7)	(23.3)
Interest on lease liability	(3.4)	(3.2)
Unwinding of discount on decommissioning liabilities and non-cash financing expenses	(2.7)	(1.9)
	(29.8)	(28.4)
Gains (losses) on derivatives and foreign currency translation of borrowings		
Realized loss on financial and non-financial derivatives and foreign currency translation	(18.5)	(16.5)
Unrealized gain (loss) on financial and non-financial derivatives and foreign currency translation	(97.5)	45.3
	(116.0)	28.8
Earnings before income taxes	22.3	192.6
Income tax expense		
Current income tax expense	(4.3)	(2.4)
Deferred income tax expense	(6.6)	(33.6)
	(10.9)	(36.0)
Net earnings for the period	11.4	156.6

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).

⁽ⁱⁱ⁾ During the three months ended March 31, 2020, the cost of products and services include low value, short-term and variable lease payments of \$0.6 million (Three months ended March 31, 2019 – \$1.7 million).

16. NET EARNINGS PER SHARE, BASIC AND DILUTED

	Three Months Ended March 31	
	2020	2019
Net earnings for the period ⁽ⁱ⁾	11.4	156.6
Weighted average shares outstanding (millions)	174.9	174.9
Net earnings per share, basic and diluted⁽ⁱ⁾	0.07	0.90

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).

17. DISAGGREGATION OF REVENUE

Revenue is disaggregated by primary geographical market, type of customer and major product and services lines.

Three Months Ended March 31, 2020		Propane Distribution		
	Canada	U.S.	Other	Total
Revenue from sale of products	236.6	409.6	–	646.2
Revenue from services	12.6	13.0	–	25.6
Tank and equipment rental	7.2	3.6	–	10.8
Total revenue	256.4	426.2	–	682.6

	Specialty Chemicals			
	Canada	U.S.	Other	Total
Revenue from sale of chemicals	36.2	92.6	27.7	156.5
Revenue from services	0.8	0.3	–	1.1
Total revenue	37.0	92.9	27.7	157.6

Three Months Ended March 31, 2019		Propane Distribution		
	Canada	U.S.	Other	Total
Revenue from sale of products	288.2	538.0	–	826.2
Revenue from services	13.7	14.3	–	28.0
Tank and equipment rental	8.5	1.9	–	10.4
Total revenue	310.4	554.2	–	864.6

	Specialty Chemicals			
	Canada	U.S.	Other	Total
Revenue from sale of chemicals	42.8	102.1	24.6	169.5
Revenue from services	0.3	1.6	–	1.9
Total revenue	43.1	103.7	24.6	171.4

18. SUPPLEMENTAL DISCLOSURE OF NON-CASH OPERATING WORKING CAPITAL CHANGES

	Three Months Ended	
	March 31	
	2020	2019
Changes in non-cash operating working capital and other		
Trade and other receivables, prepaids and deposits	34.4	(55.1)
Inventories	25.7	46.3
Trade and other payables and other liabilities	(143.9)	(65.2)
	(83.8)	(74.0)

19. REPORTABLE SEGMENT INFORMATION

Superior operates three operating segments: Canadian Propane Distribution, U.S. Propane Distribution and Specialty Chemicals. The Canadian Propane Distribution segment includes the Canadian retail business and wholesale business with operations in Canada and California. The U.S. Propane Distribution segment distributes propane gas and liquid fuels along the Eastern U.S., and into the Midwest and California.

Specialty Chemicals is a leading global supplier of sodium chlorate and technology to the pulp and paper industry and a regional supplier of chlor-alkali products in the U.S. Midwest and Western Canada.

Superior's Chief Operating Decision Maker, the President, reviews the operating results, assesses performance, and makes capital allocation decisions with respect to the Canadian Propane Distribution, U.S. Propane Distribution and Specialty Chemicals businesses and the corporate office. Therefore, Superior has presented these as operating segments for financial reporting purposes in accordance with IFRS 8, *Operating Segments*.

Three Months Ended March 31, 2020	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	340.6	342.0	157.6	–	840.2
Cost of sales (includes products and services)	(189.9)	(146.5)	(104.6)	–	(441.0)
Gross profit	150.7	195.5	53.0	–	399.2
Expenses					
Depreciation included in selling, distribution and administrative costs	(10.2)	(15.7)	(2.0)	(0.1)	(28.0)
Depreciation of right-of-use assets	(2.5)	(1.2)	(5.3)	(0.1)	(9.1)
Amortization of intangible assets included in selling, distribution and administrative costs	(5.6)	(10.3)	(0.3)	–	(16.2)
Selling, distribution and administrative costs	(63.8)	(82.6)	(29.0)	(2.4)	(177.8)
Finance expense	(1.4)	(1.7)	(2.0)	(24.7)	(29.8)
Losses on derivatives and foreign currency translation of borrowings	(6.2)	(19.5)	(4.3)	(86.0)	(116.0)
	(89.7)	(131.0)	(42.9)	(113.3)	(376.9)
Earnings (loss) before income taxes	61.0	64.5	10.1	(113.3)	22.3
Income tax expense	–	–	–	(10.9)	(10.9)
Net earnings (loss) for the period	61.0	64.5	10.1	(124.2)	11.4

Three Months Ended March 31, 2019 ⁽ⁱ⁾	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	435.8	428.8	171.4	–	1,036.0
Cost of sales (includes products and services)	(275.6)	(221.2)	(110.9)	–	(607.7)
Gross profit	160.2	207.6	60.5	–	428.3
Expenses					
Depreciation included in selling, distribution and administrative costs	(9.1)	(13.9)	(1.8)	–	(24.8)
Depreciation of right-of-use assets	(2.0)	(0.8)	(5.1)	–	(7.9)
Amortization of intangible assets included in selling, distribution and administrative costs	(6.1)	(9.9)	(0.3)	–	(16.3)
Selling, distribution and administrative costs	(66.5)	(81.8)	(31.9)	(6.9)	(187.1)
Finance expense	(1.0)	(1.0)	(1.7)	(24.7)	(28.4)
Gains (losses) on derivatives and foreign currency translation of borrowings	(1.7)	1.4	1.4	27.7	28.8
	(86.4)	(106.0)	(39.4)	(3.9)	(235.7)
Earnings (loss) before income taxes	73.8	101.6	21.1	(3.9)	192.6
Income tax expense	–	–	–	(36.0)	(36.0)
Net earnings (loss) for the period	73.8	101.6	21.1	(39.9)	156.6

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2(b)).

Net Working Capital, Total Assets, Total Liabilities and Purchase of Property, Plant and Equipment

	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
As at March 31, 2020					
Net working capital ⁽ⁱ⁾	58.6	46.8	69.2	(29.9)	144.7
Total assets	1,112.6	1,754.1	832.7	75.5	3,774.9
Total liabilities	238.7	274.5	353.9	1,761.7	2,628.8
As at December 31, 2019					
Net working capital ⁽ⁱ⁾	42.0	(0.4)	56.9	(48.6)	49.9
Total assets	1,167.7	1,600.2	797.8	72.3	3,638.0
Total liabilities	295.1	268.8	338.8	1,696.3	2,599.0
Three Months Ended March 31, 2020					
Purchase of property, plant and equipment and intangible assets	8.6	10.3	8.9	0.9	28.7
Three Months Ended March 31, 2019					
Purchase of property, plant and equipment and intangible assets	4.6	8.5	4.2	–	17.3

⁽ⁱ⁾ Net working capital is composed of trade and other receivables, prepaids and deposits and inventories, less trade and other payables, contract liabilities and dividends payable.

20. GEOGRAPHICAL INFORMATION

	Canada	U.S.	Other	Total Consolidated
Revenue for the three months ended March 31, 2020	293.4	519.1	27.7	840.2
Property, plant and equipment as at March 31, 2020	611.1	737.5	41.4	1,390.0
Right-of-use assets as at March 31, 2020	133.5	128.3	0.9	262.7
Intangible assets as at March 31, 2020	149.1	254.3	–	403.4
Goodwill as at March 31, 2020	325.8	836.0	–	1,161.8
Total assets as at March 31, 2020	1,518.2	2,196.7	60.0	3,774.9
Revenue for the three months ended March 31, 2019 ⁽ⁱ⁾	353.5	657.9	24.6	1,036.0
Property, plant and equipment as at December 31, 2019	596.9	696.0	38.8	1,331.7
Right-of-use assets as at December 31, 2019	146.0	97.1	0.8	243.9
Intangible assets as at December 31, 2019	152.3	236.5	–	388.8
Goodwill as at December 31, 2019	325.8	755.1	–	1,080.9
Total assets as at December 31, 2019	1,562.3	2,021.5	54.2	3,638.0

⁽ⁱ⁾ Restated the prior period to be comparable with the current period's presentation (see Note 2 (b)).