Superior Plus

SECOND QUARTER 2016

TSX: SPB **August 9, 2016**

Superior Plus Corp. Announces 2016 Second Quarter Results

Financial Overview

(millions of dollars, except per share amounts)	Three Months Ended June 30 2016	2015	Six Months Ended June 30 2016	2015
Revenue	**703.6**	715.0	**1,511.1**	1,691.0
Gross Profit	**196.0**	189.2	**473.2**	477.2
Net earnings (loss) from continuing operations	**(6.9)**	41.0	**98.0**	32.0
Net earnings (loss) from continuing operations per share, basic	**$(0.05)**	$0.32	**$0.69**	$0.25
Net earnings (loss) from continuing operations per share, diluted	**$(0.05)**	$0.25	**$0.65**	$0.25
EBITDA from operations [(1)(3)]	**51.4**	47.5	**174.8**	176.9
Net cash flows from operating activities	**39.1**	68.1	**128.8**	200.0
Net cash flows from operating activities per share - basic	**$0.27**	$0.54	**$0.91**	$1.58
Net cash flows from operating activities per share - diluted	**$0.27**	$0.53	**$0.91**	$1.53
Adjusted operating cash flow before transaction costs [(2)(4)]	**27.2**	23.4	**122.3**	119.2
Adjusted operating cash flow before transaction costs per share – basic [(2)(4)]	**$0.19**	$0.18	**$0.86**	$0.94
Adjusted operating cash flow before transaction costs per share – diluted [(2)(4)]	**$0.19**	$0.18	**$0.86**	$0.92
Adjusted operating cash flow [(2)]	**15.7**	23.4	**102.3**	119.2
Adjusted operating cash flow per share – basic [(2)]	**$0.11**	$0.18	**$0.72**	$0.94
Adjusted operating cash flow per share – diluted [(2)]	**$0.11**	$0.18	**$0.72**	$0.92
Cash dividends declared	**$25.5**	$22.8	**$50.9**	$45.5
Cash dividends declared per share	**$0.18**	$0.18	**$0.36**	$0.36

(1) EBITDA from operations is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings Before Income Taxes to EBITDA from Operations" for further details and the calculation and reconciliation.

(2) Adjusted operating cash flow ("AOCF") is a non-GAAP financial measure. Refer to "Non-GAAP Financial Measures" for further details and the reconciliation.

(3) EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.

(4) Transaction costs for the three and six months ended June 30, 2016 include $10.1 million and $18.6 million, respectively, in costs related to the terminated acquisition of Canexus Corporation ("Canexus Acquisition") and $1.4 million in costs related to the divesture of CPD. Refer to "Non-GAAP Acquisition Costs" in the Second Quarter MD&A for further details.

Highlights

- For the quarter ended June 30, 2016, Superior generated AOCF before transaction costs of $27.2 million, an increase of $3.8 million compared to prior year, and AOCF per share before transaction costs of $0.19, consistent with the prior year quarter.
- Superior sold its Construction Products Distribution ("CPD") business for total cash consideration of US$325 million (approximately $428 million CAD) to Foundation Building Materials, LLC (the "Sale of CPD"). The proceeds from the Sale of CPD are expected to be used initially to repay indebtedness under Superior's credit facility and to redeem the $150.0 million outstanding principal amount of its 6.00% Debentures due June 30, 2018.
- Superior's 2016 financial outlook of AOCF per share has been updated to $1.40 to $1.60 from $1.50 to $1.80 per share as provided in the second quarter of 2016. The updated 2016 financial outlook is due to the Sale of CPD and a reduced outlook for the Specialty Chemicals business for the third and fourth quarters of 2016. See "Specialty Chemicals" and "2016 Financial Outlook" for additional details. Superior's current 2016 financial outlook excludes expenses related to the terminated acquisition of Canexus.
- Superior's total debt to EBITDA as at June 30, 2016 (before transactions costs) was 3.3X. Superior's forecasted December 31, 2016, total debt to EBITDA ratio is expected to be 1.8X to 2.2X EBITDA, which is below Superior's current target range of 3.0X to 3.5X. See "Debt Management Update" in the second quarter MD&A (the "MD&A") for additional details.
- On June 30, 2016, Superior terminated the Arrangement Agreement by providing Canexus with a termination notice specifying that Canexus had breached the arrangement agreement, failed to remedy such breaches and that, as a result, Superior was seeking payment from Canexus of a termination fee of $25 million.
- On July 12, 2016, Superior announced it had commenced legal action to recover the $25 million termination fee from Canexus. Superior also filed a statement of defence to Canexus' claim for a reverse termination fee of $25 million from Superior. Superior believes that Canexus' claim for the reverse termination fee is without merit and intends to vigorously defend Canexus' claim and pursue payment of the $25 million termination fee owed by Canexus. See "Terminated Acquisition of Canexus Corporation" in the MD&A for additional details.
- On July 5, 2016, S&P announced it had revised its outlook on Superior from negative to stable. On July 6, 2016, DBRS announced it had revised its credit rating from Under Review with Negative Implications to Confirmed with a Stable trend. See "Liquidity and Capital Resources" in the MD&A for additional details.

Segmented Information

(millions of dollars)	**Three months ended June 30 2016**	Three months ended June 30 2015	**Six months ended June 30 2016**	Six months ended June 30 2015
EBITDA from operations[(1)(2)]:				
Energy Distribution	**16.9**	14.6	**103.7**	103.1
Specialty Chemicals	**22.3**	19.4	**49.6**	55.5
Construction Products Distribution (CPD)	**12.2**	13.5	**21.5**	18.3
	51.4	47.5	**174.8**	176.9

(1) EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See "Non-GAAP Financial Measures".

(2) EBITDA from operations excludes the results of the fixed-price energy services business as the segment was divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

Energy Distribution

- EBITDA from operations for the second quarter was $16.9 million compared to $14.6 million in the prior year quarter. Results were $2.3 million higher due to an increase in gross profit, and a decrease in operating costs.
- The Canadian propane distribution ("Canadian propane") business generated gross profit of $58.5 million in the second quarter compared to $54.4 million in the prior year quarter as higher average sales margins offset the reduction in sales volumes due primarily to the decrease in oilfield related demand. Consistent with the first quarter, the Canadian propane gross profit includes the results from the supply portfolio management business as approximately 80% of the gross profit of the supply portfolio management business is directly related to supply requirements for Canadian propane.
- Average weather across Canada, as measured by degree days, for the second quarter was 2% warmer than the prior year and 6% warmer than the 5-year average. Due to the seasonal nature of heating related volumes, weather in the second quarter did not have a material impact on sales volumes.
- Canadian propane average sales margins were 22.9 cents per litre in the second quarter compared to 19.4 cents per litre in the prior year quarter due to an increase in average retail sales margins and benefits from procurement initiatives. Average retail sales margins in the second quarter of 2016 benefitted from the continued low price environment for the wholesale cost of propane and sales mix. In addition, Canadian propane margins were higher than the prior year quarter due to the benefit of procurement initiatives related to supply contracts and the impact of improved basis differentials. Superior anticipates the impact from the low price environment on propane margins will moderate for the remainder of 2016 as both retail pricing and the wholesale cost of propane normalize.
- Canadian propane sales volumes were 9% lower than the prior year quarter due primarily to a decrease in industrial volumes. Industrial sales volumes were lower due to a decrease in oilfield volumes, which were negatively impacted by reduced demand related to the continued decline in oilfield activity.
- During the quarter, Superior acquired the assets of Caledon Propane Inc. ("Caledon"), a family-owned propane business with operations in Ontario and Manitoba. The total purchase price was $8.1 million, representing approximately 6.0X EBITDA.
- The U.S. refined fuels business generated gross profits of $28.6 million in the second quarter compared to $30.7 million in the prior year quarter. Gross profits decreased $2.1 million or 7% due primarily to lower sales margins, partially offset by higher sales volumes.
- Average weather for the U.S. refined fuel business, as measured by degree days, for the second quarter was 30% colder than the prior year and 27% colder than the 5-year average. Due to the seasonal nature of heating related volumes, weather in the second quarter did not have a material impact on sales volumes.

- U.S. refined fuels average sales margin of 8.1 cents per litre in the second quarter compared to 9.1 cents per litre in the prior year quarter due primarily to increased competition in the commercial and wholesale segments, partially offset by the appreciation of the U.S. dollar compared to the prior year quarter.
- Sales volumes within the U.S. refined fuels business were 4% higher than the prior year quarter due to an increase in wholesale and residential volumes. Residential sales volumes were modestly higher due to the colder temperatures relative to the prior year quarter. Wholesale sales volumes increased due to improved demand for gasoline and heating oil related to the colder weather.
- Other services gross profit was $6.2 million in the second quarter compared to $7.2 million in the prior year quarter due to reduced oilfield activity related to the continued low price of oil.
- Cash operating and administrative costs were $76.4 million in the second quarter, a decrease of $1.3 million or 2.0% compared to the prior year quarter. Operating expenses in the current year quarter were lower due to a decrease in wages related to reduced volumes in the Canadian propane business and decreased fuel expenses, partially offset by the impact of a stronger U.S. dollar compared to the prior year quarter.
- EBITDA from operations for 2016 for the Energy Distribution business is anticipated to be consistent with 2015. EBITDA from the Canadian propane and U.S. refined fuels businesses should benefit from ongoing operational and procurement improvements and sales and marketing initiatives. Gross profits in the Canadian propane business are anticipated to be consistent with 2015 as lower volumes related to the warmer weather in the first quarter and decline in oilfield activity are anticipated to be offset by improvements in average margins. Gross profits in the U.S. refined fuels business are anticipated to be modestly lower than 2015 due to a decrease in expected average margins in the commercial and wholesale business, partially offset by the strengthening of the U.S. dollar on the translation of U.S. denominated gross profit. Cash operating costs are anticipated to be lower than 2015 due to continuous improvement initiatives and reduced volumes related to weather, partially offset by the translation of U.S. denominated operating expenses. Average weather, as measured by degree days, for the remainder of 2016 is anticipated to be consistent with the 5-year average.

Specialty Chemicals

- EBITDA from operations for the second quarter was $22.3 million compared to $19.4 million in the prior year quarter. Specialty Chemicals generated gross profit of $60.5 million, consistent with the prior year quarter.
- Sodium chlorate gross profits were modestly lower than the prior year due to the modest decrease in sales volumes and average selling prices, partially offset by the impact of the stronger U.S. dollar on the translation of U.S. denominated sales. Sodium chlorate sales volumes were 3% lower than the prior year quarter due to a decrease in sales volumes associated with purchases under the Tronox agreement and reduced North American demand.
- Chlor-alkali gross profits were lower than the prior year quarter due to a decrease in pricing for hydrochloric acid, caustic soda and caustic potash and a decrease in sales volumes for hydrochloric acid, partially offset by an increase in sales volumes and pricing for chlorine, an increase in sales volumes for caustic soda and caustic potash and the positive impact of the stronger U.S. dollar on U.S. denominated sales.
- Cash operating and administrative costs of $38.2 million were $3.0 million or 7% lower than the prior year quarter due to the decrease in Tronox-related and plant operating expenses, partially offset by the impact of a stronger U.S. dollar on the translation of U.S. denominated expenses.
- On August 6, 2016, the North Vancouver, British Columbia sodium chlorate facility, which represents 22% of Superior's North American sodium chlorate manufacturing capacity, suffered damage due to an equipment failure. The facility was appropriately shut-down to assess the damage from the incident. Superior is in the process of completing its initial assessment of the damage and the process of remediation has commenced. Superior estimates that the facility will return to normal operating rates by the end of August 2016. Physical

damage to the property and loss of production is covered by Superior's insurance program, subject to customary deductibles and waiting periods.

- Superior expects EBITDA from operations for 2016 to be lower than 2015. Superior's forecast for its Specialty Chemicals business at the end of the first quarter of 2016 was for results in 2016 to be consistent with 2015. The reduction in the 2016 forecast is due to lower than anticipated sodium chlorate and chlor-alkali gross profits in the third and fourth quarters of 2016. Sodium chlorate gross profits are anticipated to be lower than previously forecast due to decreased sales volumes related to longer than anticipated pulp mill plant maintenance closures and a reduction in export volumes. Chlor-alkali gross profits are now anticipated to be weaker than previously forecast due to lower caustic netback prices and lower caustic potash sales prices and volumes.
- Sodium chlorate EBITDA is anticipated to be higher in 2016 due to the termination of the Tronox agreement and related plant expenses. EBITDA from the chlor-alkali segment is anticipated to be lower in 2016 due to a decrease in netback prices for hydrochloric acid, caustic soda and caustic potash, coupled with a decrease in caustic potash volumes. Hydrochloric acid netback prices and volumes are anticipated to be lower than 2015 due to reduced demand related to the continued decline in oilfield activity expected in 2016. Caustic potash netback prices and volumes are anticipated to be lower than 2015 due to weakness in the agriculture sector. Caustic soda netback prices are anticipated to decrease compared to 2015 due to a shift in sales mix to lower margin customers.

Construction Products Distribution

- EBITDA from operations for the second quarter was $12.2 million compared to $13.5 million in the prior year quarter as stronger results due to continued improvements in the U.S. residential end-use markets and the impact of the stronger U.S. dollar on U.S. denominated sales were offset by higher operating costs related to the system integration project.
- Gross profit was $4.8 million higher than the prior year quarter due to improved sales volumes, higher average selling prices and the impact of a stronger U.S. dollar on U.S. denominated sales.
- Gypsum revenues were higher than the prior year quarter due primarily to improved U.S. sales volumes as a result of ongoing improvements in the U.S. residential construction sector, higher average selling prices and the impact of a stronger U.S. dollar on the translation of U.S. denominated revenues. Canadian revenues were modestly lower than the prior year quarter due to a drywall worker strike in the Greater Toronto area and continued weakness in the Prairies, partially offset by improvements in the B.C. markets.
- Commercial and industrial insulation (C&I) revenues increased over the prior year quarter due primarily to the impact of a stronger U.S. dollar on the translation of U.S. denominated revenues, partially offset by lower export sales and lower sales in the West related to a decline in oil-related activity. C&I gross margins were modestly higher than the prior year due to the impact of effective price management initiatives.
- Cash operating and administrative costs for the second quarter were $52.9 million compared to $46.8 million in the prior year quarter. Operating expenses were impacted by higher sales volumes, the costs associated with the system integration project and the stronger U.S. dollar on the translation of U.S. denominated expenses.
- CPD made significant progress on the systems integration project that will replace two legacy ERP systems with a single, standardized solution. The updated system was designed to provide enhanced procurement, pricing and operational effectiveness, enabling CPD to further improve margins and operating costs once complete. Total costs incurred to date are $25.2 million consisting of $19.5 million in capital and $5.7 million in operating expense.
- On July 5, 2016, Superior announced it had entered into a definitive agreement to sell its CPD business to Foundation Building Materials, LLC. On August 9, 2016, the Sale of CPD was completed for total cash consideration of US$325 million (approximately $428 million CAD).

Corporate Related

- Interest expense for the second quarter was $9.8 million compared to $11.1 million in the prior year quarter. Interest expense was $1.3 million lower than the prior year quarter as a result of lower average effective interest rates and reduced average debt levels.
- Corporate costs were $3.8 million in the second quarter which was $1.6 million higher than the prior year quarter due primarily to an increase in long-term incentive plan costs. Long-term incentive plan costs are higher due to fluctuations in Superior's share price compared to the prior year quarter. Corporate costs exclude one-time transaction costs for the Canexus Acquisition in the second quarter of $10.1 million and $1.4 million related to the divesture of CPD.
- Superior's total debt (including convertible debentures) to Compliance EBITDA (before transaction costs) was 3.3X as at June 30, 2016 compared to 3.2X at December 31, 2015. See "Debt Management Update" for additional details.
- Realized losses on foreign currency hedging contracts were $8.9 million compared to $10.2 million in the prior year quarter. Realized losses were $1.3 million lower due to the increase in Superior's effective average hedge rate and a decrease in the notional hedges settled in the quarter.

2016 Financial Outlook

Superior's 2016 financial outlook of AOCF per share has been updated to $1.40 to $1.60 from $1.50 to $1.80 per share as provided in the second quarter of 2016. The updated 2016 financial outlook is due to the Sale of CPD and a reduced outlook for the Specialty Chemicals business for the third and fourth quarters of 2016. The reduction in the outlook for the Specialty Chemicals business is due to lower than anticipated results in the chlor-alkali and sodium chlorate segments in the second half of 2016.

In addition to the background provided in the individual business financial outlook sections, key assumptions underlying the 2016 financial outlook include:

- The 2016 financial outlook includes CPD IT one-time system integration costs of $4.0 million or approximately $0.03 per share;
- The 2016 financial outlook excludes Canexus transaction and bridge facility costs of $19.0 million and CPD transaction costs estimated to be $19.0 million;
- Continued improvements in operational efficiencies and sales and marketing initiatives in Energy Distribution; and
- Specialty Chemicals results are expected to be lower than 2015 due to weakness in the chlor-alkali segment, partially offset by improved sodium chlorate contribution.

For additional details on the assumptions underlying the 2016 financial outlook, see Superior's 2016 Second Quarter MD&A.

Debt Management Update

Superior remains focused on managing both its total debt and its total debt to EBITDA. Superior's total debt (including convertible debentures) to Compliance EBITDA (before transaction costs) was 3.3X as at June 30, 2016, compared to 3.2X at December 31, 2015. Superior anticipates a total debt to EBITDA ratio in the range of 1.8X to 2.2X at December 31, 2016 as the proceeds from the Sale of CPD will be used to reduce indebtedness. For additional details on the anticipated debt as at December 31, 2016, see the "Debt Management Summary" in the MD&A.

MD&A and Financial Statements

Superior's MD&A, the unaudited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements for the three and six months ended June 30, 2016, are available online at Superior's website at www.superiorplus.com under the Investor Relations section and on www.sedar.com.

2016 Second Quarter Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2016 Second Quarter Results at 10:30 a.m. EST on Wednesday, August 10, 2016. To participate in the call, dial: 1-866-223-7781. An archived recording of the call will be available for replay until midnight, September 10, 2016. To access the recording, dial: 1-800-408-3053 and enter pass code 4700400. 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 second quarter earnings release, 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. Since 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 nearest 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 adjusting 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. 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 EBITDA, EBITDA from operations, compliance EBITDA and AOCF 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

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 items of a non-recurring nature. AOCF is the main performance measure used by management and investors to evaluate Superior's performance. 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.

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. Adjustments are also made to reclassify the cash flow related to natural gas and electricity customer contract-related costs in a manner consistent with the income statement’s recognition of these costs.

EBITDA

EBITDA represents earnings before taxes, depreciation, amortization, finance expense, and certain other non-cash expenses, and is used by Superior to assess its consolidated results and those of its operating segments. The EBITDA of Superior’s operating segments may be referred to as EBITDA from operations.

EBITDA from Operations

EBITDA from operations is defined as EBITDA excluding gains/(losses) on foreign currency hedging contracts. For purposes of this MD&A, foreign currency hedging contract gains and losses are excluded from the results of the operating segments. Comparative figures for the prior periods have been reclassified to reflect this change.

Compliance EBITDA

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and certain other non-cash expenses calculated on a 12-month trailing basis, giving pro forma effect to acquisitions and divestitures, and is used by Superior to calculate compliance with its debt covenants and other credit information. See Note 15 to the unaudited condensed consolidated financial statements for a reconciliation of net earnings to compliance EBITDA.

Payout Ratio

Payout ratio represents dividends as a percentage of AOCF less maintenance capital expenditures, CRA and other tax payments and capital lease repayments and is used by Superior to assess its financial results and leverage. Payout ratio is not a defined performance measure under GAAP. Superior’s calculation of payout ratio may differ from similar calculations used by comparable entities.

Reconciliation of Net Earnings Before Income Taxes to EBITDA from Operations[(1)(2)]

For the three months ended June 30, 2016	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**
Net earnings before income taxes	**5.8**	**2.9**	**8.8**
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	**13.8**	**–**	**2.0**
Depreciation included in cost of sales	**–**	**13.4**	**–**
Realized losses on foreign currency hedging contracts	**–**	**7.7**	**1.2**
Losses (gains) on disposal of assets	**0.7**	**0.3**	**(0.1)**
Finance expense	**0.7**	**0.1**	**0.3**
Unrealized gains on derivative financial instruments	**(4.1)**	**(2.1)**	**–**
EBITDA from operations	**16.9**	**22.3**	**12.2**

For the three months ended June 30, 2015	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**
Net earnings before income taxes	7.5	1.5	10.8
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	12.4	–	1.7
Depreciation included in cost of sales	–	15.3	–
Realized losses on foreign currency hedging contracts	–	9.4	0.8
Finance expense	0.7	0.2	0.2
Unrealized gains on derivative financial instruments	(6.0)	(7.0)	–
EBITDA from operations	14.6	19.4	13.5

For the six months ended June 30, 2016	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**
Net earnings before income taxes	**105.0**	**4.1**	**13.8**
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	**–**	**27.2**	**–**
Depreciation included in cost of sales	**28.8**	**–**	**4.1**
Realized losses on foreign currency hedging contracts	**–**	**19.0**	**3.1**
Losses (gains) on disposal of assets	**0.5**	**0.3**	**(0.1)**
Finance expense	**1.5**	**0.2**	**0.6**
Unrealized gains on derivative financial instruments	**(32.1)**	**(1.2)**	**–**
EBITDA from operations	**103.7**	**49.6**	**21.5**

For the six months ended June 30, 2015	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**
Net earnings (loss) before income taxes	95.5	13.2	12.8
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	24.7	–	3.5
Depreciation included in cost of sales	–	28.8	–
Realized losses on foreign currency hedging contracts	4.6	15.0	1.6
Losses on disposal of assets	0.3	0.2	–
Finance expense	1.3	0.4	0.4
Unrealized gains on derivative financial instruments	(23.3)	(2.1)	–
EBITDA from operations	103.1	55.5	18.3

(1) See the unaudited condensed consolidated financial statements for net earnings before income taxes, depreciation and amortization included in selling, distribution and administrative costs, depreciation included in cost of sales, depreciation included in cost of sales, customer contract-related costs, finance expense and unrealized (losses) gains on derivative financial instruments.

(2) EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See "Non-GAAP Financial Measures" for additional details.

(3) EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

Adjusted Operating Cash Flow Reconciled to Net Cash Flow from Operating Activities[1][2]

(millions of dollars)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net cash flow from operating activities	**39.1**	68.1	**128.8**	200.0
Add (Deduct):				
Non-cash interest expense	**1.4**	3.8	**2.8**	5.5
Increase (decrease) in non-cash working capital	**(12.6)**	(33.1)	**(4.0)**	(54.8)
Discontinued operations	**0.7**	0.1	**0.8**	0.7
Cash income tax expense	**(1.7)**	(0.6)	**(2.9)**	(1.3)
Finance expense recognized in net earnings	**(11.2)**	(14.9)	**(23.2)**	(30.9)
Adjusted Operating Cash Flow	**15.7**	23.4	**102.3**	119.2

(1) See "Non-GAAP Financial Measures".
(2) See the unaudited condensed consolidated financial statements for net cash flow from operating activities and changes in non-cash working capital.

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 EBITDA from operations, expected AOCF and AOCF per share, expected leverage ratios and debt repayment, expectations in terms of the cost of operations, business strategy and objectives, development plans and programs, business expansion and cost structure and other improvement projects, expected product margins and sales volumes, market conditions in Canada and the U.S., continued improvements in operational efficiencies and sales and marketing initiatives in Energy Distribution, impact on results and leverage from the Sale of CPD, proceeds from the Sale of CPD expected to be used initially to repay indebtedness under Superior's credit facility and to redeem the $150.0 million outstanding principal amount of its 6.00% Debentures due June 30, 2018, future economic conditions, future exchange rates, exposure to such rates and incremental earnings associated with such rates, expected weather, expectations in respect to the global economic environment, our trading strategy and the risk involved in these strategies, the impact of certain hedges on future reported earnings and cash flows, commodity prices and costs, the impact of contracts for commodities, demand for propane, heating oil and similar products, demand for chemicals including sodium chlorate and chlor-alkali, effect of operational and technological improvements, anticipated costs and benefits of business enterprise system upgrade plans, CPD IT one-time integration costs, Canexus transaction costs, future working capital levels, expected governmental regulatory regimes and legislation and their expected impact on regulatory and legislative compliance costs, expectations for the outcome of existing or potential legal and contractual claims, 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 Plus LP.

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, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, trading data, cost estimates, our ability to obtain financing on acceptable terms, the assumptions set forth under the "Financial Outlook" sections of our Second Quarter MD&A and are 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, 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 Second Quarter 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 2016 SECOND QUARTER RESULTS
August 9, 2016

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 and six months ended June 30, 2016 and 2015, as well as forward-looking information about future periods. This MD&A should be read in conjunction with Superior's second quarter 2016 unaudited condensed consolidated financial statements and notes thereto, which have been prepared in accordance with International Accounting Standard (IAS) 34, Interim Financial Reporting, as issued by the International Accounting Standards Board (IASB); Superior's 2015 Annual MD&A; Superior's 2015 Audited Consolidated Financial Statements and notes thereto, which have been prepared in accordance with IFRS as issued by the IASB; and other recent filings with Canadian regulatory authorities, which are available on SEDAR at sedar.com.

All dollar amounts in this MD&A are expressed in millions of Canadian dollars except where otherwise noted. The information in this MD&A is current to August 9, 2016. 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: the Energy Distribution segment, which includes a Canadian propane distribution business and a U.S. refined fuels distribution business; and the Specialty Chemicals segment, which produces and distributes sodium chlorate, chlor-alkali products and sodium chlorite; and the Construction Products Distribution segment, which distributes drywall, insulation, framing and other construction products mainly throughout Canada and the United States. On August 9, 2016, Superior divested its Construction Products Distribution business.

Non-GAAP Financial Measures
This MD&A contains non-GAAP measures such as adjusted operating cash flow, EBITDA from operations, EBITDA and compliance EBITDA. Since non-GAAP financial measures do not have standardized meaning prescribed by generally accepted accounting principles (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 nearest 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 adjusting items may only be relevant in certain periods. 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", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "guidance", "may", "predict", "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 EBITDA from operations, expected adjusted operating cash flow (AOCF) and adjusted operating cash flow per share, expected leverage ratios and debt repayment, debt management summary, expectations in terms of the cost of operations, capital spend and maintenance and the variability of these costs, timing, future supply and demand fundamentals for North American sodium chlorate, business strategy and

objectives, development plans and programs, business expansion and cost structure and other improvement projects, expected product margins and sales volumes, market conditions in Canada and the U.S., continued improvements in operational efficiencies and sales and marketing initiatives in Energy Distribution, impact on the results and leverage from the sale of CPD, use of proceeds to repay indebtedness under Superior's credit facility and to redeem the $150.0 million outstanding principal amount of its 6.00% Debentures due June 30, 2018, expected tax consequences of the Conversion, the challenge by the CRA of the tax consequences of the Conversion (and the expected timing and impact of such process including any payment of taxes and the quantum of such payments), future income taxes, the impact of proposed changes to Canadian tax legislation or U.S. tax legislation, future economic conditions, future exchange rates, exposure to such rates and incremental earnings associated with such rates, dividend strategy, payout ratio, expected weather, expectations in respect to the global economic environment, our trading strategy and the risk involved in these strategies, the impact of certain hedges on future reported earnings and cash flows, commodity prices and costs, the impact of contracts for commodities, demand for propane, heating oil, other refined fuels and similar products, demand for chemicals including sodium chlorate and chlor-alkali, effect of operational and technological improvements, anticipated costs and benefits of business enterprise system upgrade plans, CPD IT one-time system integration costs, Canexus transaction costs, future working capital levels, expected governmental regulatory regimes and legislation and their expected impact on regulatory and legislative compliance costs, expectations for the outcome of existing or potential legal and contractual claims, 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 Plus LP.

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, availability and utilization of tax basis, regulatory developments, currency, exchange and interest rates, trading data, cost estimates, our ability to obtain financing on acceptable terms, the assumptions set forth under the "Financial Outlook" sections of this Second Quarter MD&A and are 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, 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 Second Quarter 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.

FINANCIAL OVERVIEW

Summary of Adjusted Operating Cash Flow

(millions of dollars except per share amounts)	Three months ended June 30 **2016**	2015	Six months ended June 30 **2016**	2015
Revenue	**703.6**	715.0	**1,511.1**	1,691.0
Gross profit	**196.0**	189.2	**473.2**	477.2
EBITDA from operations[1][2][3]	**51.4**	47.5	**174.8**	176.9
Corporate costs	**(3.8)**	(2.2)	**(7.1)**	(9.8)
Realized losses on foreign currency hedging contracts[2]	**(8.9)**	(10.2)	**(22.1)**	(21.2)
Interest expense	**(9.8)**	(11.1)	**(20.4)**	(25.4)
Cash income tax expense	**(1.7)**	(0.6)	**(2.9)**	(1.3)
Adjusted operating cash flow before transaction costs[1]	**27.2**	23.4	**122.3**	119.2
Transaction costs[4]	**(11.5)**	–	**(20.0)**	–
Adjusted operating cash flow[1]	**15.7**	23.4	**102.3**	119.2
Adjusted operating cash flow per share before transaction costs, basic [1][4][5]	**$0.19**	$0.18	**$0.86**	$0.94
Adjusted operating cash flow per share before transaction costs, diluted [1][4][5][6]	**$0.19**	$0.18	**$0.86**	$0.92
Adjusted operating cash flow per share, basic [1][5]	**$0.11**	$0.18	**$0.72**	$0.94
Adjusted operating cash flow per share, diluted [1][5][6]	**$0.11**	$0.18	**$0.72**	$0.92
Dividends paid per share	**$0.18**	$0.18	**$0.36**	$0.36

[1] EBITDA from operations and adjusted operating cash flow (AOCF) are non-GAAP measures. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".
[2] EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.
[3] EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.
[4] Transaction costs for the three and six months ended June 30, 2016 are related to the terminated acquisition of Canexus and the divestiture of the Construction Products Distribution (CPD) business. See "Transaction Costs" for further details.
[5] The weighted average number of shares outstanding for the three and six months ended June 30, 2016 is 141.9 million and 141.5 million, respectively (three and six months ended June 30, 2015 – 126.7 million and 126.4 million, respectively).
[6] There were no dilutive instruments with respect to AOCF per share for the three and six months ended June 30, 2016 and for the three months ended June 30, 2015. For the six months ended June 30, 2015, the dilutive impact of the 7.50%, October 31, 2016 convertible debentures was 6.1 million shares (132.5 million total shares on a dilutive basis) with a resulting impact on AOCF before transaction costs of $2.6 million ($121.8 million total on a dilutive basis) and on AOCF of $2.6 million ($121.8 million total on a dilutive basis).

Comparable GAAP Financial Information

(millions of dollars except per share amounts)	Three months ended June 30 **2016**	2015	Six months ended June 30 2016	2015
Net earnings (loss) from continuing operations	**(6.9)**	41.0	**98.0**	32.0
Net earnings (loss) per share from continuing operations, basic	**$(0.05)**	$0.32	**$0.69**	$0.25
Net earnings (loss) per share from continuing operations, diluted	**$(0.05)**	$0.25	**$0.65**	$0.25
Net cash flows from operating activities	**39.1**	68.1	**128.8**	200.0
Net cash flows from operating activities per share, basic	**$0.27**	$0.54	**$0.91**	$1.58
Net cash flows from operating activities per share, diluted	**$0.27**	$0.53	**$0.91**	$1.53

Segmented Information

(millions of dollars)	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
EBITDA from operations[(1)(2)]:				
Energy Services	**16.9**	14.6	**103.7**	103.1
Specialty Chemicals	**22.3**	19.4	**49.6**	55.5
Construction Products Distribution (CPD)	**12.2**	13.5	**21.5**	18.3
	51.4	47.5	**174.8**	176.9

(1) EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See “Non-GAAP Financial Measures”.
(2) EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

Adjusted Operating Cash Flow Reconciled to Net Cash Flow from Operating Activities[(1)(2)]

(millions of dollars)	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Net cash flow from operating activities	**39.1**	68.1	**128.8**	200.0
Add (Deduct):				
Non-cash interest expense	**1.4**	3.8	**2.8**	5.5
Changes in non-cash operating working capital	**(12.6)**	(33.1)	**(4.0)**	(54.8)
Discontinued operations	**0.7**	0.1	**0.8**	0.7
Cash income tax expense	**(1.7)**	(0.6)	**(2.9)**	(1.3)
Finance expense recognized in net earnings	**(11.2)**	(14.9)	**(23.2)**	(30.9)
Adjusted Operating Cash Flow	**15.7**	23.4	**102.3**	119.2

(1) See “Non-GAAP Financial Measures”.
(2) See the unaudited condensed consolidated financial statements for net cash flow from operating activities and changes in non-cash working capital.

For purposes of this MD&A, foreign currency hedging contract gains and losses are excluded from the results of the operating segments. Divisional results exclude the impact of foreign currency hedging contracts as these contracts are entered into for treasury risk management purposes.

Divestiture of Fixed-Price Energy Services

The Fixed-price energy services assets were divested during the first quarter for total consideration of $4.3 million. Fixed-price energy services’ net earnings are reported as discontinued operations in Superior’s second quarter unaudited condensed consolidated financial statements.

Second Quarter Comparison to Prior Year Quarter

Second quarter AOCF before transaction costs was $27.2 million, an increase of $3.8 million or 16% from the prior year quarter AOCF before transaction costs of $23.4 million. EBITDA from operations was $51.4 million, an increase of $3.9 million due primarily to higher results from Energy Distribution and Specialty Chemicals, partially offset by lower results from CPD. Energy Distribution EBITDA from operations increased due to higher unit margins and EBITDA from operations at Specialty Chemicals increased primarily due the impact of the stronger U.S. dollar on U.S. denominated EBITDA, partially offset by lower hydrochloric acid demand from the oil and gas industry and lower caustic soda prices. CPD EBITDA from operations decreased due to higher system integration costs.

AOCF per share before transaction costs was $0.19 per share, an increase of $0.01 per share, as the increase in AOCF before transaction costs was partially offset by an increase in weighted average shares outstanding. The weighted average shares outstanding increased due to the issuance of 13.9 million shares on October 28, 2015 and the reinstatement of the Dividend Reinvestment Program and Optional Share Purchase Program (DRIP) beginning with the payment of the December 2015 dividend which was paid January 15, 2016.

Revenue of $703.6 million was $11.4 million lower than in the prior year’s quarter due primarily to decreased Energy Distribution and Specialty Chemicals revenue, partially offset by increased CPD revenue. Energy Distribution revenue decreased primarily due to lower demand from oilfield customers compared to the prior year period. Specialty Chemicals revenue decreased due to lower sodium chlorate volumes and lower chlorate, caustic soda and hydrochloric acid average selling prices resulting from lower demand in North America, partially offset by the impact of the stronger U.S. dollar on U.S. denominated revenues. CPD revenues increased primarily due to higher sales volumes of gypsum related to improved U.S. sales volumes from ongoing strength in the U.S. residential construction sector and the impact of the stronger U.S. dollar on U.S. denominated revenues.

Operating expenses of $199.0 million in the second quarter were $15.3 million higher than operating expenses in the prior year quarter primarily due to the impact of the stronger U.S. dollar on U.S. denominated expenses, general inflationary increases and costs associated with the terminated acquisition of Canexus.

Finance expense was $11.2 million, compared to $14.9 million in the prior year, a decrease of $3.7 million due to lower average debt levels and average effective interest rates. The decrease in debt levels is primarily due to proceeds from the issuance of 13.9 million shares in October 2015 being used to repay borrowings. The decrease in average effective interest rates is due to the redemption of $172.5 million of 5.75% Debentures in June 2015 and $69.3 million of 7.5% Debentures in December 2015.

Unrealized gains on derivative financial instruments were $10.3 million in the second quarter, compared to $47.2 million in the prior year, mainly related to the changes in market prices of commodities and timing of maturities of the underlying financial instruments.

The net loss from continuing operations for the quarter ended June 30, 2016 was $6.9 million, compared to net earnings of $41.0 million in the prior year. The decrease in net earnings was mainly due to the change in unrealized gains on derivative financial instruments resulting from fluctuations in the U.S. dollar relative to the Canadian dollar compared to the prior year period.

Terminated Acquisition of Canexus Corporation

On October 6, 2015, Superior announced that it entered into an arrangement agreement with Canexus Corporation (Canexus), pursuant to which Superior agreed to acquire all the issued and outstanding common shares of Canexus by way of a court approved plan of arrangement.

On June 30, 2016, Superior terminated the arrangement agreement by providing Canexus with a termination notice specifying that Canexus had breached the arrangement agreement, failed to remedy such breaches and that, as a result, Superior was seeking payment from Canexus of a termination fee of $25 million.

On July 12, 2016, Superior announced it had commenced legal action to recover the $25 million termination fee from Canexus. Superior also filed a statement of defence to Canexus' claim for a reverse termination fee of $25 million from Superior. Superior believes that Canexus' claim for the reverse termination fee is without merit and intends to vigorously defend Canexus' claim and pursue payment of the $25 million termination fee owed by Canexus.

Divestiture of CPD

On July 5, 2016, Superior announced it has entered into a definitive agreement to sell its CPD business for total cash consideration of US$325.0 million to Foundation Building Materials, LLC. The divestiture was subject to customary purchase price adjustments, closing conditions and the receipt of required regulatory approvals and closed on August 9, 2016. The proceeds from the sale of CPD are expected to be used initially to repay indebtedness under Superior’s credit facility and to redeem the $150.0 million outstanding principal amount of its 6.00% Debentures due June 30, 2018.

Acquisition of Caledon Propane

On June 14, 2016, Superior acquired the assets of Caledon Propane Inc. (Caledon), a family-owned propane business with operations in Ontario and Manitoba. The total purchase price was $8.1 million excluding taxes.

Year-to-Date Comparison to Prior Year-to-Date
For the six months ended June 30, 2016, AOCF before transaction costs was $122.3 million, an increase of $3.1 million or 3% from the prior year AOCF before transaction costs of $119.2 million. EBITDA from operations was $174.8 million, a decrease of $2.1 million due primarily to lower results from Specialty Chemicals, partially offset by higher results from Energy Distribution and CPD. Specialty Chemicals EBITDA from operations decreased primarily due to foreign currency losses related to working capital in 2016 of $3.4 million, compared to gains of $4.9 million in the prior year, lower hydrochloric acid demand related to the oil and gas industry and lower North American pulp mill customer demand, partially offset by the impact of the stronger U.S. dollar on U.S. denominated EBITDA. EBITDA from operations at Energy Distribution increased due to higher unit margins and CPD EBITDA from operations increased due to higher volumes, partially offset by system integration costs.

AOCF per share before transaction costs was $0.86 per share, a decrease of $0.08 per share compared to the prior year period. The increase in AOCF before transaction costs was more than offset by an increase in weighted average shares outstanding. The weighted average shares outstanding increased due to the issuance of 13.9 million shares on October 28, 2015 and the reinstatement of the Dividend Reinvestment Program and Optional Share Purchase Program (DRIP) beginning with the payment of the December 2015 dividend which was paid January 15, 2016.

Revenue of $1,511.1 million was $179.9 million lower than the prior year due primarily to decreased Energy Distribution and Specialty Chemicals revenue, partially offset by increased CPD revenue. Energy Distribution revenue decreased due to lower demand from oilfield customers compared to the prior year. Specialty Chemicals revenue decreased due to lower sodium chlorate and chlor-alkali volumes and lower chlorate, caustic soda and hydrochloric acid average selling prices resulting from lower demand in North America, partially offset by the impact of the stronger U.S. dollar on U.S. denominated revenues. CPD revenues increased primarily due to higher sales volumes of gypsum related to improved Canadian and U.S. sales volumes from ongoing strength in the residential construction sector and the impact of the stronger U.S. dollar on U.S. denominated revenues.

Operating expenses of $408.6 million were $19.5 million higher than operating expenses in the prior year quarter primarily due to the impact of the stronger U.S. dollar on U.S. denominated expenses, general inflationary increases and costs associated with the terminated acquisition of Canexus, partially offset by a decrease in wages related to reduced Energy Distribution volumes and decreased fuel expenses due to reduced volumes and a lower cost of diesel.

Finance expense was $23.2 million, compared to $30.9 million in the prior year, a decrease of $7.7 million due to lower average debt levels and average effective interest rates. The decrease in debt levels is primarily due to proceeds from the issuance of 13.9 million shares in October 2015 being used to repay borrowings. The decrease in average effective interest rates is due to the redemption of $172.5 million of 5.75% Debentures in June 2015 and $69.3 million of 7.5% Debentures in December 2015.

Unrealized gains on derivative financial instruments were $83.7 million, compared to a loss of $4.7 million in the prior year, mainly related to the changes in market prices of commodities and timing of maturities of the underlying financial instruments.

The net earnings from continuing operations for the six months ended June 30, 2016 was $98.0 million, compared to net earnings of $32.0 million in the prior year. The increase in net earnings was mainly due to the change in unrealized gains on derivative financial instruments resulting from fluctuations in the U.S. dollar relative to the Canadian dollar compared to the prior year period.

OPERATING RESULTS

ENERGY DISTRIBUTION

Energy Services' condensed operating results for 2016 and 2015[1]:

(millions of dollars)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Revenue	**313.1**	332.6	**726.9**	919.9
Cost of sales[2]	**(219.8)**	(240.3)	**(459.2)**	(642.1)
Gross profit[2]	**93.3**	92.3	**267.7**	277.8
Less: Cash operating and administrative costs[3]	**(76.4)**	(77.7)	**(164.0)**	(174.7)
EBITDA from operations[2][4]	**16.9**	14.6	**103.7**	103.1
Net earnings[3]	**5.8**	7.5	**105.0**	95.5

(1) Financial results exclude the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.
(2) Cost of sales, gross profit and EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.
(3) See "Reconciliation of Divisional Segmented Revenue, Cost of Sales and Cash Operating and Administrative Costs Included in this MD&A."
(4) EBITDA from operations is a non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

Revenues for the second quarter of 2016 were $313.1 million, a decrease of $19.5 million or 6% compared to the prior year quarter. The decrease is primarily due to lower propane sales volumes compared to the prior year quarter. Total gross profit for the second quarter of 2016 was $93.3 million, an increase of $1.0 million or 1% over the prior year quarter. The increase in gross profit is primarily from higher unit margins compared to the prior year period within the Canadian propane segment. A detailed review of gross profit is provided below.

Gross Profit Review

(millions of dollars)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Canadian propane distribution[1]	**58.5**	54.4	**157.6**	154.1
U.S. refined fuels distribution[2]	**28.6**	30.7	**96.7**	109.6
Other services	**6.2**	7.2	**13.4**	14.1
Total gross profit	**93.3**	92.3	**267.7**	277.8

(1) Includes the gross profit of the supply portfolio management division, which was previously reported as a separate division of Energy Distribution. Comparative figures have been reclassified to reflect the current period presentation.
(2) Gross profit of U.S. refined fuels distribution excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.

Canadian Propane Distribution

The gross profit of Canadian Propane Distribution includes the results of the supply portfolio management division, which was previously reported as a separate division of Energy Distribution. Comparative figures have been reclassified to reflect the current period presentation.

Canadian propane distribution gross profit for the second quarter was $58.5 million, an increase of $4.1 million or 8% compared to the prior year quarter. The increase was mainly the result of higher unit margins, despite lower volumes as compared to the prior year. Residential sales volumes increased by 2 million litres or 11% from the prior year quarter due primarily to late seasonal deliveries. Average weather across Canada for the second quarter, as measured by degree days, was 2% warmer than the prior year and 6% warmer than the five-year average. Industrial volumes decreased by 21 million litres or 18%, largely due to reduced oilfield customer demand related to the low price of oil. Wholesale volumes decreased 2 million litres or 3%, as the market conditions were not as favourable for wholesale opportunities as compared to the prior year.

Average propane sales margins for the second quarter increased to 22.9 cents per litre from 19.4 cents per litre in the prior year quarter. Average retail sales margins in the second quarter of 2016 benefitted from the continued low

price environment for the wholesale cost of propane and ongoing pricing management initiatives. In addition, Canadian propane margins were higher than the prior year quarter due to the benefit of procurement initiatives related to supply contracts and the impact of improved basis differentials.

Canadian Propane Distribution Sales Volumes

Volumes by End-Use Application [(1)]

(millions of litres)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Residential	**20**	18	**68**	76
Commercial	**42**	43	**132**	152
Agricultural	**7**	7	**22**	25
Industrial	**93**	114	**201**	258
Wholesale	**73**	75	**224**	241
Automotive	**20**	23	**37**	40
Total	**255**	280	**684**	792

Volumes by Region [(1)(2)]

(millions of litres)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Western Canada	**123**	153	**336**	404
Eastern Canada	**92**	90	**237**	272
Atlantic Canada	**25**	24	**60**	61
Northeast United States	**15**	13	**51**	55
Total	**255**	280	**684**	792

(1) Includes external sales volumes of the supply portfolio management division, which was previously reported as a separate division of Energy Distribution. Comparative figures have been reclassified to reflect the current period presentation.

(2) 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; and Northeast United States region consists of Pennsylvania, Connecticut, New York and Rhode Island.

U.S. Refined Fuels Distribution

U.S. refined fuels distribution gross profit for the second quarter was $28.6 million, a decrease of $2.1 million or 7% compared to the prior year quarter, mainly due to lower sales margins. Sales volumes of 353 million litres increased by 15 million litres or 4% from the prior year quarter. Residential sales volumes increased by 3 million litres or 8% from the prior year quarter due primarily to late seasonal deliveries compared to the prior year quarter. Average weather across Northeast U.S. for the second quarter, as measured by degree days, was 30% colder than the prior year and 27% colder than the five-year average. Commercial sales volumes increased by 2 million litres or 2% largely due to colder weather. Wholesale volumes increased 10 million litres or 5% due to increased gasoline rack sales.

Average U.S. refined fuels sales margins of 8.1 cents per litre compared to 9.1 cents per litre in the prior year quarter due to increased competitive pressures in the commercial and wholesale segments which was partially offset by the appreciation of the U.S. dollar compared to the prior year quarter.

U.S. Refined Fuels Distribution Sales Volumes

Volumes by End-Use Application [1]

(millions of litres)	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Residential	**41**	38	**158**	193
Commercial	**87**	85	**183**	202
Wholesale	**225**	215	**434**	437
Total	**353**	338	**775**	832

[1] Includes heating oil, propane, diesel and gasoline sold in the Northeast United Sates region, consisting of Pennsylvania, Connecticut, New York and Rhode Island.

Other services

Other services gross profit was $6.2 million in the second quarter compared to $7.2 million in the prior year quarter due to reduced oilfield activity related to the continued low price of oil.

Cash Operating and Administrative Costs

Energy Distribution cash operating and administrative costs were $76.4 million in the second quarter of 2016, a decrease of $1.3 million or 2% from the prior year quarter. The decrease in expenses was primarily due to lower wages and lower vehicle operating costs related to reduced sales volumes, lower commodity prices and improved expense management.

Divestiture of Fixed-Price Energy Services

In 2015, Superior decided to cease marketing efforts and allow existing customer contracts to expire with the intention to exit the business. The Fixed-price energy services assets were divested during Q1 2016 and were sold for total consideration of $4.3 million, which includes $0.7 million of contingent consideration. This transaction is not expected to have a material impact to the Energy Distribution portfolio. Fixed-price energy services is reported as a discontinued operation in Superior's Q2 2016 unaudited condensed consolidated financial statements.

Financial Outlook

EBITDA from operations for 2016 for the Energy Distribution business is anticipated to be consistent with 2015. EBITDA from the Canadian Propane and U.S. Refined Fuels businesses should benefit from ongoing operational and procurement improvements and sales and marketing initiatives. Gross profits in the Canadian propane business are anticipated to be consistent with 2015 as lower volumes related to the warmer weather in the first quarter and decline in oilfield activity are anticipated to be offset by improvements in average margins. Gross profits in the U.S. Refined Fuels business are anticipated to be modestly lower than 2015 due to a decrease in expected average margins in the commercial and wholesale business, partially offset by the strengthening of the U.S. dollar on the translation of U.S. denominated gross profit. Cash operating costs are anticipated to be lower than 2015 due to continuous improvement initiatives and reduced volumes related to weather, partially offset by the translation of U.S. denominated operating expenses. Average weather, as measured by degree days, for the remainder of 2016 is anticipated to be consistent with the 5-year average.

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

SPECIALTY CHEMICALS

Specialty Chemicals' condensed operating results for 2016 and 2015:

(millions of dollars except per metric tonne (MT) amounts)	**Three months ended June 30**				**Six months ended June 30**			
	2016		2015		**2016**		2015	
		$ per MT		$ per MT		**$ per MT**		$ per MT
Revenue	**143.3**	**731**	151.4	776	**300.3**	**749**	334.9	801
Cost of sales	**(82.8)**	**(422)**	(90.8)	(466)	**(176.7)**	**(441)**	(195.3)	(467)
Gross profit[1]	**60.5**	**309**	60.6	310	**123.6**	**308**	139.6	334
Less: Cash operating and administrative costs	**(38.2)**	**(195)**	(41.2)	(211)	**(74.0)**	**(185)**	(84.1)	(201)
EBITDA from operations[1][2]	**22.3**	**114**	19.4	99	**49.6**	**123**	55.5	133
Net earnings[2]	**2.9**		1.5		**4.1**		13.2	

[1] Revenue, gross profit and EBITDA from operations of Specialty Chemicals excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.

[2] See "Reconciliation of Divisional Segmented Revenue, Cost of Sales and Cash Operating and Administrative Costs Included in this MD&A."

[3] EBITDA from operations is a non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

Sales Volumes by Product

(thousands of MTs)	**Three months ended June 30**		**Six months ended June 30**	
	2016	2015	**2016**	2015
Sodium chlorate	**117**	120	**247**	259
Chlor-alkali	**77**	73	**151**	156
Chlorite	**2**	2	**3**	3
Total	**196**	195	**401**	418

Chemical revenue for the second quarter of $143.3 million was $8.1 million or 5% lower than in the prior year quarter due primarily to a decrease in sodium chlorate sales volumes and chlorate average selling prices, and a decrease in caustic soda, caustic potash and hydrochloric acid average selling prices, partially offset by the impact of the stronger U.S. dollar on U.S. denominated revenues and lower foreign currency losses related to working capital. Sodium chlorate sales volumes were 3% lower than the prior year quarter due to reduced demand from North American pulp customers and lower Tronox purchases. Caustic potash average selling prices decreased due to weakness in the agricultural sector, hydrochloric acid demand and selling prices were lower related to the decline in oilfield activity.

Second quarter gross profit was $60.5 million, consistent with the prior year quarter. This was due to lower Tronox purchases offsetting the declines in revenue.

Cash operating and administrative costs of $38.2 million were $3.0 million or 7% lower than in the prior year quarter due to lower plant and Tronox-related operating expenses, partially offset by the impact of the stronger U.S. dollar on U.S. based expenses and general inflationary increases.

On August 6, 2016, the North Vancouver, British Columbia sodium chlorate facility, which represents 22% of Superior's North American sodium chlorate manufacturing capacity, suffered damage due to an equipment failure. The facility was appropriately shut-down to assess the damage from the incident. Superior is in the process of completing its initial assessment of the damage and the process of remediation has commenced. Superior estimates that the facility will return to normal operating rates by the end of August 2016. Physical damage to the property and loss of production is covered by Superior's insurance program, subject to customary deductibles and waiting periods.

Financial Outlook
Superior expects EBITDA from operations for 2016 to be lower than 2015. Superior's forecast for its Specialty Chemicals business at the end of the first quarter of 2016 was for results in 2016 to be consistent with 2015. The reduction in the 2016 forecast is due to lower than anticipated sodium chlorate and chlor-alkali gross profits in the third and fourth quarters of 2016. Sodium chlorate gross profits anticipated to be lower than previously forecast due to decreased sales volumes related to longer than anticipated pulp mill plant maintenance closures and a reduction in export volumes. Chlor-alkali gross profits are now anticipated to be weaker than previously forecast due to lower caustic netback prices and lower caustic potash sales prices and volumes.

Sodium chlorate EBITDA is anticipated to be higher in 2016 due to the termination of the Tronox agreement and related plant expenses. EBITDA from the chlor-alkali segment is anticipated to be lower in 2016 due to a decrease in netback prices for hydrochloric acid, caustic soda and caustic potash, coupled with a decrease in caustic potash volumes. Hydrochloric acid netback prices and volumes are anticipated to be lower than 2015 due to reduced demand related to the continued decline in oilfield activity expected in 2016. Caustic potash netback prices and volumes are anticipated to be lower than 2015 due to weakness in the agriculture sector. Caustic soda netback prices are anticipated to decrease compared to 2015 due to a shift in sales mix to lower margin customers.

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

CONSTRUCTION PRODUCTS DISTRIBUTION

Construction Products Distribution's condensed operating results for 2016 and 2015:

	Three months ended June 30		Six months ended June 30	
(millions of dollars)	**2016**	2015	**2016**	2015
Revenue[1][2]	**256.7**	239.7	**502.6**	457.7
Cost of sales[1]	**(191.6)**	(179.4)	**(374.8)**	(343.0)
Gross profit[2]	**65.1**	60.3	**127.8**	114.7
Less: Cash operating and administrative costs	**(52.9)**	(46.8)	**(106.3)**	(96.4)
EBITDA from operations[2][3]	**12.2**	13.5	**21.5**	18.3
Net earnings[3]	**8.8**	10.8	**13.8**	12.8

[1] In order to better reflect the results of its operations, Superior has reclassified certain non-cash expenses for purposes of this Financial Discussion. See "Reconciliation of Divisional Segmented Revenue, Cost of Sales and Cash Operating and Administrative Costs Included in this Financial Discussion" for detailed amounts.
[2] Revenue, gross profit and EBITDA from operations of CPD excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation.
[3] EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

Revenues of $256.7 million for the second quarter of 2016 were $17.0 million or 7% higher than in the prior year quarter due to increased gypsum and commercial and industrial insulation (C&I) revenues. Gypsum revenues were higher than the prior year quarter primarily due to improved U.S. sales volumes as a result of ongoing improvements in the residential construction sector, an increase in average selling prices and the impact of the stronger U.S. dollar on U.S. denominated revenues. C&I revenues increased over the prior year quarter due to the impact of the stronger U.S. dollar on U.S. denominated revenues.

Gross profit was $65.1 million in the second quarter, an increase of $4.8 million or 8% from the prior year quarter primarily due to improved sales volumes, effective price management, procurement and supply chain improvements and the impact of the stronger U.S. dollar on U.S. denominated earnings.

Cash operating and administrative costs were $52.9 million in the second quarter, an increase of $6.1 million or 13% from the prior year quarter. The increase was primarily due to higher sales volumes, system integration project costs and the appreciation of the U.S. dollar on U.S. denominated expenses.

System Integration
CPD made significant progress on the systems integration project that will replace two legacy ERP systems with a single, standardized solution. The updated system was designed to provide enhanced procurement, pricing and operational effectiveness, enabling CPD to further improve margins and operating costs once complete. Total costs incurred to date are $25.2 million consisting of $19.5 million in capital and $5.7 million in operating expense.

FOREIGN CURRENCY HEDGING CONTRACTS
Superior's foreign currency hedging contracts for the 2016 fiscal year were entered into in prior years when the Canadian dollar was stronger relative to the U.S. dollar. In 2016, lower value foreign currency hedging contracts expire and Superior's effective U.S. exchange rate is expected to improve. For a summary of Superior's outstanding U.S. dollar forward contracts for 2016 and beyond, refer to "Financial Instruments – Risk Management."

The impact of these contracts is excluded from the divisional results as discussed above in this MD&A. Below is a table that summarizes the impact of the realized losses to the divisional results related to the foreign currency hedging contracts.

(millions of dollars)			**Three months ended June 30 2016**				Three months ended June 30 2015	
	Energy Services	**Specialty Chemicals**	**Construction Products Distribution**	**Total**	Energy Services	Specialty Chemicals	Construction Products Distribution	Total
EBITDA from operations[1]	**16.9**	**22.3**	**12.2**	**51.4**	14.6	19.4	13.5	47.5
Realized losses on foreign currency hedging contracts	**–**	**7.7**	**1.2**	**8.9**	–	9.4	0.8	10.2
EBITDA	**16.9**	**14.6**	**11.0**	**42.5**	14.6	10.0	12.7	37.3

[1] EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

(millions of dollars)			**Six months ended June 30 2016**				Six months ended June 30 2015	
	Energy Services	**Specialty Chemicals**	**Construction Products Distribution**	**Total**	Energy Services	Specialty Chemicals	Construction Products Distribution	Total
EBITDA from operations[1]	**103.7**	**49.6**	**21.5**	**174.8**	103.1	55.5	18.3	176.9
Realized losses on foreign currency hedging contracts	**–**	**19.0**	**3.1**	**22.1**	4.6	15.0	1.6	21.2
EBITDA	**103.7**	**30.6**	**18.4**	**152.7**	98.5	40.5	16.7	155.7

[1] EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's second quarter condensed consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see the unaudited condensed consolidated financial statements.

CONSOLIDATED CAPITAL EXPENDITURE SUMMARY

(millions of dollars)	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Efficiency, process improvement and growth-related	**7.1**	12.4	**17.1**	17.3
Maintenance capital	**13.0**	5.1	**36.8**	14.0
	20.1	17.5	**53.9**	31.3
Proceeds on disposition of capital and intangible assets	**(0.1)**	(0.6)	**(0.5)**	(1.1)
Acquisitions	**4.2**	1.6	**4.2**	1.6
Total net capital expenditures	**24.2**	18.5	**57.6**	31.8
Investment in finance leases	**1.7**	9.6	**7.3**	10.2
Total expenditures including finance leases	**25.9**	28.1	**64.9**	42.0

Efficiency, process improvement and growth related expenditures were $7.1 million in the second quarter compared to $12.4 million in the prior year quarter and are primarily related to the purchase of tanks for customer growth, a new USRF wholesale inventory system implementation costs and CPD system integration costs.

Maintenance capital expenditures were $13.0 million in the second quarter compared to $5.1 million in the prior year quarter, an increase of $7.9 million mainly due to timing of expenditures and tank refurbishment costs at Energy Distribution.

Acquisition capital relates to the acquired assets of Caledon, a family-owned propane business with operations in Ontario and Manitoba. These assets were acquired on June 14, 2016.

Superior entered into new leases with capital-equivalent value of $1.7 million in the second quarter compared to $9.6 million in the prior year quarter due to timing of delivery of vehicles for the Energy Distribution and Construction Products Distribution segments. Superior continues to invest in trucks and equipment to support growth and replace aging vehicles in the fleet.

CORPORATE AND INTEREST COSTS

Corporate costs for the second quarter were $3.8 million, compared to $2.2 million in the prior year quarter. The $1.6 million increase was primarily due to increased long-term incentive plan costs as a result of increases in Superior's share price.

Interest expense on borrowing and finance lease obligations for the second quarter was $9.8 million, compared to $11.1 million in the prior year quarter. Interest expense was positively impacted by lower average debt levels, the redemption of the $172.5 million outstanding principal amount of 5.75% debentures in June 2015 and the $69.4 million outstanding principal amount of 7.50% debentures in December 2015.

Transaction Costs

Superior's transaction costs have been categorized together and excluded from segmented results. Below is a table summarizing these costs for comparative purposes:

(millions of dollars)	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
CPD disposal costs	**1.4**	–	**1.4**	–
Canexus transaction costs	**10.1**	–	**18.6**	–
Total transaction costs	**11.5**	–	**20.0**	–

For the three months ended June 30, 2016, Superior incurred $10.1 million in costs related to legal and regulatory proceedings and costs associated with a bridge facility for the terminated acquisition of Canexus, and $1.4 million in costs related to the disposal of CPD.

Income Taxes
Total income tax expense for the second quarter was $3.0 million and consists of $1.7 million in cash income tax expense and $1.3 million in deferred income tax expense, compared to a total income tax recovery of $3.2 million in the prior year quarter, which consisted of $0.6 million in cash income tax expense and a $3.8 million deferred income tax recovery.

Cash income tax expense for the second quarter was $1.7 million and consisted of income tax recovery in the U.S. of $0.3 million (2015 - $0.6 million of U.S. cash tax expense) and income tax expense of $2.0 million in Chile (2015 – no Chile cash tax expense). Deferred income tax expense for the second quarter was $1.3 million (2015 - $3.7 million deferred income tax recovery), resulting in a corresponding net deferred income tax asset of $253.9 million, including $0.8 million of deferred income tax assets related to discontinued operations, as at June 30, 2016.

Canada Revenue Agency (CRA) Income Tax Update
On April 2, 2013, Superior received, from the CRA, Notices of Reassessment for Superior's 2009 and 2010 taxation years reflecting the CRA's intent to challenge the tax consequences of Superior's corporate conversion transaction (Conversion) which occurred on December 31, 2008. The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). On May 8, 2013 and August 7, 2013, respectively, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notices of Reassessment received on April 2, 2013. Superior has been reassessed for subsequent taxation years by the CRA and the provincial tax agencies and has filed a Notice of Objection for each Notice of Assessment received.

The table below summarizes Superior's estimated tax liabilities and payment requirements associated with the received and anticipated Notices of Reassessment. Upon receipt of the Notices of Reassessment, 50% of the taxes payable pursuant to such Notice of Reassessment must be remitted to the CRA and the provincial tax agencies within 90 days.

Taxation Year	Taxes Payable(1)(2)	50% of the Taxes Payable(1)(2)	Month/Year – Paid/Payable
2009/2010	$13.0	$6.5	April 2013
2011	$15.0(3)	$7.5	February 2015
2012	$10.0(3)	$5.0	February 2015
2013	$11.0(3)	$5.5	February 2015
2014	$16.0(3)	$8.0	December 2015
2015	$3.0(3)	$1.5	2016
2016	$20.0(3)	$10.0	2017
Total	**$88.0**	**$44.0**	

(1) In millions of dollars.
(2) Includes estimated interest and penalties up to payment date of 50%.
(3) Estimated based on Superior's previously filed tax returns, 2015 financial results and the midpoint of Superior's 2016 outlook.

Superior anticipates that if the case proceeds in the Tax Court of Canada, the case could be heard within two years, with a decision rendered six to twelve months after completion of the court hearings. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional two years. If Superior receives a positive decision then any taxes, interest and penalties paid to the CRA will be refunded plus interest. If Superior is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted to the CRA and Superior would not be able to use the tax attributes from the Conversion.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and currently intends to vigorously defend such position and to file its future tax returns on a basis consistent with its view of the outcome of the Conversion.

Interim tax payments made by Superior will be recorded to the balance sheet and will not materially impact either adjusted operating cash flow or net earnings.

If the tax pools from the Conversion were not available to Superior, the impact would be an increase to cash income taxes of approximately $20.0 million or $0.14 per share for 2016.

FINANCIAL OUTLOOK

Superior's 2016 financial outlook of AOCF per share has been updated to $1.40 to $1.60 from $1.50 to $1.80 per share as provided in the second quarter of 2016. The updated 2016 financial outlook is due to the sale of CPD and a reduced outlook for the Specialty Chemicals business for the third and fourth quarters of 2016. The reduction in the outlook for the Specialty Chemicals business is due to lower than anticipated results in the chlor-alkali and sodium chlorate segments in the second half of 2016.

In addition to the background provided in the individual business financial outlook sections, key elements of the 2016 financial outlook include:

- The 2016 financial outlook includes CPD IT one-time integration costs of $4.0 million or $0.03 per share;
- The 2016 financial outlook excludes Canexus transaction and bridge facility costs of $19.0 million and CPD transaction costs estimated to be $19.0 million;
- Continued improvements in operational efficiencies and sales and marketing initiatives in Energy Distribution; and
- Specialty Chemicals results are expected to be lower than 2015 due to weakness in the chlor-alkali segment, partially offset by improved sodium chlorate contribution.

Achieving Superior's adjusted operating cash flow depends on the operating results of its segments.

In addition to the operating results of Superior's segments, significant assumptions to achieve Superior's 2016 midpoint guidance are:

- Economic growth in Canada and the U.S. is expected to increase modestly in 2016;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior's estimated total debt to EBITDA ratio is based on maintenance and growth related expenditures of $98.0 million in 2016 and working capital funding requirements which do not contemplate any significant commodity price changes;
- Superior is substantively hedged for its estimated U.S. dollar exposure for 2016, and due to the hedge position, a change in the Canadian to U.S, dollar exchange rate for 2016 would not have a material impact to Superior. The foreign currency exchange rate between the Canadian dollar and US dollar is expected to average 0.77 in 2016 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to be modestly lower in 2016 compared to 2015; and
- Canadian and U.S. based cash taxes are expected to be minimal for 2016 based on existing statutory income tax rates and the ability to use available tax basis.

Energy Distribution

- Average weather across Canada and the Northeast U.S, as measured by degree days, is expected to be consistent with the recent five-year average for the remainder of 2016;
- Gross profit in the Canadian propane business is anticipated to be consistent with 2015 as lower volumes related to the warmer weather in the first quarter and decline in oilfield activity are anticipated to be offset by improvements in average margins;
- Gross profit in the Canadian propane business will benefit from procurement initiatives, supply contracts and the impact of improved basis differentials compared to 2015;
- Gross profits in the U.S. refined fuels business are anticipated to be modestly lower than 2015 driven primarily by reduced margins in the commercial and wholesale businesses, partially offset by the strengthening of the U.S. dollar on the translation of U.S. denominated gross profit;
- Wholesale propane and U.S. refined fuels-related prices are not anticipated to significantly affect demand for propane and refined fuels and related services; and
- Operating costs are expected to be lower than 2015 due to continuous improvement initiatives and reduced volumes related to weather and lower oilfield demand, partially offset by the translation of U.S. denominated operating expenses.

Specialty Chemicals

- Sodium chlorate gross profits are anticipated to be modestly lower in 2016 due to a decrease in sales volumes;
- EBITDA from the sodium chlorate segment is anticipated to be higher in 2016 due to the termination of the Tronox agreement and related plant expenses;
- EBITDA from the chlor-alkali segment is anticipated to be lower in 2016 due to decreased netbacks for hydrochloric acid, caustic soda and caustic potash, coupled with a decrease in caustic potash volumes;
- Improvements in sodium chlorate are expected to be offset by weakness in the chlor-alkali business. Specialty Chemicals 2015 EBITDA was also positively impacted by gains on the translation of U.S. denominated working capital and insurance proceeds related to the business interruption claim for the Port Edwards hydrochloric acid burner; and
- Average plant utilization will approximate 90%-95% in 2016.

Debt Management Update

Superior remains focused on managing both its total debt and its total debt to EBITDA. Superior is currently forecasting a total debt to EBITDA ratio at December 31, 2016 of 1.8X to 2.2X, below the targeted leverage range of 3.0X to 3.5X due to the divestiture of CPD. Superior's anticipated debt repayment for 2016 and total debt to EBITDA leverage ratio as at December 31, 2016, is based on Superior's 2016 financial outlook, which excludes any impact of the terminated acquisition of Canexus, and is detailed in the chart below.

Debt Management Summary

	Dollars Per Share	Millions of Dollars
2016 financial outlook AOCF per share before non-recurring costs – midpoint [1]	1.50	213.0
Estimated transaction costs associated with CPD divestiture	(0.13)	(19.0)
AOCF after CPD transaction costs	1.37	194.0
Canexus transaction costs	(0.13)	(19.0)
AOCF after all transaction costs and CPD divestiture	1.24	175.0
Maintenance capital expenditures, net	(0.29)	(41.0)
Investment in chlorine railcars due to regulatory changes	(0.10)	(14.0)
Capital lease obligation repayments	(0.12)	(17.0)
Cash flow available for growth capital and dividends	0.73	103.0
Growth capital	(0.18)	(25.0)
Growth capital – CPD and USRF IT system capital costs	(0.13)	(18.0)
Tax payments to CRA (50%) and other	(0.06)	(8.0)
Estimated 2016 free cash flow available for dividends and debt repayment	0.36	52.0
Estimated proceeds from the CPD divestiture	3.01	428.0
Estimated proceeds from the DRIP[2]	0.13	18.0
Dividends	(0.72)	(102.0)
Estimated reduction/(increase) in debt	2.78	396.0
Estimated total debt to EBITDA as at December 31, 2016	1.8X – 2.2X	1.8X – 2.2X
Dividends	0.72	102.0
Calculated payout ratio after maintenance capital, CRA payments and capital lease repayments[3] excluding transaction costs		63%

(1) See "Financial Outlook" for additional details including assumptions, definitions and risk factors.

(2) Superior's Board of Directors has approved the reinstatement of the Dividend Reinvestment Program and Optional Share Purchase Program ("DRIP") beginning with the payment of the December 2015 dividend which was paid January 15, 2016. The DRIP provides Superior's shareholders with the opportunity to reinvest their cash dividends in Superior at a 4% discount to the market price of Superior's common shares. Due to the termination of the Canexus transaction and the divestiture of CPD, the DRIP will be discontinued during the third quarter of 2016.

(3) Dividend payout net of estimated proceeds from the DRIP program and excludes growth capital.

Superior's total debt (including convertible debentures) to compliance EBITDA before transaction and other costs was 3.3X as at June 30, 2016. Superior anticipates a total debt to EBITDA ratio in the range of 1.8X to 2.2X at December 31, 2016 as the proceeds from the sale of CPD will be used to reduce indebtedness.

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

LIQUIDITY AND CAPITAL RESOURCES

Outstanding Borrowings

Superior's revolving syndicated bank facility (credit facility), term loans and finance lease obligations (collectively borrowing) before deferred financing fees was $617.8 million as at June 30, 2016, a decrease of $7.8 million from $625.6 million as at December 31, 2015. The decrease in borrowing was primarily due to cash generated from operating activities and the proceeds from the dividend reinvestment program.

Extension of Credit Facility

On December 22, 2015, Superior extended the maturity date of its credit facility to December 22, 2019. In addition to the extension of the syndicated credit facility, Superior has agreed with its lenders that the syndicated credit facility will automatically increase to $775.0 million from the existing $570.0 million, with the same financial covenant package, concurrent with the completion of the plan of arrangement between Superior and Canexus Corporation, the proposed acquisition of all of the shares of Canexus Corporation by Superior and certain other related conditions precedent. However, since the plan of arrangement with Canexus was terminated, the credit facility will remain at $570.0 million. See "Summary of Cash Flow" for details on Superior's sources and uses of cash.

Convertible Debentures

As at June 30, 2016, convertible debentures (before deferred issuance fees and discount values) issued by Superior were $247.0 million, unchanged from December 31, 2015. See the unaudited condensed consolidated financial statements for additional details on Superior's convertible debentures.

Net Working Capital

Consolidated net working capital was $232.5 million as at June 30, 2016, a decrease of $10.0 million from net working capital of $242.5 million as at December 31, 2015. The decrease was due primarily to a decline in net working capital requirements at Energy Distribution resulting from lower commodity prices, offset in part by higher net working capital requirements at CPD due to increased sales volumes related to improvements in U.S. construction activity. Superior's net working capital requirements are financed from its credit facility.

Compliance

In accordance with the credit facility, Superior must maintain a consolidated secured debt to compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a consolidated debt to compliance EBITDA ratio of not more than 5.0 to 1.0, excluding convertible debentures.

As at June 30, 2016, these ratios are within the requirements of Superior's debt covenants. The consolidated secured debt to compliance EBITDA ratio, consolidated debt to compliance EBITDA ratio and total debt to compliance EBITDA ratio, before and after transaction costs are as follows:

	Twelve months ended	
	June 30 2016	December 31 2015
Compliance ratios after transaction costs:		
Consolidated secured debt to compliance EBITDA	**1.8**	1.6
Consolidated debt to compliance EBITDA	**2.6**	2.4
Total debt to compliance EBITDA	**3.7**	3.4
Compliance ratios before transaction and other costs:		
Consolidated secured debt to compliance EBITDA	**1.6**	1.6
Consolidated debt to compliance EBITDA	**2.3**	2.3
Total debt to compliance EBITDA	**3.3**	3.2

Also, Superior is subject to several distribution tests and the most restrictive stipulates that distributions (including debenture holders and related payments) cannot exceed compliance EBITDA less cash income taxes, plus $35.0 million on a trailing 12-month rolling basis. On a 12-month rolling basis as at June 30, 2016, Superior had $93.2 million of additional room under the above noted distribution test.

Under the terms of the agreement related to Superior's $200.0 million 6.50% senior unsecured notes, Superior must maintain a fixed-charge coverage ratio of no less than 2.0 to 1.0. As at June 30, 2016, the fixed-charge coverage ratio for purposes of this agreement was 4.53 to 1.0.

Credit Ratings

On July 5, 2016, following the announcement of the terminated acquisition of Canexus, Standard & Poor's confirmed Superior Plus Corp.'s corporate credit rating as BB and Superior Plus LP's senior secured debt rating as BBB- and Superior Plus LP's senior unsecured debt rating as BB. The outlook for the long-term corporate rating was revised to stable. Also on July 5, 2016, Dominion Bond Rating Service confirmed Superior Plus Corp.'s corporate credit rating as BB high (stable trend), Superior Plus LP's senior secured rating as BB high (stable trend) and Superior Plus LP's senior unsecured debt rating as BB low (stable trend).

Pension Plans

As at June 30, 2016, Superior had an estimated defined benefit pension solvency deficiency of approximately $12.7 million (December 31, 2015 – $14.2 million) and a going concern surplus of approximately $33.5 million (December 31, 2015 – surplus of $28.0 million). Funding requirements required by applicable pension legislation are based upon going concern and solvency actuarial assumptions. These assumptions differ from the going concern actuarial assumptions used in Superior's financial statements. Superior has sufficient liquidity through its existing credit facility and anticipated future operating cash flow to fund this deficiency over the prescribed period.

SHAREHOLDERS' CAPITAL

The weighted average number of common shares issued and outstanding during the second quarter was 141.9 million shares, an increase over the prior year quarter due to the October 2015 issuance of 13.9 million common shares and the reinstatement of the DRIP program.

As at June 30, 2016 and December 31, 2015, the following common shares and securities convertible into common shares were issued and outstanding:

	June 30, 2016		December 31, 2015	
(millions)	**Convertible Securities**	**Shares**	Convertible Securities	Shares
Common shares outstanding		**142.2**		140.6
6.00% Debentures [2]	**$150.0**	**9.9**	$150.0	9.9
6.00% Debentures [4]	**$97.0**	**5.8**	$97.0	5.8
Shares outstanding and issuable upon conversion of Debentures		**157.9**		156.3

[1] Convertible at $15.10 per share.

[2] Convertible at $16.75 per share.

Dividends Paid to Shareholders

Dividends paid 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 Adjusted Operating Cash Flow" and "Summary of Cash Flow" for additional details.

Dividends paid to shareholders for the second quarter of 2016 were $25.9 million (before DRIP proceeds of $7.8 million) or $0.18 per share compared to $22.8 million or $0.18 per share in the second quarter of 2015. Dividends paid to shareholders increased by $3.1 million due primarily to the higher number of shares outstanding associated with the equity offering completed on October 28, 2015. See "Debt Management Update" for further details. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

Dividend Reinvestment Program

On October 29, 2015, Superior's Board of Directors approved the reinstatement of the Dividend Reinvestment Program and Optional Share Purchase Program (DRIP), which commenced with the payment of the December 2015 dividend on January 15, 2016. Proceeds from the DRIP are being used for debt reduction and general corporate purposes. The DRIP provides Superior's shareholders with the opportunity to reinvest their cash dividends in Superior at a 4% discount to the market price of Superior's common shares. Due to the termination of the Canexus transaction and the divestiture of CPD, the DRIP will be discontinued during the third quarter of 2016.

Share Offering

On October 6, 2015, Superior announced that it had entered into an agreement with a syndicate of underwriters co-led by National Bank Financial Inc. and JP Morgan Securities Canada Inc., under which the underwriters agreed to purchase from Superior and sell to the public 12,077,300 common shares of Superior (the "Common Shares") at price of $10.35 per share (the "Offer Price") for gross proceeds of $125 million (the "Offering"). Superior granted the underwriters an option to purchase, in whole or in part, up to an additional 1,811,595 Common Shares at the Offer Price to cover over-allotments. On October 28, 2015 Superior closed the issue of 13.9 million common shares at a price of $10.35 per common share. The net proceeds for the issue including the full exercise of the over-allotment option granted to the underwriters, issue costs and commissions are approximately $137.4 million. Proceeds from the Offering were used to reduce indebtedness under Superior's credit facility and for general corporate purposes. The indebtedness was incurred in the normal course of business to fund capital expenditures and working capital requirements.

SUMMARY OF CASH FLOW

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

(millions of dollars)	Three months ended June 30 **2016**	2015	Six months ended June 30 **2016**	2015
Cash flow from operating activities	**19.2**	42.2	**105.6**	154.4
Investing activities:				
Purchase of property, plant and equipment	**(19.7)**	(17.5)	**(53.7)**	(31.3)
Proceeds from sale of discontinued operations	**0.7**	–	**3.6**	–
Proceeds from disposal of property, plant and equipment and intangible assets	**0.1**	0.6	**0.5**	1.1
Acquisitions	**(8.1)**	(1.6)	**(8.1)**	(1.6)
Cash flow used in investing activities	**(27.0)**	(18.5)	**(57.7)**	(31.8)
Financing activities:				
Net proceeds of revolving term bank credits and other debt	**33.7**	161.7	**6.4**	106.6
Redemption of 5.75% convertible debentures	**–**	(172.5)	**–**	(172.5)
Repayment of finance lease obligations	**(4.3)**	(5.3)	**(8.8)**	(10.3)
Proceeds from the dividend reinvestment plan	**7.8**	–	**15.4**	–
Dividends paid to shareholders	**(25.9)**	(22.8)	**(51.2)**	(45.5)
Cash flow (used in) from financing activities	**11.3**	(38.9)	**(38.2)**	(121.7)
Net increase (decrease) in cash and cash equivalents	**3.5**	(15.2)	**9.7**	0.9
Cash and cash equivalents, beginning of period	**5.4**	20.0	**–**	3.1
Effect of translation of foreign currency-denominated cash and cash equivalents	**–**	(0.2)	**(0.8)**	0.6
Cash and cash equivalents, end of period	**8.9**	4.6	**8.9**	4.6

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. Refer to Superior's 2015 Annual MD&A for further details on financial instrument risk management.

As at June 30, 2016, Superior has substantively hedged its estimated U.S. dollar exposure for 2016 and 64% for 2017. Due to the hedge position, a change in the Canadian to U.S, dollar exchange rate for 2016 would not have a material impact to Superior. A summary of Superior's U.S. dollar forward contracts for the remainder of 2016 and beyond is provided in the table below.

(US$ millions except exchange rates)	**2016**	**2017**	**2018**	**2019**	**2020**	**Total**
Net US$ forward sales	143.7	109.5	72.0	24.0	–	349.2
Net average external US$/CDN$ exchange rate	1.12	1.17	1.20	1.20	–	1.16

Superior's foreign currency hedge contracts for the 2016 fiscal year were entered into in prior years when the Canadian dollar was stronger relative to the U.S. dollar. In 2016, lower value foreign currency contracts expire and Superior's effective U.S. exchange rate is expected to improve.

In June 2016, Superior issued U.S. $156.0 million of short term LIBOR and concurrently entered into cross currency swaps to fix the foreign currency exchange rate risk at $199.9 million.

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's second quarter condensed consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see the unaudited condensed consolidated financial statements.

RELATED PARTY TRANSACTIONS

Transactions between Superior and its subsidiaries, which are related parties, have been eliminated on consolidation.

For the three and six months ended June 30, 2016, Superior incurred $0.1 million (June 30, 2015 – $0.2 million) and $1.3 million (June 30, 2015 – $0.4 million), respectively, in legal fees, with Norton Rose Canada LLP, a related party with Superior because a member of Superior's Board of Directors is a Partner at the law firm.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

Superior's Management is responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings". The objective of this instrument is to improve the quality, reliability and transparency of information that is filed or submitted under securities legislation.

Superior's President and Chief Executive Officer (CEO) and the Vice President and Chief Financial Officer (CFO), with the assistance of Superior employees, have designed DC&P and ICFR to provide reasonable assurance that material information relating to Superior's business is communicated to them, reported on a timely basis, financial reporting is reliable, and the financial statements are in accordance with IFRS.

During the second quarter of 2016, there were no changes made to Superior's ICFR that materially affected, or are reasonably likely to materially affect, Superior's ICFR.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Superior's unaudited condensed consolidated financial statements have been prepared in accordance with IFRS. The significant accounting policies are described in the unaudited condensed consolidated financial statements for the period ended June 30, 2016. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, deferred income tax assets and liabilities, the valuation of derivatives and non-financial derivatives, asset impairments and the assessment of potential provision retirement obligations.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) effective for accounting periods beginning on or after January 1, 2016, or later periods. The affected standards applicable to Superior are as follows:

IAS 16 and IAS 38 –*Property, Plant and Equipment and Intangible Assets*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the event that the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible assets are highly correlated. This standard must be applied for accounting periods beginning on or after January 1, 2016, and Superior has accordingly adopted the amendments effective January 1, 2016. Superior amortizes property, plant and equipment and intangible assets using the straight-line method and, therefore, the application of these amendments to IAS 16 and IAS 18 did not have any impact on its consolidated financial statements.

New and revised IFRS standards not yet effective

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 – Leases (IFRS 16), which replaces IAS 17 – Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, except those that meet limited exception criteria. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Superior is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 9 – *Financial Instruments: Classification and Measurement*

IFRS 9 was issued in November 2009 and is intended to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Superior intends to adopt the new standard on the required effective date, and is currently assessing the effect of IFRS 9 on its financial results and financial position. Changes, if any, are not expected to be material.

IFRS 15- *Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the related interpretation when it becomes effective. Under IFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to recognize revenue when the performance obligation is satisfied. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Superior is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

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. Since 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 nearest 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 adjusting 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 EBITDA, EBITDA from operations, compliance EBITDA and AOCF 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.

Non-GAAP financial measures are identified and defined as follows:

Adjusted Operating Cash Flow

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 items of a non-recurring nature. AOCF is the main performance measure used by management and investors to evaluate Superior's performance. 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.

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. Adjustments are also made to reclassify the cash flow related to natural gas and electricity customer contract-related costs in a manner consistent with the income statement's recognition of these costs.

EBITDA

EBITDA represents earnings before taxes, depreciation, amortization, finance expense, and certain other non-cash expenses, and is used by Superior to assess its consolidated results and those of its operating segments. The EBITDA of Superior's operating segments may be referred to as EBITDA from operations.

EBITDA from operations

EBITDA from operations is defined as EBITDA excluding gains/(losses) on foreign currency hedging contracts. For purposes of this MD&A, foreign currency hedging contract gains and losses are excluded from the results of the operating segments. Comparative figures for the prior periods have been reclassified to reflect this change.

Compliance EBITDA

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and certain other non-cash expenses calculated on a 12-month trailing basis, giving pro forma effect to acquisitions and divestitures, and is used by Superior to calculate compliance with its debt covenants and other credit information. See the unaudited condensed consolidated financial statements for a reconciliation of net earnings to compliance EBITDA.

Payout Ratio

Payout ratio represents dividends as a percentage of AOCF less maintenance capital expenditures, CRA and other tax payments and capital lease repayments and is used by Superior to assess its financial results and leverage. Payout ratio is not a defined performance measure under GAAP. Superior's calculation of payout ratio may differ from similar calculations used by comparable entities.

QUARTERLY FINANCIAL AND OPERATING INFORMATION

GAAP Measures

(millions of dollars, except per share amounts)	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Revenues	**703.6**	807.5	788.1	722.4	715.0	976.0	928.6	813.7
Gross profit	**196.0**	277.2	238.3	187.2	189.2	288.0	245.4	184.9
Net earnings (loss)	**(6.9)**	104.9	30.3	(38.0)	41.0	(9.0)	42.8	(43.5)
Per share, basic	**$(0.05)**	$0.74	$0.22	$(0.30)	$0.32	$(0.07)	$0.34	$(0.35)
Per share, diluted	**$(0.05)**	$0.69	$0.18	$(0.33)	$0.25	$(0.07)	$(0.03)	$(0.35)
Net working capital[2]	**232.5**	236.8	242.5	196.4	247.9	273.6	264.8	225.1

(1) Revenue, gross profit, net earnings (loss) and per share amounts exclude the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

(2) Net working capital as at the quarter-end is comprised of trade and other receivables, prepaid expenses and inventories, less trade and other payables, deferred revenue, and dividends and interest payable.

Non-GAAP Measures

(millions of dollars, except per share amounts)	**Q2 2016**	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
AOCF before transaction and other costs	**27.2**	95.1	71.3	23.1	23.4	95.8	84.9	21.4
Per share, basic	**$0.19**	$0.67	$0.52	$0.18	$0.18	$0.76	$0.67	$0.17
Per share, diluted	**$0.19**	$0.67	$0.52	$0.18	$0.18	$0.73	$0.65	$0.17
AOCF	**15.7**	86.6	61.3	23.1	23.4	95.8	84.7	21.4
Per share, basic	**$0.11**	$0.61	$0.45	$0.18	$0.18	$0.76	$0.67	$0.17
Per share, diluted	**$0.11**	$0.61	$0.45	$0.18	$0.18	$0.73	$0.65	$0.17

(1) Financial results exclude the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

Volumes

	Q2 2016	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	Q4 2014	Q3 2014
Canadian propane sales volumes (millions of litres)(1)	**255**	429	395	280	280	512	446	279
U.S. refined fuels sales volumes (millions of litres)	**353**	422	390	342	338	494	407	335
Chemical sales volumes (thousands of metric tonnes)	**196**	205	216	217	195	223	231	225

(1) Includes volumes of the supply portfolio management division, which was previously reported as a separate division of Energy Distribution. Comparative figures have been reclassified to reflect the current period presentation.

Historical volumes of Canadian propane sales by end-use application, reclassified to reflect the current period presentation are as follows:

(millions of litres)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015 Total	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014 Total
Residential	48	38	15	18	58	129	43	17	19	60	139
Commercial	90	69	36	43	109	257	81	40	52	118	291
Agricultural	15	28	7	7	18	60	34	10	7	18	69
Industrial	108	111	113	114	144	482	145	126	132	172	575
Wholesale	151	131	86	75	166	458	125	63	53	119	360
Automotive	17	18	23	23	17	81	18	23	22	15	78
Total	429	395	280	280	512	1,467	446	279	285	502	1,512

Historical volumes of Specialty Chemicals sales volumes by product are as follows:

(thousands of MTs)	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015	2015 Total	Q4 2014	Q3 2014	Q2 2014	Q1 2014	2014 Total
Sodium Chlorate	130	137	136	120	139	532	156	150	154	145	605
Chlor-alkali	74	78	79	73	83	313	73	73	76	76	298
Chlorite	1	1	2	2	1	6	2	2	2	1	7
Total	205	216	217	195	223	851	231	225	232	222	910

RECONCILIATION OF NET EARNINGS BEFORE INCOME TAXES TO EBITDA FROM OPERATIONS[(1)(2)]

For the three months ended June 30, 2016	Energy Services	Specialty Chemicals	Construction Products Distribution
Net earnings before income taxes	**5.8**	**2.9**	**8.8**
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	**13.8**	**–**	**2.0**
Depreciation included in cost of sales	**–**	**13.4**	**–**
Realized losses on foreign currency hedging contracts	**–**	**7.7**	**1.2**
Losses (gains) on disposal of assets	**0.7**	**0.3**	**(0.1)**
Finance expense	**0.7**	**0.1**	**0.3**
Unrealized gains on derivative financial instruments	**(4.1)**	**(2.1)**	**–**
EBITDA from operations	**16.9**	**22.3**	**12.2**

For the three months ended June 30, 2015	Energy Services	Specialty Chemicals	Construction Products Distribution
Net earnings before income taxes	7.5	1.5	10.8
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	12.4	–	1.7
Depreciation included in cost of sales	–	15.3	–
Realized losses on foreign currency hedging contracts	–	9.4	0.8
Finance expense	0.7	0.2	0.2
Unrealized gains on derivative financial instruments	(6.0)	(7.0)	–
EBITDA from operations	14.6	19.4	13.5

For the six months ended June 30, 2016	Energy Services	Specialty Chemicals	Construction Products Distribution
Net earnings before income taxes	**105.0**	**4.1**	**13.8**
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	**–**	**27.2**	**–**
Depreciation included in cost of sales	**28.8**	**–**	**4.1**
Realized losses on foreign currency hedging contracts	**–**	**19.0**	**3.1**
Losses (gains) on disposal of assets	**0.5**	**0.3**	**(0.1)**
Finance expense	**1.5**	**0.2**	**0.6**
Unrealized gains on derivative financial instruments	**(32.1)**	**(1.2)**	**–**
EBITDA from operations	**103.7**	**49.6**	**21.5**

For the six months ended June 30, 2015	Energy Services	Specialty Chemicals	Construction Products Distribution
Net earnings (loss) before income taxes	95.5	13.2	12.8
Add: Depreciation included in selling, distribution and administrative costs and amortization of intangible assets	24.7	–	3.5
Depreciation included in cost of sales	–	28.8	–
Realized losses on foreign currency hedging contracts	4.6	15.0	1.6
Losses on disposal of assets	0.3	0.2	–
Finance expense	1.3	0.4	0.4
Unrealized gains on derivative financial instruments	(23.3)	(2.1)	–
EBITDA from operations	103.1	55.5	18.3

(1) See the unaudited condensed consolidated financial statements for net earnings before income taxes, depreciation and amortization included in selling, distribution and administrative costs, depreciation included in cost of sales, depreciation included in cost of sales, customer contract-related costs, finance expense and unrealized (losses) gains on derivative financial instruments.

(2) EBITDA from operations excludes realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See "Non-GAAP Financial Measures" for additional details.

(3) EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

RECONCILIATION OF DIVISIONAL SEGMENTED REVENUE, COST OF SALES AND CASH OPERATING AND ADMINISTRATIVE COSTS INCLUDED IN THIS MD&A[(1)(2)]

	For the three months ended June 30, 2016			For the three months ended June 30, 2015		
(millions of dollars)	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**	Energy Services	Specialty Chemicals	Construction Products Distribution
Revenue per financial statements	**313.1**	**135.0**	**255.5**	332.6	143.5	238.9
Foreign currency gains related to working capital	–	**0.6**	–	–	(1.5)	–
Realized losses on foreign currency hedging contracts	–	**7.7**	**1.2**	–	9.4	0.8
Revenue per the MD&A	**313.1**	**143.3**	**256.7**	332.6	151.4	239.7
Cost of products sold per financial statements	**(219.8)**	**(96.2)**	**(191.6)**	(240.3)	(106.1)	(179.4)
Depreciation included in cost of sales	–	**13.4**	–	–	15.3	–
Realized losses on foreign currency hedging contracts	–	–	–	–	–	–
Cost of products sold per the MD&A	**(219.8)**	**(82.8)**	**(191.6)**	(240.3)	(90.8)	(179.4)
Gross profit	**93.3**	**60.5**	**65.1**	92.3	60.6	60.3
Cash selling, distribution and administrative costs per financial statements	**(90.9)**	**(37.9)**	**(54.8)**	(90.1)	(42.7)	(48.5)
Depreciation and amortization	**13.8**	–	**2.0**	12.4	–	1.7
Losses on disposal of assets	**0.7**	**0.3**	**(0.1)**	–	–	–
Reclassification of foreign currency gains related to working capital	–	**(0.6)**	–	–	1.5	–
Cash operating and administrative costs per the MD&A	**(76.4)**	**(38.2)**	**(52.9)**	(77.7)	(41.2)	(46.8)

(1) Divisional results exclude realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See “Non-GAAP Financial Measures” for additional details.

(2) EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

RECONCILIATION OF DIVISIONAL SEGMENTED REVENUE, COST OF SALES AND CASH OPERATING AND ADMINISTRATIVE COSTS INCLUDED IN THIS MD&A[(1)(2)]

(millions of dollars)	**For the six months ended June 30, 2016** **Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**	For the six months ended June 30, 2015 Energy Services	Specialty Chemicals	Construction Products Distribution
Revenue per financial statements	**726.9**	**284.7**	**499.5**	919.9	315.0	456.1
Foreign currency gains related to working capital	–	**(3.4)**	–	-	4.9	-
Realized losses on foreign currency hedging contracts	–	**19.0**	**3.1**	-	15.0	1.6
Revenue per the MD&A	**726.9**	**300.3**	**502.6**	919.9	334.9	457.7
Cost of products sold per financial statements	**(459.2)**	**(203.9)**	**(374.8)**	(646.7)	(224.1)	(343.0)
Depreciation included in cost of sales	–	**27.2**	–	-	28.8	-
Realized losses on foreign currency hedging contracts	–	–	–	4.6	-	-
Cost of products sold per the MD&A	**(459.2)**	**(176.7)**	**(374.8)**	(642.1)	(195.3)	(343.0)
Gross profit	**267.7**	**123.6**	**127.8**	277.8	139.6	114.7
Cash selling, distribution and administrative costs per financial statements	**(193.3)**	**(77.7)**	**(110.3)**	(199.7)	(79.4)	(99.9)
Depreciation and amortization	**28.8**	–	**4.1**	24.7	-	3.5
(Gains) losses on disposal of assets	**0.5**	**0.3**	**(0.1)**	0.3	0.2	-
Reclassification of foreign currency gains related to working capital	–	**3.4**	–	-	(4.9)	-
Cash operating and administrative costs per the MD&A	**(164.0)**	**(74.0)**	**(106.3)**	(174.7)	(84.1)	(96.4)

(1) Divisional results exclude realized losses from foreign currency hedging contracts that hedge U.S. denominated earnings for risk management purposes. Comparative figures have been reclassified to reflect the current period presentation. See "Non-GAAP Financial Measures" for additional details.

(2) EBITDA from operations excludes the results of the Fixed-price energy services business as substantially all assets were divested during Q1 2016. Comparative figures have been reclassified to reflect the current period presentation.

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 2015 Annual Information Form under "Risk Factors" which is filed on the Canadian Securities Administrators' website, www.sedar.com, and on Superior's website, www.superiorplus.com.

General risks to Superior are as follows:

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

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

Tax Reassessments

On April 2, 2013, Superior received, from the CRA, Notices of Reassessment for Superior's 2009 and 2010 taxation years reflecting the CRA's intent to challenge the tax consequences of the Conversion. The CRA's position is based on the acquisition of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). On May 8, 2013 and August 7, 2013, respectively, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notices of Reassessment received on April 2, 2013. Superior has been reassessed for subsequent taxation years by the CRA and the provincial tax agencies and has filed a Notice of Objection for each Notice of Assessment received. The outcome of this litigation cannot be predicted with any certainty.

Superior anticipates that if the case proceeds in the Tax Court of Canada, the case could be heard within two years, with a decision rendered six to twelve months after completion of the court hearings. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional two years. If Superior receives a positive decision then any taxes, interest and penalties paid to the CRA will be refunded plus interest and, if Superior is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted and Superior would not be able to use the tax attributes from the Conversion.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the conversion and currently intends to vigorously defend such position. Superior also strongly believes that there was no acquisition of control of Ballard and that the general anti-avoidance rule does not apply to the conversion and, accordingly, Superior intends to file its future tax returns on a basis consistent with its view of the outcome of the conversion.

Upon receipt of the Notices of Reassessment, 50% of the reassessed taxes payable must be remitted to the CRA and the provincial tax agencies. Superior would also be required to make a payment of 50% of the taxes the CRA and the provincial tax agencies claims are owed in any future tax year if similar notice of reassessment for such

years were issued and Superior were to appeal such other years. See "CRA Income Tax Update" for further details on the amounts paid and estimated amounts payable.

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 substantial floating interest rate exposure through a combination of floating interest rate borrowing and the use of derivative instruments. Demand levels for approximately half of Energy Distribution's sales and substantially all of Specialty Chemicals' and Construction Products Distribution's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase, as does demand from Superior's customers, thereby increasing Superior's sales and its ability to pay higher interest costs, and vice-versa. 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, however, will affect Superior's borrowing costs, which may have an adverse effect on Superior.

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 affect profitability. Superior attempts to mitigate this risk with derivative financial instruments.

A portion of Superior's borrowings are denominated in U.S. dollars. Accordingly, fluctuations in the Canadian/U.S. dollar exchange rate can affect 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), or the Chilean Internal Revenue Service (collectively, the "Tax Agencies") will agree with how Superior calculates its income for tax purposes or that these various tax agencies reference herein will not change their administrative practices to the detriment of Superior or its shareholders.

Acquisitions

Pursuant to the terms of the agreements providing for the purchase of assets or businesses, Superior has been and will continue to be provided with certain representations, warranties and indemnities from the respective vendors subject to certain applicable limitations and thresholds and will conduct due diligence prior to completion of such acquisitions. However, if 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 often required to optimally execute our business strategy. Services, technologies, key personnel or businesses of companies we acquire may not be effectively assimilated into our business, or our 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 regulatory approvals may result in delays. There may be penalties associated with not completing a planned acquisition. We also may not be able to successfully complete certain divestitures on satisfactory terms, if at all. Divestitures may reduce our total revenues and net income by more than the sales price.

RISKS TO SUPERIOR'S SEGMENTS

Risks associated with the Energy Distribution business are as follows:

Canadian Propane Distribution and U.S. Refined Fuels

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. Demand for traditional propane end-use applications is increasing marginally with general economic growth. However, increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand.

Automotive propane demand is currently stabilizing after several years of decline but the decline trend could resume depending on propane pricing, the market's acceptance of propane conversion options and the availability of infrastructure.

Competition in the U.S. refined fuels business' markets generally occurs on a local basis between large, full-service, multi-state 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 35-mile marketing radius from a central depot, in order to minimize delivery costs and provide prompt service.

Volume Variability, Weather Conditions and Economic Demand
Weather and general economic conditions affect distillates market volumes. Weather influences the immediate demand for distillates, primarily for heating, while longer-term demand declines due to economic conditions as customers trend towards conservation and supplement heating with alternative sources such as wood pellets. Also, harsh weather can create conditions that exacerbate demand for propane, impede the transportation and delivery of propane, or restrict the ability for 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. 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 (rail and truck) 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.

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 customers' contracts. In periods of high propane price volatility the fixed-price programs create exposure to over or under-supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed-price program, there is a risk that customers will default on their commitments.

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. refined fuels business, through a centralized safety and environment management system, ensures that safety practices and regulatory compliance are an important part of its business. The storage and delivery of refined fuels 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 Energy Distribution in comparison with such competing energy sources. Any such changes could have an adverse effect on the operations of Energy Distribution.

Employee and Labour Relations
Approximately 19% of Superior's Canadian propane distribution business employees and 3% of U.S. refined fuels 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 remain able to secure adequate supplies of electricity at reasonable prices or on acceptable terms.

Potassium chloride (KCl) is a major raw material used in the production of potassium hydroxide at the Port Edwards, Wisconsin facility. Substantially all of Specialty Chemicals' KCl is received from Potash Corporation of Saskatchewan. 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 the U.S. dollar and 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 28% 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.

Construction Products Distribution

Risks associated with the Construction Products Distribution business are listed below. On August 9, 2016, Superior divested of its Construction Products Distribution business pursuant to an agreement with Foundation Building Materials, LLC. As a result, Superior may still be subject to certain of the risks described below to the extent Superior made representations and warranties to the Buyer in the purchase and sale agreement providing for such divestiture.

General Economic Conditions
Activity in the Construction Products Distribution segment is subject to changes in general economic activity and, in particular, residential and non-residential construction. New residential construction is subject to such factors as household income, employment levels, customer confidence, population changes and the local supply of residential units. Residential renovation is not as sensitive to these factors and can provide some balance in the demand for residential construction product distribution. Non-residential activity can be subdivided into commercial, industrial and institutional. New construction in these sectors is subject to many of the same general economic factors as residential activity. In the industrial and institutional subsectors, government and regulatory programs can also have a significant impact on the outlook for product distribution, particularly as related to Superior's insulation businesses. As a result, changes to general economic activity or other factors mentioned above that affect the amount of construction or renovation in residential and non-residential markets can have an adverse effect on the segment's business and Superior.

Competition

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

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

Demand, Supply and Pricing

The C&I market is driven largely by C&I construction spending and economic growth. Demand is influenced by commercial construction and renovation, the construction, maintenance and expansion of industrial process facilities (such as oil refineries, petrochemical plants and power generation facilities) and institutional facilities in the government, healthcare and education sectors.

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

Information Technology System Integration

Construction Products Distribution continues to fully integrate its C&I and GSD enterprise resource planning (ERP) systems. The project will consist of adopting best practice common business processes, and integrating all operations onto a single, standardized ERP system. The updated ERP system will provide enhanced procurement, pricing and operational effectiveness, enabling CPD to further improve margins and operating costs once complete. Business process development in preparation of the implementation is underway. The project is expected to be completed by the end of 2016. Upon full commencement of the project, the scoping, requirements definition, business process definition, design, and testing of the integrated ERP system could take approximately one year with the branch conversions taking place the following year. Implementation problems could result in disruption to the business and/or inaccurate information for management and financial reporting. Risk will be mitigated by a project governance structure, extensive testing and a regionally phased implementation.

Employee and Labour Relations

Approximately 5% of Construction Products Distribution's employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the negotiation process that could have an adverse impact on the segment and Superior.

Superior Plus Corp.
Condensed Consolidated Balance Sheets

(unaudited, millions of Canadian dollars)	Note	June 30 2016	December 31 2015
Assets			
Current Assets			
Cash and cash equivalents		**8.9**	–
Trade and other receivables	**6**	**326.6**	374.4
Prepaid expenses		**54.5**	59.4
Inventories	**7**	**171.5**	176.6
Unrealized gains on derivative financial instruments	**13**	**7.9**	3.5
Assets held by discontinued operations	**4**	**2.3**	–
Total Current Assets		**571.7**	613.9
Non-Current Assets			
Property, plant and equipment	**8**	**989.3**	1,016.7
Intangible assets		**19.2**	21.1
Goodwill		**199.0**	196.2
Notes and finance lease receivables		**3.1**	3.4
Employee future benefits		**3.4**	5.6
Deferred tax	**14**	**262.5**	285.5
Unrealized gains on derivative financial instruments	**13**	**2.4**	0.5
Total Non-Current Assets		**1,478.9**	1,529.0
Total Assets		**2,050.6**	2,142.9
Liabilities and Equity			
Current Liabilities			
Trade and other payables	**10**	**298.4**	349.8
Deferred revenue		**9.3**	9.7
Borrowing	**11**	**31.1**	33.0
Dividends and interest payable		**8.5**	8.4
Unrealized losses on derivative financial instruments	**13**	**42.2**	79.4
Liabilities held by discontinued operations	**4**	**5.4**	–
Total Current Liabilities		**394.9**	480.3
Non-Current Liabilities			
Borrowing	**11**	**580.3**	581.8
Convertible unsecured subordinated debentures	**12**	**236.2**	234.4
Other liabilities		**7.4**	3.8
Provisions	**9**	**23.1**	23.2
Employee future benefits		**31.2**	26.6
Deferred tax	**14**	**9.4**	9.7
Unrealized losses on derivative financial instruments	**13**	**32.5**	69.4
Total Non-Current Liabilities		**920.1**	948.9
Total Liabilities		**1,315.0**	1,429.2
Equity			
Capital		**1,946.1**	1,930.7
Deficit		**(1,281.9)**	(1,328.3)
Accumulated other comprehensive income		**71.4**	111.3
Total Equity	**15**	**735.6**	713.7
Total Liabilities and Equity		**2,050.6**	2,142.9

See accompanying Notes to the Condensed Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statement of Changes in Equity

(unaudited, millions of Canadian dollars)	Share capital	Contributed surplus[1]	**Total capital[1]**	**Deficit**	**Accumulated other comprehensive income**	**Total**
December 31, 2015	1,929.5	1.2	**1,930.7**	**(1,328.3)**	**111.3**	**713.7**
Net earnings	–	–	–	97.6	–	97.6
Unrealized foreign currency loss on translation of foreign operations	–	–	–	–	(34.2)	(34.2)
Actuarial defined benefit loss	–	–	–	–	(7.9)	(7.9)
Income tax recovery on other comprehensive income	–	–	–	–	2.2	2.2
Total comprehensive income (loss)				**97.6**	**(39.9)**	**57.7**
Dividends declared to shareholders	–	–	–	**(51.2)**	–	**(51.2)**
Common shares issued under dividend reinvestment plan	15.4	–	**15.4**	–	–	**15.4**
June 30, 2016	1,944.9	1.2	**1,946.1**	**(1,281.9)**	**71.4**	**735.6**
December 31, 2014	1,786.8	1.4	**1,788.2**	**(1,261.1)**	**23.3**	**550.4**
Net earnings	–	–	–	31.1	–	**31.1**
Unrealized foreign currency gain on translation of foreign operations	–	–	–	–	32.8	**32.8**
Actuarial defined benefit loss	–	–	–	–	(2.1)	**(2.1)**
Income tax recovery on other comprehensive income	–	–	–	–	0.6	**0.6**
Total comprehensive income				**31.1**	**31.3**	**62.4**
Dividends declared to shareholders	–	–	–	**(45.5)**	–	**(45.5)**
Conversion of 7.5% convertible unsecured subordinated debentures	5.2	–	**5.2**	–	–	**5.2**
Option value associated with redemption of convertible debentures	–	(0.2)	**(0.2)**	–	–	**(0.2)**
June 30, 2015	1,792.0	1.2	**1,793.2**	**(1,275.5)**	**54.6**	**572.3**

[1] Contributed surplus represents Superior's equity reserve for the option value associated with the issuance of convertible unsecured subordinated debentures and warrants.

See accompanying Notes to the Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statement of Net Earnings and Total Comprehensive Income

(unaudited, millions of Canadian dollars)	Note	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Revenues	**18**	**703.6**	715.0	**1,511.1**	1,691.0
Cost of sales (includes products & services)	**18**	**(507.6)**	(525.8)	**(1,037.9)**	(1,213.8)
Gross profit		**196.0**	189.2	**473.2**	477.2
Expenses					
Selling, distribution and administrative costs	**18**	**(199.0)**	(183.7)	**(408.6)**	(389.1)
Finance expense	**18**	**(11.2)**	(14.9)	**(23.2)**	(30.9)
Unrealized gains (losses) on derivative financial instruments	**13**	**10.3**	47.2	**83.7**	(4.7)
		(199.9)	(151.4)	**(348.1)**	(424.7)
Net (loss) earnings before income taxes from continuing operations before income taxes		**(3.9)**	37.8	**125.1**	52.5
Income tax (expense) recovery	**14**	**(3.0)**	3.2	**(27.1)**	(20.5)
Net (loss) earnings from continuing operations		**(6.9)**	41.0	**98.0**	32.0
Net (loss) from discontinued operations	**4**	**(0.6)**	(0.1)	**(0.4)**	(0.9)
Net (loss) earnings		**(7.5)**	40.9	**97.6**	31.1
Other comprehensive income (loss):					
Items that may be reclassified subsequently to net earnings					
Unrealized foreign currency gains (losses) on translation of foreign operations		**0.8**	(9.2)	**(34.3)**	33.1
Other comprehensive income (losses) from discontinued operations		**0.4**	–	**0.1**	(0.3)
		1.2	(9.2)	**(34.2)**	32.8
Items that will not be reclassified to net earnings					
Actuarial defined benefit (losses) gains		**(5.6)**	1.2	**(7.9)**	(2.1)
Income tax recovery (expense) on other comprehensive income		**1.6**	(0.3)	**2.2**	0.6
		(4.0)	0.9	**(5.7)**	(1.5)
Other comprehensive (loss) income for the period		**(2.8)**	(8.3)	**(39.9)**	31.3
Total comprehensive (loss) income for the period		**(10.3)**	32.6	**57.7**	62.4
Net (loss) earnings per share					
From continuing operations:					
Basic	**16**	**$(0.05)**	$0.32	**$0.69**	$0.25
Diluted	**16**	**$(0.05)**	$0.25	**$0.65**	$0.25
From discontinued operations:					
Basic	**16**	**$–**	$–	**$–**	$(0.01)
Diluted	**16**	**$–**	$(0.02)	**$–**	$(0.01)

See accompanying Notes to the Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statement of Cash Flows

(unaudited, millions of Canadian dollars)	Notes	Three months ended June 30 2016	2015	Six months ended June 30 2016	2015
Operating Activities					
Net (loss) earnings for the period		**(7.5)**	40.9	**97.6**	31.1
Adjustments for:					
Depreciation included in selling, distributions and administrative costs	**8**	**14.7**	13.2	**30.8**	26.3
Amortization intangible assets		**1.2**	1.7	**5.0**	3.4
Depreciation included in cost of sales	**8**	**13.4**	15.3	**27.2**	28.8
Gain on sale of customer list		**–**	(0.3)	–	(0.3)
Gain on sale of discontinued operations	**4**	**(0.1)**	–	**(3.1)**	–
Loss on disposal of assets		**0.9**	–	**0.7**	0.5
Unrealized (gains) losses on derivative financial instruments		**(10.3)**	(47.2)	**(83.7)**	4.7
Customer contract-related costs		–	(0.3)	–	(0.7)
Finance expense recognized in net earnings		**11.2**	14.9	**23.2**	30.9
Income tax (recovery) expense recognized in net earnings		**3.0**	(3.2)	**27.1**	20.5
Changes in non-cash operating working capital	**17**	**12.6**	33.1	**4.0**	54.8
Net cash flows from operating activities		**39.1**	68.1	**128.8**	200.0
Income tax paid		**(2.8)**	(0.1)	**(3.0)**	(17.0)
Interest paid		**(17.1)**	(25.8)	**(20.2)**	(28.6)
Cash flows from operating activities		**19.2**	42.2	**105.6**	154.4
Investing Activities					
Purchase of property plant and equipment	**8**	**(19.7)**	(17.5)	**(53.7)**	(31.3)
Proceeds from sale of discontinued operations		**0.7**	–	**3.6**	–
Proceeds from disposal of property, plant and equipment and intangible assets	**8**	**0.1**	0.6	**0.5**	1.1
Acquisitions	**5**	**(8.1)**	(1.6)	**(8.1)**	(1.6)
Cash flows used in investing activities		**(27.0)**	(18.5)	**(57.7)**	(31.8)
Financing Activities					
Net proceeds of revolving term bank credits and other debt		**33.7**	161.7	**6.4**	106.6
Redemption of 5.75% convertible debentures		–	(172.5)	–	(172.5)
Repayment of finance lease obligations		**(4.3)**	(5.3)	**(8.8)**	(10.3)
Proceeds from dividend reinvestment program		**7.8**	–	**15.4**	–
Dividends paid to shareholders		**(25.9)**	(22.8)	**(51.2)**	(45.5)
Cash flows from (used in) financing activities		**11.3**	(38.9)	**(38.2)**	(121.7)
Net increase (decrease) in cash and cash equivalents		**3.5**	(15.2)	**9.7**	0.9
Cash and cash equivalents, beginning of period		**5.4**	20.0	–	3.1
Effect of translation of foreign currency-denominated cash and cash equivalents		**–**	(0.2)	**(0.8)**	0.6
Cash and cash equivalents, end of period		**8.9**	4.6	**8.9**	4.6

See accompanying Notes to the Condensed Consolidated Financial Statements.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION

Superior Plus Corp. (Superior) is a diversified business corporation, incorporated under the Canada Business Corporations Act. The registered office is at suite 401, 200 Wellington Street West, Toronto, Ontario. Superior holds 100% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. as general partner and Superior as limited partner. Superior holds 100% of the interest of Superior General Partner Inc. Superior does not conduct active business operations but rather distributes to shareholders a portion of the income it receives from Superior Plus LP in the form of partnership allocations, net of expenses and interest payable on the convertible unsecured subordinated debentures (the debentures). Superior's investments in Superior Plus LP are financed by share capital and debentures. Superior is a publicly traded company with its common shares trading on the Toronto Stock Exchange (TSX) under the exchange symbol SPB.

The accompanying unaudited condensed consolidated financial statements (consolidated financial statements) of Superior as at June 30, 2016 and for the three and six months ended June 30, 2016 and 2015 were authorized for issuance by the Board of Directors on August 9, 2016.

Reportable Operating Segments

Superior operates three distinct reportable operating segments: Energy Distribution, Specialty Chemicals and Construction Products Distribution. Superior's Energy Distribution operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. refined fuels division. Specialty Chemicals is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chlor-alkali products in the U.S. Midwest. Construction Products Distribution is a distributor of commercial and industrial insulation in North America and a distributor of specialty construction products to the walls and ceilings industry in Canada (See Note 20).

2. BASIS OF PRESENTATION

The accompanying consolidated financial statements were prepared in accordance with International Accounting Standard 34 Interim Financial Reporting (IAS 34) 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, 2015 other than the standards adopted as at January 1, 2016. The accounting policies are based on the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations that were applicable at that time. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently throughout the consolidated entities.

The consolidated financial statements are presented in Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest hundred-thousand. These consolidated financial statements should be read in conjunction with Superior's 2015 annual consolidated financial statements.

The consolidated financial statements were prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in Superior's 2015 annual consolidated financial statements and incorporate the accounts of Superior and its wholly-owned subsidiaries. Subsidiaries are all entities over which Superior has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The results of subsidiaries are included in Superior's statement of net 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 Superior Plus Corp.

Significant Accounting Policies

(a) Significant Accounting Judgments, Estimates and Assumptions

The preparation of Superior's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosure. 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 financial statements are consistent with those disclosed in Superior's 2015 annual consolidated financial statements.

(b) Discontinued Operations

Discontinued operations are either separate major lines of business or geographical operations that have been sold or classified as held for sale. When held for use, discontinued operations were a cash-generating unit (CGU) or a group of CGUs, where a CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets. These comprise operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Corporation. The applicable results from discontinued operations are presented separately in the consolidated statements of earnings (loss) on a comparative basis.

(c) Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning January 1, 2016 or later periods.

IAS 16 and IAS 38 –*Property, Plant and Equipment and Intangible Assets*

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant, and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortization of an intangible asset. This presumption can only be rebutted in the event that the intangible asset is expressed as a measure of revenue or when it can be demonstrated that revenue and consumption of the economic benefits of the intangible assets are highly correlated. This standard must be applied for accounting periods beginning on or after January 1, 2016, and Superior has accordingly adopted the amendments effective January 1, 2016. Superior amortizes property, plant and equipment and intangible assets using the straight-line method and, therefore, the application of these amendments to IAS 16 and IAS 18 did not have any impact on its consolidated financial statements.

New and revised IFRS standards issued but not yet effective

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 – Leases (IFRS 16), which replaces IAS 17 – Leases and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, except those that meet limited exception criteria. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. Superior is currently assessing the potential impact of this standard on its consolidated financial statements.

IFRS 9 – *Financial Instruments: Classification and Measurement*

IFRS 9 was issued in November 2009 and is intended to replace IAS 39 – Financial Instruments: Recognition and Measurement. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39 except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income.

A finalized version of IFRS 9 was issued in July 2014 to include impairment requirements for financial assets and limited amendments to the classification and measurement requirements by introducing a fair value through other comprehensive income measurement category for certain simple debt instruments. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Superior intends to adopt the new standard on the required effective date, and is currently assessing the effect of IFRS 9 on its financial results and financial position. Changes, if any, are not expected to be material.

IFRS 15- *Revenue from Contracts with Customers*
IFRS 15 was issued in May 2014, establishing a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 supersedes the current revenue recognition guidance including IAS 18 – Revenue and IAS 11 – Construction Contracts, as well as the related interpretation when it becomes effective. Under IFRS 15, an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity is required to recognize revenue when the performance obligation is satisfied. Either a full or modified retrospective application is required for annual periods beginning on or after January 1, 2018 with early adoption permitted. Superior is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

3. SEASONALITY OF OPERATIONS

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

Construction Products Distribution
Sales typically peak during the second and third quarters with the seasonal increase in building and renovation activities. They then decline through the fourth quarter and into the subsequent first quarter. Similarly, net working capital is typically at seasonally high levels during the second and third quarters, and normally decline to seasonal lows in the fourth and first quarters.

4. DISCONTINUED OPERATIONS

In 2015, Fixed-Price Energy Services ceased marketing efforts and allowed existing customer contracts to expire with the intention to exit the business. The Fixed-Price Energy Services assets were divested during Q1 2016, and substantially all of the intangible assets, consisting mainly of customer contracts, were sold for total consideration of $4.3 million, which includes contingent consideration. Certain assets divested were disposed of with an effective date of January 1, 2016 and the earnings related to these assets were collected by Superior and remitted to the purchaser.

A gain of $3.1 million was recorded within discontinued operations during the six months ended June 30, 2016 based on the excess of the proceeds net of contingent consideration over the carrying value of the intangible assets.

The assets and liabilities of assets held by discontinued operations presented on the condensed consolidated balance sheets is as follows:

(unaudited, millions of Canadian dollars)	**June 30 2016**	December 31 2015
Assets		
Trade and other receivables	**1.4**	–
Prepaid expenses	**0.1**	–
Deferred income taxes	**0.8**	–
Assets held by discontinued operations	**2.3**	–
Liabilities		
Trade and other payables	**5.4**	–
Liabilities held by discontinued operations	**5.4**	–

Net loss from discontinued operations reported in the condensed consolidated financial statements of net earnings (loss) and comprehensive income is as follows:

		Three months ended June 30		Six months ended June 30
	2016	2015	2016	2015
Revenues				
Revenue from products	**2.0**	28.9	**21.8**	59.5
	2.0	28.9	**21.8**	59.5
Cost of sales (includes products and services)				
Cost of products and services	**(2.7)**	(18.5)	**(15.7)**	(42.6)
Realized losses on derivative financial instruments	**(0.1)**	(6.8)	**(6.1)**	(11.6)
	(2.8)	(25.3)	**(21.8)**	(54.2)
Selling, distribution and administrative costs				
Selling, general and administrative costs	**0.3**	(1.8)	**–**	(2.4)
Employee costs	**(0.2)**	(1.6)	**(0.7)**	(2.8)
Facilities maintenance expense	–	–	**(0.1)**	(0.1)
Amortization of intangible assets	–	(0.6)	**(2.7)**	(1.2)
Gain on disposal of assets	**0.1**	0.3	**3.1**	0.3
	0.2	(3.7)	**(0.4)**	(6.2)
Net earnings (loss) before income taxes	**(0.6)**	(0.1)	**(0.4)**	(0.9)
Income tax (expense) recovery	–	–	–	–
Net loss from discontinued operations	**(0.6)**	(0.1)	**(0.4)**	(0.9)

Cash flows from discontinued operations reported in the condensed consolidated statement of cash flows are as follows:

	Three months ended June 30		Six months ended June 30	
	2016	**2015**	**2016**	**2015**
Cash flows from operating activities	**3.6**	1.8	**3.7**	2.3
Cash flows from investing activities	**0.7**	–	**3.6**	–
Net increase in cash and cash equivalents from discontinued operations	**4.3**	1.8	**7.3**	2.3
Change in cash from continuing operations	**(0.8)**	(17.0)	**2.4**	(1.4)
Effect of translation of foreign denominated cash and cash equivalents	–	(0.2)	**(0.8)**	0.6
Cash, beginning of period	**5.4**	20.0	–	3.1
Cash, end of period	**8.9**	4.6	**8.9**	4.6

5. ACQUISITIONS

On June 14, 2016, Superior acquired the assets of Caledon Propane Inc. (Caledon), a family-owned propane business with operations in Ontario and Manitoba. The total purchase price was $8.1 million excluding taxes.

Caledon Acquisition	Fair Value Recognized on Acquisition
Property, plant and equipment	4.2
Inventory	0.6
Net identifiable assets and liabilities	4.8
Goodwill arising on acquisition	3.3
Total Consideration	**8.1**
Purchase considerations components	
Cash	8.1
Total Purchase Consideration	**8.1**

Revenue and net earnings for the three months ended June 30, 2016 would have been $2.1 million and $0.2 million, respectively, if the acquisition had occurred on January 1, 2016. Revenue and net earnings for the six months ended June 30, 2016 would have been $5.9 million and $1.0 million, respectively, if the acquisition had occurred on January 1, 2016. Subsequent to the acquisition date on June 14, 2016, the acquisition contributed revenue and net earnings of $0.4 million and $0.2 million, respectively, to Energy Distribution for the period ended June 30, 2016.

On April 1, 2015, Superior acquired the assets of Warner's Gas Service Inc. (Warner's) which is a small private propane and fuel distribution business in Vestal, New York for an aggregate purchase price of $5.5 million including adjustments to net working capital and deferred consideration.

Warner's Acquisition	Fair Value Recognized on Acquisition
Property, plant and equipment	1.9
Intangible assets	3.5
Trade and other payables	(0.7)
Net identifiable assets and liabilities	4.7
Goodwill arising on acquisition	0.8
Total Consideration	**5.5**
Purchase considerations components	
Cash (paid on April 1, 2015)	1.6
Deferred consideration	3.9
Total Purchase Consideration	**5.5**

Revenue and net earnings for the six months ended June 30, 2015 would have been $6.0 million and $0.5 million, respectively, if the acquisition had occurred on January 1, 2015. Subsequent to the acquisition date of April 1, 2015, the acquisition contributed revenue and net earnings, respectively, of $1.4 million and $(0.2) million to Energy Distribution for the period ended June 30, 2015. Warner's contributed revenue and net earnings of $1.4 million and $0.1 million, respectively, for the three months ended June 30, 2016, and revenue and net earnings of $4.6 million and $1.2 million, respectively, for the six months ended June 30, 2016.

6. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	Note	**June 30 2016**	December 31 2015
Trade receivables, net of allowances		**311.6**	341.5
Accounts receivable – other		**15.0**	32.9
Trade and other receivables		**326.6**	374.4

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

	June 30 2016	December 31 2015
Current	**242.8**	244.6
Past due less than 90 days	**63.3**	89.4
Past due over 90 days	**11.1**	14.8
Total receivables	**317.2**	348.8

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 a provision of $5.6 million as at June 30, 2016 (December 31, 2015 – $7.3 million). The movement in the provision for doubtful accounts is as follows:

	June 30 2016	December 31 2015
Allowance for doubtful accounts, at the beginning of the period	**(7.3)**	(8.5)
Additions	**(2.6)**	(7.8)
Amounts written off during the year as uncollectible	**3.2**	6.4
Amounts recovered	**1.1**	2.6
Allowance for doubtful accounts at the end of the period	**(5.6)**	(7.3)

7. INVENTORIES

	June 30 2016	December 31 2015
Propane, heating oil and other refined fuels	**37.3**	37.7
Propane retailing materials, supplies, appliances and other	**7.8**	7.5
Chemical finished goods and raw materials	**26.1**	29.4
Chemical stores, supplies and other	**13.6**	13.2
Wall, ceiling and insulation construction products	**86.7**	88.8
	171.5	176.6

	Three months ended June 30		**Six months ended June 30**	
	2016	2015	**2016**	2015
Cost of inventories recognized as an expense	**455.9**	481.2	**928.6**	1,095.2
Inventory write-downs	**0.8**	0.5	**1.5**	1.5
Write-down reversals	**0.1**	1.1	**0.2**	5.8

8. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Buildings**	**Specialty Chemicals Plant & Equipment**	**Energy Distribution Retailing Equipment**	**Construction Products Distribution Equipment**	**Leasehold Improvements**	**Total**
Balance at December 31, 2015	32.8	207.2	960.5	765.9	78.8	14.5	2,059.7
Balance at June 30, 2016	**32.1**	**202.5**	**955.0**	**772.3**	**85.9**	**14.0**	**2,061.8**
Accumulated Depreciation							
Balance at December 31, 2015	–	75.2	512.1	411.2	34.9	9.6	1,043.0
Balance at June 30, 2016	**–**	**77.2**	**523.5**	**427.5**	**34.9**	**9.4**	**1,072.5**
Carrying Amount							
Balance at December 31, 2015	32.8	132.0	448.4	354.7	43.9	4.9	1,016.7
Balance at June 30, 2016	**32.1**	**125.3**	**431.5**	**344.8**	**51.0**	**4.6**	**989.3**

Depreciation per cost category:

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Cost of sales	**13.4**	15.3	**27.2**	28.8
Selling, distribution and administrative costs	**14.7**	13.2	**30.8**	26.3
Total	**28.1**	28.5	**58.0**	55.1

The carrying amount of Superior's property, plant, and equipment includes $82.2 million of leased assets as at June 30, 2016 (December 31, 2015 – $87.6 million).

9. PROVISIONS

	Restructuring	Decommissioning	Environmental	Total
Balance at December 31, 2015	0.5	22.2	1.0	23.7
Utilizations	**(0.3)**	**(0.1)**	**(0.5)**	**(0.9)**
Additions	–	–	**0.3**	**0.3**
Amounts reversed during the year	–	**(0.4)**	**(0.3)**	**(0.7)**
Unwinding of discount	–	**0.2**	–	**0.2**
Impact of change in discount rate	–	**1.8**	–	**1.8**
Net foreign currency exchange difference	–	**(1.0)**	**(0.1)**	**(1.1)**
Balance at June 30, 2016	**0.2**	**22.7**	**0.4**	**23.3**

	Note	June 30 2016	December 31 2015
Current	**10**	**0.2**	0.5
Non-current		**23.1**	23.2
		23.3	23.7

Restructuring

Provisions for restructuring are recorded in provisions, except for the current portion, which is recorded in trade and other payables. As at June 30, 2016, the current portion of restructuring costs was $0.2 million (December 31, 2015 – $0.5 million). As at June 30, 2016, the long term portion of restructuring costs was nil (December 31, 2015 – nil). The provision is primarily for severance, lease costs and consulting fees.

Decommissioning

The provisions are on a discounted basis and are based on existing technologies at current prices or long-term price assumptions, depending on the activity's expected timing.

Specialty Chemicals

Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. As at June 30, 2016, the discount rate used in Superior's calculation was 1.72% (December 31, 2015 – 2.16%). Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $22.4 million (December 31, 2015 – $23.1 million) which will be paid over the next 16 to 24 years. While Superior's provision for decommissioning costs is based on the best estimate of future costs and the economic lives of the chemical facilities, the amount and timing of these costs is uncertain.

Energy Distribution

Superior records a provision for the future costs of decommissioning certain assets associated with the Energy Distribution segment. Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $10.3 million at June 30, 2016 (December 31, 2015 – $12.3 million) which will be paid over the next 16 years. The discount rate of 1.72% at June 30, 2016 (December 31, 2015 – 2.16%) was used to calculate the present value of the estimated cash flows.

Environmental

Provisions for environmental remediation are made when a clean-up is probable and the amount of the obligation can be reliably estimated. Generally, this coincides with commitment to a formal plan or, if earlier, on divestment or closure of inactive sites. Superior estimates the total undiscounted expenditures required to settle its environmental expenditures to be approximately $0.4 million at June 30, 2016 (December 31, 2015 – $0.9 million) which will be paid over the next year. The extent and cost of future remediation programs are inherently difficult to estimate and depend on the scale of any possible contamination, the timing and extent of corrective actions, and Superior’s share of the liability.

10. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	Note	**June 30 2016**	December 31 2015
Trade payables		**202.4**	240.9
Restructuring provisions	**9**	**0.2**	0.5
Other payables		**87.3**	98.3
Share-based payments		**8.5**	10.1
Trade and other payables		**298.4**	349.8

11. BORROWING

	Year of Maturity	Effective Interest Rate	**June 30 2016**	December 31 2015
Revolving Term Bank Credit Facilities [1]				
Bankers' Acceptances (BA)	2019	Floating BA rate plus applicable credit spread	**41.9**	251.6
Canadian Prime Rate Loan	2019	Prime rate plus applicable credit spread	**11.0**	17.7
LIBOR Loans (US$209.0 million; 2015 – U.S.$37.0 million)	2019	Floating LIBOR rate plus applicable credit spread	**271.8**	51.2
US Base Rate Loans (US$6.7 million; 2015 – U.S. $10.6 million)	2019	US Prime rate plus credit spread	**8.8**	14.8
			333.5	335.3
Other Debt				
Accounts Receivable factoring program[2]		Floating BA Plus	**4.3**	2.6
Defined Consideration	2016 –2018	Non-interest-bearing	**5.1**	6.5
			9.4	9.1
Senior Unsecured Notes				
Senior unsecured notes [3]	2021	6.50%	**200.0**	200.0
Finance Lease Obligations				
Finance lease obligation			**74.9**	81.2
Total borrowing before deferred financing fees			**617.8**	625.6
Deferred financing fees			**(6.4)**	(10.8)
Borrowing			**611.4**	614.8
Current maturities			**(31.1)**	(33.0)
Borrowing			**580.3**	581.8

[1] On December 22, 2015, Superior and its wholly-owned subsidiaries, Superior Plus US Financing Inc. and Commercial E Industrial (Chile) Limitada, extended the maturity date of its credit facility to December 22, 2019. The credit facility is for $570.0 million. As at June 30, 2016, Superior had $25.4 million of outstanding letters of credit (December 31, 2015 – $27.6 million) and approximately $142.2 million of outstanding financial guarantees on behalf of its businesses (December 31, 2015 – $151.0 million). The fair value of Superior's revolving term bank credit facilities, other debt, letters of credit, financial guarantees, and senior unsecured notes approximates their carrying value as a result of the market-based interest rates, the short-term nature of the underlying debt instruments and other related factors.

[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, a 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 $15.0 million. As at June 30, 2016, the accounts receivable factoring program totaled CDN $4.3 million (December 31, 2015 – CDN $2.6 million).

[3] On December 9, 2014, Superior completed an offering of $200.0 million 6.50% senior unsecured notes (the senior notes). The senior notes were issued at par value and mature on December 9, 2021. The senior notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior notes at various redemption prices, which include the principal amount plus accrued and unpaid interest, if any, to the application redemption date. Interest is payable semi-annually on June 9 and December 9, and commenced June 9, 2015.

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

Current maturities	**27.5**
Due in 2017	**18.1**
Due in 2018	**12.7**
Due in 2019	**343.3**
Due in 2020	**9.2**
Due in 2021	**207.0**
Subsequent to 2021	**–**
Total	**617.8**

12. Convertible Unsecured Subordinated Debentures

Superior's debentures are as follows:

Maturity Interest Rate Conversion price per share	**June 2018** **6.00%** **$15.10**	**June 2019** **6.00%** **$16.75**	**Total** **Carrying** **Value**
Debentures outstanding as at June 30, 2016	**147.5**	**88.7**	**236.2**
Debentures outstanding as at December 31, 2015	146.9	87.5	234.4
Quoted market value as at June 30, 2016	**154.1**	**99.5**	**253.6**
Quoted market value as at December 31, 2015	151.1	98.3	249.4

Superior's convertible debentures due in June 2018 and June 2019 carry multiple settlement options at conversion. The debentures may be converted into shares at the option of the holder, at the conversion price, at any time prior to the earlier of redemption by Superior or maturity. Superior may elect to pay interest and principal upon maturity or redemption by issuing shares to a trustee in the case of interest payments, and to the debenture holders in the case of payment of principal. The number of any shares issued to the debenture holders will be determined based on the market price per share at the time of issuance. Superior may elect to pay the debenture holders cash in lieu of delivering common shares upon conversion.

The principal amount of all convertible debentures as at June 30, 2016 was $247.0 million (December 31, 2015 - $247.0 million).

13. 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 asking 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.

With respect to the valuation of Specialty Chemicals' fixed-price electricity agreement, the valuation of this agreement requires Superior to make assumptions about the long-term price of electricity in electricity markets for which active market information is not available. The impact of the assumption for the long-term forward price curve of electricity has a material impact on the fair value of this agreement. A $1/MWh change in the forecast price of electricity would result in a change in the fair value of this agreement of $0.3 million, with a corresponding impact to net earnings (loss) before income taxes.

All financial and non-financial derivatives are designated as held-for-trading upon their initial recognition.

As at				**June 30, 2016**
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Foreign currency forward contracts, net sale	**0.4**	**–**	**–**	**0.4**
Interest rate swaps – CDN$	**–**	**0.8**	**–**	**0.8**
Natural gas financial swaps – AECO	**–**	**7.1**	**–**	**7.1**
Electricity swaps – Energy Distribution	**–**	**0.1**	**–**	**0.1**
Propane wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**1.9**	**–**	**1.9**
Total assets	**0.4**	**9.9**	**–**	**10.3**
Liabilities				
Natural gas financial swaps – AECO	**–**	**7.5**	**–**	**7.5**
Electricity swaps – Energy Distribution	**–**	**0.1**	**–**	**0.1**
Foreign currency forward contracts, net sale	**52.8**	**–**	**–**	**52.8**
Cross currency interest rate exchange agreements	**1.6**	**–**	**–**	**1.6**
Equity derivative contracts	**–**	**1.9**	**–**	**1.9**
Debenture-embedded derivative	**–**	**–**	**4.7**	**4.7**
Propane wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**0.3**	**–**	**0.3**
Fixed-price electricity purchase agreements – Specialty Chemicals	**–**	**–**	**5.8**	**5.8**
Total liabilities	**54.4**	**9.8**	**10.5**	**74.7**
Total net (liability) asset	**(54.0)**	**0.1**	**(10.5)**	**(64.4)**
Current portion of assets	**0.4**	**7.5**	**–**	**7.9**
Current portion of liabilities	**30.9**	**7.3**	**4.0**	**42.2**

As at				December 31, 2015
	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts, net sale	2.2	–	–	2.2
Interest rate swaps – CDN$	–	1.2	–	1.2
Propane wholesale purchase and sale contracts, net sale – Energy Distribution	–	0.6	–	0.6
Total assets	2.2	1.8	–	4.0
Liabilities				
Natural gas financial swaps – AECO	–	18.4	–	18.4
Electricity swaps – Energy Distribution	–	3.2	–	3.2
Foreign currency forward contracts, net sale	111.8	–	–	111.8
Equity derivative contracts	–	3.1	–	3.1
Debenture-embedded derivative	–	–	2.4	2.4
Propane wholesale purchase and sale contracts, net sale – Energy Distribution	–	3.0	–	3.0
Fixed-price electricity purchase agreements – Specialty Chemicals	–	–	6.9	6.9
Total liabilities	111.8	27.7	9.3	148.8
Total net liability	(109.6)	(25.9)	(9.3)	(144.8)
Current portion of assets	2.1	1.4	–	3.5
Current portion of liabilities	55.1	20.4	3.9	79.4

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[1]	Term	Effective Rate	Valuation Technique(s) and Key Input(s)
Level 1 fair value hierarchy:				
Foreign currency forward contracts, net sale	US$349.0	2016 – 2019	1.15	Quoted bid prices in the active market.
Cross currency interest rate exchange agreements	US$156.0	2016	1.31	Quoted bid prices in the active market.
Level 2 fair value hierarchy:				
Natural gas financial swaps –AECO	–	2016 – 2020	–	Discounted cash flow – Future cash flows are estimated based on forward market prices (from observable yield curves at the end of the reporting period) applied to contract volumes, discounted at a rate that reflects the credit risk of various counterparties. Impact of sleeve transactions entered into in 2016 result in a notional amount and effective rate of $nil.
Interest rate swaps – CDN$	$37.5	2016 – 2017	Six-month BA rate plus 2.67%	Discounted cash flow – Future cash flows are estimated based on forward interest rates and contract interest rates, discounted at a rate that reflects the credit risk of various counterparties.
Equity derivative contracts	$11.8	2017 – 2018	$12.70	Discounted cash flow – Future cash flows are estimated based on equity derivative contracts.
Propane wholesale purchase and sale contracts, net sale – Energy Distribution	23.5 USG	2016 – 2018	$0.80	Quoted bid prices for similar products in the active market.
Electricity swaps – Energy Distribution	–	2016 – 2018	–	Discounted cash flow – Future cash flows are estimated based on forward market prices (from observable yield curves at the end of the reporting period) applied to contract volumes, discounted at a rate that reflects the credit risk of various counterparties. Impact of sleeve transactions entered into in 2016 result in a notional amount and effective rate of $nil.
Heating oil purchase and sale contracts – Energy Distribution	1.0 USG[1]	2016 – 2017	US $1.51 /USG	Quoted bid prices for similar products in the active market.
Level 3 fair value hierarchy:				
Debenture-embedded derivative	$247.0	2018 – 2019	–	Black-Scholes model – see “Valuation techniques and significant unobservable inputs” for further details.
Fixed-price electricity purchase agreements – Specialty Chemicals	32-45 MW[2]	2016 – 2017	$45	Discounted cash flow – see “Valuation techniques and significant unobservable inputs” for further details.

(1) Millions of United States gallons (USG) purchased.
(2) Megawatts (MW) on a 24/7 continual basis per year purchased.

Valuation techniques and significant unobservable inputs

Financial Instrument	Valuation Technique	Significant Unobservable Inputs	Sensitivity of Input to Fair Value
Debenture – embedded derivative	Black-Scholes model	Volatility – 27.66% – 28.01% (2015 – 26.27% – 27.06%) Risk-free rate – 0.72% – 0.82% (2015– 1.34% – 1.46%)	The estimated fair value would increase (decrease) if: – Volatility decreased (increased) – Risk-free rate decreased (increased)
Fixed-price electricity purchase agreements	Discounted cash flow	Forward electricity prices [(1)] – $27.42 – $32.08 (2015 – $34.75 – $40.00) WACC – 9% (2015 – 9%)	The estimated fair value would increase (decrease) if: – Forward prices increased (decreased) – WACC decreased (increased)

(1) Net of greenhouse gas charge of $4/MWh for 2016 and $6/MWh for 2017.

	For the three months ended June 30, 2016		For the three months ended June 30, 2015	
Description	**Realized Gain (Loss)**	**Unrealized Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – AECO	**(0.1)**	**0.1**	(4.5)	4.5
Energy Distribution electricity swaps	**0.1**	**–**	(2.3)	(0.2)
Foreign currency forward contracts, net sale	**(9.0)**	**11.2**	(10.2)	22.9
Cross currency interest rate swaps	**–**	**0.8**	–	–
Interest rate swaps	**0.4**	**(0.4)**	3.0	(3.9)
Equity derivative contracts	**–**	**1.7**	0.9	(1.5)
Energy Distribution propane wholesale purchase and sale contracts	**(0.2)**	**1.4**	(6.0)	(0.8)
Energy Distribution WTI wholesale purchase and sale contracts	**–**	**–**	0.1	–
Energy Distribution butane wholesale purchase and sale contracts	**(0.1)**	**(0.4)**	–	(0.1)
Energy Distribution heating oil purchase and sale contracts	**(2.6)**	**2.9**	(3.1)	2.2
Energy Distribution diesel wholesale purchase and sale contracts	**–**	**–**	–	0.4
Specialty Chemicals fixed-price electricity purchase agreements	**(1.1)**	**2.1**	(0.5)	7.0
Total (losses) gains on financial and non-financial derivatives	**(12.6)**	**19.4**	(22.6)	30.5
Foreign currency translation on borrowings	**–**	**(6.7)**	0.3	0.6
Gain on debenture redemption	**–**	**–**	0.1	–
Unrealized change in fair value of debenture-embedded derivative	**–**	**(2.4)**	–	16.1
Total (losses) gains	**(12.6)**	**10.3**	(22.2)	47.2
Total (losses) gains attributed to continuing operations	**(12.6)**	**10.3**	(14.4)	47.2
Total (losses) attributed to discontinued operations	**–**	**–**	(7.8)	–
Total (losses) gains	**(12.6)**	**10.3**	(22.2)	47.2

Description	For the six months ended June 30, 2016		For the six months ended June 30, 2015	
	Realized Gain (Loss)	**Unrealized Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – AECO	**(4.4)**	**17.9**	(8.9)	4.1
Electricity swaps – Energy Distribution	**(1.7)**	**3.2**	(2.7)	(2.0)
Foreign currency forward contracts, net sale	**(21.0)**	**57.3**	(21.1)	(21.4)
Cross currency interest rate swaps	**–**	**(1.5)**	–	–
Interest rate swaps	**0.4**	**(0.4)**	3.0	(2.1)
Equity derivative contracts	**(0.2)**	**1.2**	0.8	1.7
Propane wholesale purchase and sale contracts – Energy Distribution	**(2.7)**	**5.4**	(15.6)	14.5
Butane wholesale purchase and sale contracts – Energy Distribution	**(0.1)**	**(0.4)**	–	(0.1)
Diesel wholesale purchase and sale contracts – Energy Distribution	**–**	**–**	–	0.6
Heating oil purchase and sale contracts – Energy Distribution	**(6.2)**	**6.0**	(13.8)	6.1
WTI wholesale purchase and sale contracts – Energy Distribution	**–**	**–**	0.2	0.1
Fixed-price electricity purchase agreements – Specialty Chemicals	**(2.7)**	**1.2**	(1.7)	2.1
Fixed-price natural gas purchase agreements – Specialty Chemicals	**–**	**–**	–	–
Total (losses) gains on financial and non-financial derivatives	**(38.6)**	**(89.9)**	(59.8)	3.6
Gain on debenture redemption	**–**	**–**	0.1	–
Foreign currency translation of borrowings	**–**	**(3.9)**	0.4	(2.6)
Unrealized change in fair value of debenture-embedded derivative	**–**	**(2.3)**	–	(5.7)
Total (losses) gains	**(38.6)**	**83.7**	(59.3)	(4.7)

Total (losses) gains attributed to continuing operations	**(32.5)**	**83.7**	**(47.7)**	**(4.7)**
Total (losses) attributed to discontinued operations	**(6.1)**	**–**	**(11.6)**	**–**
Total (losses) gains	**(38.6)**	**83.7**	**(59.3)**	**(4.7)**

Realized 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 statement of net earnings based on the underlying nature of the financial statement line item and/or the economic exposure being managed.

Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported on the 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 that do, however, still allow for the related amount to be set-off in certain circumstances, such as bankruptcy or the termination of contracts.

Derivative Assets		**Amounts Offset**	
June 30, 2016	Gross Assets	Gross Liabilities Offset	Net Amounts Presented
Natural gas financial swaps – AECO[1]	**5.6**	**–**	**5.6**
Electricity swaps – Energy Distribution [1]	**1.4**	**–**	**1.4**
Propane wholesale purchase and sale contracts – Energy Distribution [2]	**0.2**	**–**	**0.2**
Total	**7.2**	**–**	**7.2**

[1] Subject to an enforceable master netting agreement in the form of an ISDA agreement.
[2] Regularly settled gross in the normal course of business.

Derivative Liabilities		**Amounts Offset**	
June 30, 2016	Gross Liabilities	Gross Assets Offset	Net Amounts Presented
Natural gas financial swaps – AECO[1]	**6.1**	**–**	**6.1**
Electricity swaps – Energy Distribution [1]	**1.5**	**–**	**1.5**
Propane wholesale purchase and sale contracts – Energy Distribution [3]	**0.7**	**(0.4)**	**0.3**
Fixed-price electricity purchase agreements – Specialty Chemicals[4]	**21.0**	**(15.2)**	**5.8**
Total	**29.3**	**(15.6)**	**13.7**

[1] Subject to an enforceable master netting agreement in the form of an ISDA agreement.
[2] Regularly settled net in the normal course of business and considered standardized brokerage accounts.
[3] Regularly settled gross in the normal course of business.
[4] Standard terms of the Power Purchase Agreement (PPA) allowing net settlement of payments in the normal course of business.

Derivative Liabilities		Amounts Offset	
December 31, 2015	Gross Liabilities	Gross Assets Offset	Net Amounts Presented
Natural gas financial swaps – AECO[1]	18.4	–	18.4
Electricity swaps – Energy Distribution [1]	3.3	(0.1)	3.2
Propane wholesale purchase and sale contracts – Energy Distribution [3]	4.1	(1.1)	3.0
Heating oil purchase and sale contracts – Energy Distribution [2]	6.3	(6.3)	–
Fixed-price electricity purchase agreements – Specialty Chemicals[4]	27.8	(20.9)	6.9
Total	59.9	(28.4)	31.5

[1] Subject to an enforceable master netting agreement in the form of an ISDA agreement.
[2] Regularly settled net in the normal course of business and considered standardized brokerage accounts.
[3] Regularly settled gross in the normal course of business.
[4] Standard terms of the Power Purchase Agreement (PPA) allowing net settlement of payments in the normal course of business.

Financial Instruments – Risk Management

Market Risk

Derivative and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Superior assesses the inherent risks of these instruments by grouping financial derivatives 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.

Energy Distribution enters into natural gas financial swaps to manage its economic exposure of providing fixed-price natural gas to its customers and maintains its historical natural gas swap positions with six counterparties. Energy Distribution monitors its fixed-price natural gas positions on a daily basis to monitor compliance with established risk management policies. Energy Distribution maintains a substantially balanced fixed-price natural gas position in relation to its customer supply commitments.

Energy Distribution enters into electricity financial swaps to manage the economic exposure of providing fixed-price electricity to its customers. Energy Distribution maintains a substantially balanced fixed-price electricity position in relation to its customer supply commitments.

Specialty Chemicals has entered into a fixed-price electricity purchase agreement to manage the economic exposure of certain chemical facilities to changes in the market price of electricity, in a market where the price of electricity is not fixed. The fair value with respect to this agreement is with a single counterparty.

Energy Distribution enters into various propane forward purchase and sale agreements to manage the economic exposure of its wholesale customer supply contracts. 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. Specialty Chemicals 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 has interest rate swaps with four counterparties to manage the interest rate mix of its debt portfolio and related overall cost of borrowing. Superior manages its overall liquidity risk in relation to its general funding requirements by utilizing a mix of short-term and longer-term debt instruments. Superior reviews its mix of short-term and longer-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 derivative and non-financial derivative instruments in order to mitigate its counterparty risk. Superior assesses the credit-worthiness of its significant counterparties at the inception and throughout the term of a contract. Superior is also exposed to customer credit risk. Energy Distribution deals with a large number of small customers, thereby reducing this risk. Specialty Chemicals, due to the nature of its operations, sells its products to a relatively small number of customers. Specialty Chemicals mitigates its customer credit risk by actively monitoring the overall credit-worthiness of its customers. Energy Distribution actively monitors the credit-worthiness of its commercial customers. Overall, Superior's credit quality is enhanced by its portfolio of customers, which is diversified across geographical (primarily Canada and the United States) and end-use (primarily commercial, residential and industrial) markets.

Allowances for doubtful accounts and past due receivables are reviewed by Superior at each balance sheet date. Superior updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability

of trade receivables with each customer, taking into account historical collection trends of past due accounts and current economic conditions. Trade 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 impact liquidity.

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

	2016	**2017**	**2018**	**2019**	**2020**	**2021 and thereafter**	**Total**
Borrowing	**27.5**	**18.1**	**12.7**	**343.3**	**9.2**	**207.0**	**617.8**
Convertible unsecured subordinated debentures	**–**	**–**	**147.5**	**88.7**	**–**	**–**	**236.2**
US$ foreign currency forward sales contracts	**143.7**	**109.5**	**72.0**	**24.0**	**–**	**–**	**349.2**
CDN$ natural gas purchases	**3.1**	**0.1**	**–**	**–**	**–**	**–**	**3.2**
US$ natural gas purchases	**0.1**	**0.1**	**–**	**–**	**–**	**–**	**0.2**
US$ propane purchases	**4.3**	**7.4**	**1.4**	**–**	**–**	**–**	**13.1**
US$ heating oil purchases	**9.0**	**–**	**–**	**–**	**–**	**–**	**9.0**
US$ butane purchases	**0.2**	**–**	**–**	**–**	**–**	**–**	**0.2**
US$ WTI purchases	**0.7**	**–**	**–**	**–**	**–**	**–**	**0.7**
Fixed-price electricity purchase commitments	**8.9**	**17.7**	**–**	**–**	**–**	**–**	**26.6**

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 flow from operations, proceeds on revolving term bank credit facilities and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities as at June 30, 2016 are consistent with those disclosed in Superior's 2015 annual consolidated financial statements.

14. INCOME TAXES

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

Total income tax expense (recovery), comprised of current taxes and deferred taxes for the three and six months ended June 30, 2016 was $3.0 million and $27.1 million respectively, compared to $(3.2) million and $20.5 million in the comparative period. For the three and six months ended June 30, 2016, deferred income tax from operations in Canada, the United States and Chile was $1.3 million and $24.2 million, respectively, which resulted in a corresponding total net deferred income tax asset of $253.9 million at June 30, 2016, including $0.8 million of deferred income tax assets related to discontinued operations.

On April 2, 2013, Superior received, from the CRA, Notices of Reassessment for Superior's 2009 and 2010 taxation years reflecting the CRA's intent to challenge the tax consequences of Superior's corporate conversion transaction (Conversion) which occurred on December 31, 2008. The CRA's position is based on the acquisition

of control rules and the general anti-avoidance rules in the Income Tax Act (Canada). On May 8, 2013 and August 7, 2013, respectively, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notices of Reassessment received on April 2, 2013. Superior has been reassessed for subsequent taxation years by the CRA and the provincial tax agencies and has filed a Notice of Objection for each Notice of Assessment received.

The table below summarizes Superior's estimated tax liabilities and payment requirements associated with the received and anticipated Notices of Reassessment. Upon receipt of the Notices of Reassessment, 50% of the taxes payable pursuant to such Notice of Reassessment must be remitted to the CRA and the provincial tax agencies within 90 days.

Taxation Year	**Taxes Payable[1][2]**	**50% of the Taxes Payable[1][2]**	**Month/Year Paid/Payable**
2009/2010	$13.0	$6.5	April 2013
2011	$15.0[3]	$7.5	February 2015
2012	$10.0[3]	$5.0	February 2015
2013	$11.0[3]	$5.5	February 2015
2014	$16.0[3]	$8.0	December 2015
2015	$3.0[3]	$1.5	2016
2016	$20.0[3]	$2.5	2017
Total	**$88.0**	$44.0	

(1) In millions of dollars.
(2) Includes estimated interest and penalties up to payment date of 50%.
(3) Estimated based on Superior's previously filed tax returns, 2015 results and Superior's 2016 outlook.

Superior anticipates that if the case proceeds in the Tax Court of Canada, the case could be heard within two years, with a decision rendered six to twelve months after completion of the court hearings. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional two years. If Superior receives a positive decision then any taxes, interest and penalties paid to the CRA will be refunded plus interest. If Superior is unsuccessful, then any remaining taxes payable plus interest and penalties will have to be remitted to the CRA and Superior would not be able to use the tax attributes from the Conversion.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and currently intends to vigorously defend such position and to file its future tax returns on a basis consistent with its view of the outcome of the Conversion.

15. 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.

Preferred shares are issuable in series with each class of preferred share having such rights as the Board of Directors may determine. Holders of preferred shares are entitled, in priority over holders of common shares, to be paid ratably with holders of each other series of preferred shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series upon liquidation, dissolution or winding up of Superior. Superior has no preferred shares outstanding.

	Issued Number of Common Shares (millions)	**Total Equity**
Total Equity, December 31, 2015	**140.6**	**713.7**
Net earnings	**–**	**97.6**
Other comprehensive loss	**–**	**(39.9)**
Issuance of common shares	**1.6**	**15.4**
Dividends declared to shareholders [1]	**–**	**(51.2)**
Total Equity, June 30, 2016	**142.2**	**735.6**

[1] Dividends to shareholders are declared at the discretion of Superior's Board of Directors. During the six months ended June 30, 2016, Superior paid cash dividends of $35.8 million or $0.36 per share (June 30, 2015 – $45.5 million or $0.36 per share) and made distributions through its dividend reinvestment program of $15.4 million (June 30, 2015 – nil).

	June 30 2016	December 31 2015
Accumulated other comprehensive income before reclassification		
Currency translation adjustment		
Balance at the beginning of the period	**126.5**	40.0
Unrealized foreign currency (losses) gains on translation of foreign operations	**(34.2)**	86.5
Balance at the end of the period	**92.3**	126.5
Actuarial defined benefits		
Balance at the beginning of the period	**(8.1)**	(9.8)
Actuarial defined benefit (losses) gains	**(7.9)**	2.4
Income tax recovery (expense) on actuarial gains	**2.2**	(0.7)
Balance at the end of the period	**(13.8)**	(8.1)
Total accumulated other comprehensive income before reclassification	**78.5**	118.4
Amounts reclassified from accumulated other comprehensive income		
Accumulated derivative losses		
Balance at the beginning of the period	**(7.1)**	(6.9)
Reclassification of derivative losses previously deferred[1]	**–**	(0.2)
Balance at the end of the period	**(7.1)**	(7.1)
Total amounts reclassified from accumulated other comprehensive income	**(7.1)**	(7.1)
Accumulated other comprehensive income at the end of the period	**71.4**	111.3

[1] The reclassification of derivative losses previously deferred is included in unrealized losses on derivative financial instruments on the statement of net earnings and total comprehensive income.

Other Capital Disclosures

Additional Capital Disclosure

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

In the management of capital, Superior includes shareholders' equity (excluding accumulated other comprehensive gain (loss)), current and long-term borrowing, convertible unsecured subordinated debentures, securitized accounts receivable and cash and cash equivalents. Superior manages its capital structure and makes adjustments in light of changes in economic conditions and the nature of the underlying assets. In order to maintain or adjust the capital structure, Superior may adjust the amount of dividends to Shareholders, issue additional share capital, issue new debt or convertible unsecured subordinated debentures with different characteristics.

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

Superior is subject to various financial covenants in its credit facility agreements, including senior debt, total debt to EBITDA ratio and restricted payments test, which are measured on a quarterly basis. As at June 30, 2016 and December 31, 2015 Superior was in compliance with all of its financial covenants.

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

Financial Measures Utilized for Bank Covenant Purposes

Compliance EBITDA

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

In accordance with the credit facility, Superior must maintain a consolidated secured debt to compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a consolidated debt to compliance EBITDA ratio of not more than 5.0 to 1.0, excluding convertible debentures.

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

As at	**June 30 2016**	December 31 2015
Total shareholders' equity	**735.6**	713.7
Exclude accumulated other comprehensive income	**(71.4)**	(111.3)
Shareholders' equity excluding accumulated other comprehensive income	**664.2**	602.4
Current borrowing[1]	**31.1**	33.0
Borrowing[1]	**586.7**	592.6
Less: Senior unsecured debt	**(200.0)**	(200.0)
Consolidated secured debt	**417.8**	425.6
Add: Senior unsecured debt	**200.0**	200.0
Consolidated debt	**617.8**	625.6
Convertible unsecured subordinated debentures[1]	**247.0**	247.0
Total debt	**864.8**	872.6
Total capital	**1,529.0**	1,475.0

(1) Borrowing and convertible unsecured subordinated debentures are before deferred financing fees and option value.

Twelve months ended	**June 30 2016**	December 31 2015
Net earnings	**93.0**	26.5
Adjusted for:		
Finance expense	**48.6**	56.3
Realized gains on derivative financial instruments included in finance expense	**3.3**	6.1
Depreciation included in selling, distribution and administrative costs	**60.9**	56.4
Depreciation included in cost of sales	**62.2**	63.8
Gain on sale of Fixed-Price Energy Services operations	**(3.1)**	–
Loss on disposal of assets	**2.6**	2.4
Gain on sale of customer list	**–**	(0.3)
Amortization of intangible assets	**8.7**	7.1
Income tax expense	**7.4**	0.8
Unrealized (gains) losses on derivative financial instruments	**(48.6)**	39.8
Compliance EBITDA	**235.0**	258.9

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

	June 30 2016	December 31 2015
Consolidated secured debt to compliance EBITDA	**1.8:1**	1.6:1
Consolidated debt to compliance EBITDA	**2.6:1**	2.4:1
Total debt to compliance EBITDA	**3.7:1**	3.4:1

Total debt to compliance EBITDA excluding certain non-recurring costs of $30.0 million for the twelve months ended June 30, 2016 is 3.3:1, and excluding $10.0 million of certain non-recurring costs for the 12 months ended December 31, 2015, is 3.2:1. The non-recurring costs were associated with the terminated acquisition of Canexus, the divestiture of CPD and the relocation of the corporate office to Toronto, Ontario.

16. NET EARNINGS PER SHARE

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net (loss) earnings per share computation, basic, from continuing operations				
Net (loss) earnings for the period	**$(6.9)**	$41.0	**$98.0**	$32.0
Weighted average shares outstanding (millions)	**141.9**	126.7	**141.5**	126.4
Net (loss) earnings per share, basic, from continuing operations	**$(0.05)**	$0.32	**$0.69**	$0.25

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net (loss) earnings per share computation, diluted, from continuing operations				
Net (loss) earnings for the period	**$(6.9)**	$37.7	**$102.3**	$34.3
Weighted average shares outstanding (millions)	**141.9**	148.5	**157.2**	136.4
Net (loss) earnings per share, diluted, from continuing operations	**$(0.05)**	$0.25	**$0.65**	$0.25

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share from continuing operations in each period.

			Three months ended June 30		Six months ended June 30	
(millions)	Maturity	**Note**	**2016**	2015	**2016**	2015
Convertible Debentures						
6.00%	June 2018	**11**	**9.9**	–	–	–
7.50% (redeemed December 2015)	October 2016	**11**	–	–	–	6.1
6.00%	June 2019	**11**	**5.8**	–	–	5.8
Total anti-dilutive instruments			**15.7**	–	–	11.9

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net loss per share computation, basic from discontinued operations				
Net loss for the period	**$(0.6)**	$(0.1)	**$(0.4)**	$(0.9)
Weighted average shares outstanding (millions)	**141.9**	126.7	**141.5**	126.4
Net loss per share, basic from discontinued operations	**$–**	$–	**$–**	$(0.01)

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Net loss per share computation, diluted from discontinued operations				
Net loss for the period	**$(0.6)**	$(3.4)	**$(0.4)**	$(0.9)
Weighted average shares outstanding (millions)	**141.9**	148.5	**141.5**	126.4
Net loss per share, diluted from discontinued operations	**$–**	$(0.02)	**$–**	$(0.01)

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share from discontinued operations in each period.

			Three months ended June 30		Six months ended June 30	
(millions)	Maturity	**Note**	**2016**	2015	**2016**	2015
Convertible Debentures						
6.00%	June 2018	**11**	**9.9**	–	**9.9**	9.9
7.50% (redeemed December 2015)	October 2016	**11**	–	–	–	6.1
6.00%	June 2019	**11**	**5.8**	–	**5.8**	5.8
Total anti-dilutive instruments			**15.7**	–	**15.7**	21.8

17. Supplemental Disclosure of Changes in Non-Cash Operating Working Capital Changes

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Changes in non-cash operating working capital:				
Trade receivables and other	**11.0**	68.9	**50.8**	82.8
Inventories	**(8.1)**	(4.4)	**5.8**	13.6
Trade and other payables	**16.6**	(26.9)	**(35.9)**	(79.2)
Other	**(6.9)**	(4.5)	**(16.7)**	37.6
	12.6	33.1	**4.0**	54.8

Changes in non-cash operating working capital attributed to continuing operations	**8.2**	33.1	**(0.5)**	54.8
Changes in non-cash operating working capital attributed to discontinued operations	**4.4**	–	**4.5**	–
	12.6	33.1	**4.0**	54.8

18. Supplemental Disclosure of Condensed Consolidated Statement of Comprehensive Income From Continuing Operations

	Three months ended June 30		Six months ended June 30	
	2016	2015	**2016**	2015
Revenues				
Revenue from products	**695.8**	711.3	**1,501.1**	1,683.9
Revenue from the rendering of services	**12.1**	13.0	**25.7**	27.0
Rental revenue	**5.0**	5.6	**9.3**	10.4
Construction contract revenue	**–**	1.3	**–**	1.8
Realized losses on derivative financial instruments	**(9.3)**	(16.2)	**(25.0)**	(32.1)
	703.6	715.0	**1,511.1**	1,691.0
Cost of Sales (includes products and services)				
Cost of products and services	**(490.6)**	(506.8)	**(1,001.9)**	(1,164.9)
Depreciation included in cost of sales	**(13.4)**	(15.3)	**(27.2)**	(28.8)
Realized (losses) on derivative financial instruments	**(3.6)**	(3.7)	**(8.8)**	(20.1)
	(507.6)	(525.8)	**(1,037.9)**	(1,213.8)
Selling, Distribution and Administrative Costs				
Selling, general and administrative costs	**(52.2)**	(55.8)	**(109.7)**	(106.6)
Employee costs	**(107.2)**	(93.7)	**(215.5)**	(211.1)
Employee future benefit expense	**(1.0)**	(1.0)	**(1.9)**	(2.0)
Vehicle operating expense	**(13.7)**	(9.5)	**(28.8)**	(30.1)
Facilities maintenance expense	**(9.0)**	(8.7)	**(15.9)**	(16.0)
Depreciation included in selling, distribution and administrative costs	**(14.6)**	(13.2)	**(30.8)**	(26.3)
Amortization of intangible assets	**(1.2)**	(1.1)	**(2.3)**	(2.2)
Loss on disposal of assets	**(1.0)**	–	**(0.7)**	(0.5)
Realized gains on LTIP	**0.4**	0.8	**0.4**	0.8
Realized gains (losses) on the translation of U.S. denominated net working capital	**0.5**	(1.5)	**(3.4)**	4.9
	(199.0)	(183.7)	**(408.6)**	(389.1)
Finance Expense				
Interest on borrowing	**(5.5)**	(5.5)	**(11.4)**	(11.4)
Interest on convertible unsecured subordinated debentures	**(3.7)**	(7.6)	**(7.4)**	(15.1)
Interest on obligations under finance leases	**(1.0)**	(1.0)	**(2.0)**	(1.9)
Unwinding of discount on debentures, borrowing and decommissioning liabilities	**(1.4)**	(4.0)	**(2.8)**	(5.7)
Realized gains recorded to finance expense	**0.4**	3.2	**0.4**	3.2
	(11.2)	(14.9)	**(23.2)**	(30.9)

19. RELATED PARTY TRANSACTIONS

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

For the three and six months ended June 30, 2016, Superior incurred $0.1 million (June 30, 2015 – $0.2 million) and $1.3 million (June 30, 2015 – $0.4 million), respectively, in legal fees, with Norton Rose Canada LLP, a related party with Superior because a member of Superior's Board of Directors is a Partner at the law firm.

20. REPORTABLE SEGMENT INFORMATION

Superior has adopted IFRS 8 – Operating Segments, which requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance.

Superior operates three distinct reportable operating segments: Energy Distribution, Specialty Chemicals and Construction Products Distribution. Superior's Energy Distribution operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. refined fuels division. Specialty Chemicals' is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chlor-alkali products in the U.S. Midwest. Construction Products Distribution is one of the largest distributors of commercial and industrial insulation in North America and a distributor of specialty construction products to the walls and ceilings industry in Canada.

Superior's corporate office arranges intersegment foreign exchange contracts from time to time. Realized gains and losses pertaining to intersegment foreign exchange gains and losses are eliminated under the corporate cost column. All of Superior's operating segments conduct business with customers of various sizes and do not rely extensively on any single customer for their revenue stream.

For the three months ended June 30, 2016	Energy Distribution	Specialty Chemicals	Construction Products Distribution	Corporate	Total From Continuing Operations	Total From Discontinued Operations
Revenue	**313.1**	**135.0**	**255.5**	**–**	**703.6**	**2.0**
Cost of sales (includes products & services)	**(219.8)**	**(96.2)**	**(191.6)**	**–**	**(507.6)**	**(2.8)**
Gross Profit	**93.3**	**38.8**	**63.9**	**–**	**196.0**	**(0.8)**
Expenses						
Depreciation included in selling, distribution and administrative costs	**(12.7)**	**–**	**(2.0)**	**–**	**(14.7)**	**–**
Amortization of intangible assets	**(1.1)**	**–**	**–**	**(0.1)**	**(1.2)**	**–**
Selling, distribution and administrative costs	**(77.1)**	**(37.9)**	**(52.8)**	**(15.3)**	**(183.1)**	**0.2**
Finance expense	**(0.7)**	**(0.1)**	**(0.3)**	**(10.1)**	**(11.2)**	**–**
Unrealized gain (loss) on derivative financial instruments	**4.1**	**2.1**	**–**	**4.1**	**10.3**	**–**
	(87.5)	**(35.9)**	**(55.1)**	**(21.4)**	**(199.9)**	**0.2**
Net earnings (loss) before income taxes	**5.8**	**2.9**	**8.8**	**(21.4)**	**(3.9)**	**(0.6)**
Income tax (expense) recovery	**–**	**–**	**–**	**(3.0)**	**(3.0)**	**–**
Net Earnings	**5.8**	**2.9**	**8.8**	**(24.4)**	**(6.9)**	**(0.6)**

For the three months ended June 30, 2015	**Energy Distribution**	**Specialty Chemicals**	**Construction Products Distribution**	**Corporate**	**Total From Continuing Operations**	**Total From Discontinued Operations**
Revenue	332.6	143.5	238.9	–	715.0	28.9
Cost of sales (includes products & services)	(240.3)	(106.1)	(179.4)	–	(525.8)	(25.3)
Gross Profit	92.3	37.4	59.5	–	189.2	3.6
Expenses						
Depreciation included in selling, distribution and administrative costs	(11.5)	–	(1.7)	–	(13.2)	–
Amortization of intangible assets	(0.9)	–	–	(0.2)	(1.1)	(0.6)
Selling, distribution and administrative costs	(77.7)	(42.7)	(46.8)	(2.2)	(169.4)	(3.1)
Finance expense	(0.7)	(0.2)	(0.2)	(13.8)	(14.9)	–
Unrealized gain (loss) on derivative financial instruments	6.0	7.0	–	34.2	47.2	–
	(84.8)	(35.9)	(48.7)	18.0	(151.4)	(3.7)
Net earnings (loss) before income taxes	7.5	1.5	10.8	18.0	37.8	(0.1)
Income tax expense	–	–	–	3.2	3.2	–
Net Earnings (Loss)	7.5	1.5	10.8	21.2	41.0	(0.1)

For the six months ended June 30, 2016	**Energy Distribution**	**Specialty Chemicals**	**Construction Products Distribution**	**Corporate**	**Total From Continuing Operations**	**Total From Discontinued Operations**
Revenue	**726.9**	**284.7**	**499.5**	**–**	**1,511.1**	**21.8**
Cost of sales (includes products & services)	**(459.2)**	**(203.9)**	**(374.8)**	**–**	**(1,037.9)**	**(21.8)**
Gross Profit	**267.7**	**80.8**	**124.7**	**–**	**473.2**	**–**
Expenses						
Depreciation included in selling, distribution and administrative costs	**(26.6)**	**–**	**(4.1)**	**(0.1)**	**(30.8)**	**–**
Amortization of intangible assets	**(2.2)**	**–**	**–**	**(0.1)**	**(2.3)**	**(2.7)**
Selling, distribution and administrative costs	**(164.5)**	**(77.7)**	**(106.2)**	**(27.1)**	**(375.5)**	**2.3**
Finance expense	**(1.5)**	**(0.2)**	**(0.6)**	**(20.9)**	**(23.2)**	**–**
Unrealized gain (loss) on derivative financial instruments	**32.1**	**1.2**	**–**	**50.4**	**83.7**	**–**
	(162.7)	**(76.7)**	**(110.9)**	**2.2**	**(348.1)**	**(0.4)**
Net earnings (loss) before income taxes	**105.0**	**4.1**	**13.8**	**2.2**	**125.1**	**(0.4)**
Income tax (expense) recovery	**–**	**–**	**–**	**(27.1)**	**(27.1)**	**–**
Net Earnings	**105.0**	**4.1**	**13.8**	**(24.9)**	**98.0**	**(0.4)**

For the six months ended June 30, 2015	Energy Distribution	Specialty Chemicals	Construction Products Distribution	Corporate	Total From Continuing Operations	Total From Discontinued Operations
Revenue	919.9	315.0	456.1	–	1,691.0	59.5
Cost of sales (includes products & services)	(646.7)	(224.1)	(343.0)	–	(1,213.8)	(54.2)
Gross Profit	273.2	90.9	113.1	–	477.2	5.3
Expenses						
Depreciation included in selling, distribution and administrative costs	(22.8)	–	(3.5)	–	(26.3)	–
Amortization of intangible assets	(1.9)	–	–	(0.3)	(2.2)	(1.2)
Selling, distribution and administrative costs	(175.0)	(79.4)	(96.4)	(9.8)	(360.6)	(5.0)
Finance expense	(1.3)	(0.4)	(0.4)	(28.8)	(30.9)	–
Unrealized gain (loss) on derivative financial instruments	23.3	2.1	–	(30.1)	(4.7)	–
	(177.7)	(77.7)	(100.3)	(69.0)	(424.7)	(6.2)
Net earnings (loss) before income taxes	95.5	13.2	12.8	(69.0)	52.5	(0.9)
Income tax expense	–	–	–	(20.5)	(20.5)	–
Net Earnings (Loss)	95.5	13.2	12.8	(89.5)	32.0	(0.9)

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

	Energy Distribution	Specialty Chemicals	Construction Products Distribution	Corporate	Total Continuing Operations	Total from Discontinued Operations
As at June 30, 2016						
Net working capital [(1)]	**21.4**	**51.5**	**149.5**	**14.0**	**236.4**	**(3.9)**
Total assets	**582.4**	**615.4**	**309.2**	**541.3**	**2,048.3**	**2.3**
Total liabilities	**216.8**	**134.9**	**118.8**	**839.1**	**1,309.6**	**5.4**
As at December 31, 2015						
Net working capital [(1)]	24.4	62.8	149.8	5.5	242.5	–
Total assets	619.6	659.9	294.5	568.9	2,142.9	–
Total liabilities	271.1	148.4	114.1	895.6	1,429.2	–
For the three months ended June 30, 2016[(2)]						
Purchase of property, plant and equipment	**11.7**	**2.6**	**5.0**	**0.4**	**19.7**	**N/A**
For the three months ended June 30, 2015						
Purchase of property, plant and equipment	3.7	9.2	4.6	–	17.5	N/A
For the six months ended June 30, 2016						
Purchase of property, plant and equipment	**20.6**	**21.9**	**10.8**	**0.4**	**53.7**	**N/A**
For the six months ended June 30, 2015						
Purchase of property, plant and equipment	10.8	15.0	5.5	–	31.3	N/A

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

21. GEOGRAPHICAL INFORMATION

	Canada	United States	Other	Total Consolidated
Revenues from continuing operations for the three months ended June 30, 2016	**210.1**	**471.4**	**22.1**	**703.6**
Revenues from continuing operations for the six months ended June 30, 2016	**486.7**	**978.0**	**46.4**	**1,511.1**
Revenues from discontinued operations for the three months ended June 30, 2016	**2.0**	**–**	**–**	**2.0**
Revenues from discontinued operations for the six months ended June 30, 2016	**21.8**	**–**	**–**	**21.8**
Property, plant and equipment held by continuing operations as at June 30, 2016	**470.1**	**472.8**	**46.4**	**989.3**
Intangible assets held by continuing operations as at June 30, 2016	**12.8**	**6.4**	**–**	**19.2**
Intangible assets held by discontinued operations as at June 30, 2016	**–**	**–**	**–**	**–**
Goodwill as at June 30, 2016	**191.5**	**7.5**	**–**	**199.0**
Total assets held by continuing operations as at June 30, 2016	**1,277.7**	**718.0**	**52.6**	**2,048.3**
Total assets held by discontinued operations as at June 30, 2016	**2.3**	**–**	**–**	**2.3**
Revenues from continuing operations for the three months ended June 30, 2015	202.9	484.1	28.0	715.0
Revenues from continuing operations for the six months ended June 30, 2015	534.4	1,099.1	57.5	1,691.0
Revenues from discontinued operations for the three months ended June 30, 2015	28.9	–	–	28.9
Revenues from discontinued operations for the six months ended June 30, 2015	59.5	–	–	59.5
Property, plant and equipment as at December 31, 2015	476.3	489.2	51.2	1,016.7
Intangible assets as at December 31, 2015	13.4	7.7	–	21.1
Goodwill as at December 31, 2015	188.3	7.9	–	196.2
Total assets as at December 31, 2015	1,350.3	734.0	58.6	2,142.9

22. SUBSEQUENT EVENTS

On July 5, 2016, Superior announced it has entered into a definitive agreement to sell its Construction Products Distribution business for total cash consideration of US$325.0 million to Foundation Building Materials, LLC. The disposal is consistent with Superior’s long-term strategy to focus its activities on the Energy Distribution and Specialty Chemicals businesses. The transaction is to take place in the form of a share sale, and will effectively include all assets Superior holds in its Construction Products Distribution operating segment. The consideration substantially exceeds the carrying amount of the related net assets of the Construction Products Distribution business, and thus no impairment triggers were identified. The divestiture was subject to customary purchase price adjustments, closing conditions and the receipt of required regulatory approvals and closed on August 9, 2016.