



May 7, 2014

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## Superior Plus Corp. Announces 2014 First Quarter Results

### Highlights

- For the quarter ended March 31, 2014, Superior generated adjusted operating cash flow (AOCF) before restructuring costs per share of \$0.70 which includes the impact of dilution relative to the prior year quarter of \$0.06 per share. Excluding the impact of dilution, the first quarter of 2014 was \$0.04 per share higher than the prior year quarter of \$0.72 per share or \$0.02 per share lower than the prior year including the impact of dilution. After restructuring costs, Superior generated AOCF per share of \$0.68 compared to \$0.72 per share in the prior year quarter. Results in the first quarter of 2014 were impacted by:
  - Colder than average temperatures which resulted in a net positive impact to Superior's Energy Services businesses but negatively impacted Superior's Construction Products Distribution business;
  - Lower interest costs due to lower average effective interest rates; and
  - A larger number of average shares outstanding due to the equity issuance in March 2013 which resulted in dilution of approximately \$0.06 cents per share, net of assumed interest savings, compared to the prior year.
- As previously announced in Superior's fourth quarter of 2013 earnings release, Superior has been assessing strategic alternatives for its Construction Products Business and has retained BMO Capital Markets as a financial advisor. As a result of the review, Superior's Board of Directors has authorized the commencement of a formal process to solicit and assess offers for the potential divestiture of Superior's Construction Products Business.
- Superior's 2014 financial outlook of AOCF per share has been confirmed at \$1.65 to \$1.95 before restructuring costs and before the potential impact of the sale of Superior's Construction Products Distribution business. See "2014 Financial Outlook" for additional details.
- The initiatives that underpin Superior's *Destination 2015* continue to track to plan. For further details on the progress of key *Destination 2015* initiatives, see the presentation "Investor Update – March 31, 2014" which is available on Superior's website at [www.superiorplus.com](http://www.superiorplus.com).
- Energy Services results for the first quarter were higher than the prior year quarter as a result of improved gross profits, particularly within the U.S. refined fuels business and Canadian propane business due to higher average sales margins and higher sales volumes. Sales volumes benefitted from colder than average temperatures during the first quarter and ongoing customer sales and retention efforts. Higher gross profits as noted above were offset by higher operating costs and a reduction in gross profit from the fixed-price energy services business. Business improvement initiatives throughout the Energy Services business continue to track consistent with management's expectations.
- Specialty Chemicals results for the first quarter were modestly lower than the prior year but consistent with management's expectations. Sodium chlorate gross profits were modestly higher than the prior year as higher sales volumes resulting from the Tronox LLC (Tronox) agreement more than offset the impact of higher average electricity costs. Chloralkali gross profits were lower than the prior year due to reduced average selling prices.
- The expansion of the hydrochloric acid production capacity at the Port Edwards, Wisconsin and Saskatoon, Saskatchewan chloralkali facilities remain scheduled to be in commercial production in the fourth quarter of 2014. Both projects remain on budget.
- The Construction Products Distribution business results for the first quarter were impacted by extreme winter conditions which resulted in a number of lost delivery days and higher operating costs. The impact of lost

delivery days was partially offset by improved average sales margins due to ongoing procurement and pricing initiatives which continued to gain traction throughout the quarter.

- Superior’s forecasted December 31, 2014, total debt to EBITDA ratio before restructuring costs of 3.6X to 4.0X is unchanged from the update provided in the 2013 fourth quarter. Superior remains committed to reducing its total debt to EBITDA to a range of 3.0X to 3.5X over the medium term. See “Debt Management Update” for additional details.
- On May 1, 2014, Superior completed the sale of the U.S. portion of its fixed-price energy business for proceeds of \$3.1 million, with deferred consideration of approximately \$1.9 million due over the next nine months if certain conditions are met.

## First Quarter Financial Summary

<i>(millions of dollars except per share amounts)</i>	<b>Three months ended</b>	
	<b>2014</b>	<b>March 31, 2013</b>
Revenue	<b>1,282.4</b>	1,049.9
Gross profit	<b>276.6</b>	253.1
EBITDA from operations <sup>(1)</sup>	<b>106.3</b>	105.7
Interest	<b>(12.9)</b>	(17.0)
Cash income tax expense	<b>(0.4)</b>	(0.4)
Corporate costs	<b>(4.8)</b>	(6.1)
Adjusted operating cash flow before restructuring costs <sup>(1)</sup>	<b>88.2</b>	82.2
Restructuring costs <sup>(2)</sup>	<b>(1.8)</b>	(0.2)
Adjusted operating cash flow after restructuring costs	<b>86.4</b>	82.0
Adjusted operating cash flow per share before restructuring costs, basic <sup>(1)(2)(3)</sup>	<b>\$0.70</b>	\$0.72
Adjusted operating cash flow per share before restructuring costs, diluted <sup>(1)(2)(3)(4)</sup>	<b>\$0.68</b>	\$0.69
Adjusted operating cash flow per share, basic <sup>(1)(2)(3)</sup>	<b>\$0.68</b>	\$0.72
Adjusted operating cash flow per share, diluted <sup>(1)(2)(3)(4)</sup>	<b>\$0.66</b>	\$0.69
Dividends paid per share	<b>\$0.15</b>	\$0.15

<sup>(1)</sup> EBITDA from operations and adjusted operating cash flow are key performance measures used by management to evaluate the performance of Superior. These measures are defined under “Non-IFRS Financial Measures” in Superior’s 2014 First Quarter Management’s Discussion and Analysis (MD&A).

<sup>(2)</sup> Superior has restated its 2013 financial results to present them on a before and after restructuring cost basis due to the one-time nature of these costs. See “Restructuring Costs” in Superior’s 2014 First Quarter MD&A for additional details.

<sup>(3)</sup> The weighted average number of shares outstanding for the three months ended March 31, 2014 is 126.2 million (2013 – 113.7 million).

<sup>(4)</sup> See “Supplemental Financial Information” for additional details on diluted per share amounts.

## Segmented Information

<i>(millions of dollars)</i>	<b>Three months ended</b>	
	<b>2014</b>	<b>March 31, 2013</b>
EBITDA from operations:		
Energy Services	<b>72.2</b>	67.8
Specialty Chemicals	<b>29.6</b>	32.9
Construction Products Distribution	<b>4.5</b>	5.0
	<b>106.3</b>	105.7

## Energy Services

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- EBITDA from operations for the first quarter was \$72.2 million compared to \$67.8 million in the prior year quarter. Results were impacted by higher gross profits from the U.S. refined fuels and Canadian propane business, offset in part, by a reduction in the fixed-price energy services business.
- The Canadian propane business generated gross profit of \$90.3 million in the first quarter compared to \$77.1 million in the prior year quarter due to improved sales volumes and higher average sales margins.
- Canadian propane average sales margins were 19.9 cents per litre in the first quarter compared to 18.0 cents per litre in the prior year quarter. The increase in average sales margin was due in part to an improved sales mix as a result of a higher proportion of residential sales volumes combined with the impact of improved pricing management. Pricing management during the first quarter of 2014 was critical due to the volatility in the wholesale cost of propane throughout the quarter.
- Canadian propane distribution sales volumes were 25 million litres or 6% higher than the prior year quarter due to improved volumes in all lines of business. Residential and commercial sales volumes benefited from colder than average temperatures across Canada and improved customer sales and retention efforts. Industrial sales volumes were impacted by colder than average temperatures compared to the prior year quarter, offset in part, by the impact of reduced oilfield demand.
- Average weather across Canada, as measured by degree days, for the first quarter was 12% colder than the prior year and 11% colder than the 5-year average. The colder than average weather and numerous winter storms positively impacted sales volumes but resulted in challenging operating and supply conditions which resulted in higher operating costs, partially mitigating the benefit of improved sales volumes.
- The U.S. refined fuels business generated gross profits of \$68.8 million in the first quarter compared to \$52.9 million in the prior year quarter. Gross profits benefited from improved sales mix, margin management initiatives and colder than average temperatures.
- U.S. refined fuels average sales margins of 14.0 cents per litre in the quarter were higher than the prior year quarter of 10.3 cents per litre. Average sales margins benefitted from an increased proportion of higher margin residential sales volumes and improved margins in the wholesale business. Residential margins benefitted from ongoing margin management initiatives and strategic supply initiatives. Wholesale margins benefited from improved supply terms with key suppliers noted in the fourth quarter of 2013 and strategic procurement initiatives. As noted in the fourth quarter of 2013, the wholesale market is anticipated to remain challenging throughout 2014, although Superior has begun to realize the benefit of improved supply terms which will help mitigate the reduction in sales volumes.
- Sales volumes within the U.S. refined fuels business were 20 million litres or 4% lower than the prior year. Sales volumes were impacted by reduced wholesale volumes as noted above, offset by improved residential sales margins and volumes due to colder than average weather experienced during the first quarter.
- Average weather for the U.S. refined fuel business, as measured by degree days, for the first quarter was 18% colder than the prior year and 21% colder than the 5-year average. The impact of weather on the day-to-day operations was not as significant as compared to the impact on the Canadian propane business.
- The fixed-price energy services business generated gross profits of \$(4.3) million compared to \$4.7 million in the prior year quarter. Results in the fixed-price energy business were significantly impacted by volatility in the wholesale cost of natural gas and electricity due to the extreme weather conditions experienced throughout the Northeast U.S. and Eastern Canada. Losses in this business were due to a combination of load balancing and fulfilling customer contracts at higher than anticipated volume at high spot prices. Higher than anticipated volumes and volatile commodity prices were directly attributable to the cold temperatures.
- On May 1, 2014, Superior completed the sale of the U.S. portion of its fixed-price energy business for proceeds of \$3.1 million, with additional deferred consideration of approximately \$1.9 million due over the next nine months if certain conditions are met. The sale simplifies Superior's fixed-price energy business, leaving only the Canadian commercial and industrial natural gas and electricity markets in Ontario, Quebec and Alberta which have a much broader scope and scale than Superior's U.S. business. In light of the sale of the U.S. business, Superior is currently reviewing the strategic fit of the Canadian fixed-price business to the Energy Services business.

- The supply portfolio management business generated gross profits of \$11.2 million in the first quarter compared to \$7.9 million in the prior year quarter. Market conditions were favourable during the first quarter, but were mitigated in part, by a difficult environment for transporting wholesale liquids. Transportation of wholesale liquids during the quarter were significantly constrained due to difficult weather conditions throughout much of Eastern Canada and the Northeast U.S. as a result of numerous winter storms which resulted in reduced availability of truck and rail. Given the scope and scale of Superior's supply portfolio management business, Superior's Canadian propane and U.S. refined fuels businesses were able to continue to supply their customers with product during this very challenging environment. The difficult conditions did result in higher transportation costs throughout the first quarter of 2014.
- Operating expenses were \$102.9 million in the first quarter compared to \$85.7 million in the prior year quarter. Operating expenses were impacted by higher sales volumes in the Canadian propane business and U.S. refined fuels business combined with difficult operating conditions throughout the quarter due to weather as previously mentioned. Additionally, operating expenses were impacted by higher employee costs and professional costs associated with the implementation of the ADD IT system, offset in part, by cost reduction initiatives. The ADD IT system was successfully implemented in the prairie region during April 2014; the remaining regions: Ontario and Quebec are scheduled for implementation during the second quarter of 2014.
- EBITDA from operations for 2014 is anticipated to be higher than in 2013 due to improved results at the Canadian propane and U.S. refined fuels businesses. Improvement in EBITDA is anticipated as a result of modestly higher sales volumes and improved average sales margins due to the ongoing implementation of business initiatives. EBITDA from the wholesale supply business is anticipated to be higher than in 2013 due to year-to-date results, whereas EBITDA from the fixed-price business is anticipated to be lower than 2013 due to 2014 year-to-date results. Operating costs as a percentage of gross profits are anticipated to be modestly lower than the prior year due to improvements from business initiatives offset in part by costs associated with difficult operating conditions throughout the first quarter of 2014. Average weather, as measured by degree days, for the remaining three quarter of 2014 is anticipated to be consistent with the 5-year average period. Operating conditions for the remainder 2014 are anticipated to be similar to 2013.

### **Specialty Chemicals**

- EBITDA from operations for the first quarter was \$29.6 million compared to \$32.9 million in the prior year quarter.
- Sodium chlorate gross profits were higher than the prior year quarter as improved sales volumes resulting from the Tronox agreement announced in the fourth quarter of 2013 more than offset reduced average gross margins. Gross margin per tonne was modestly lower than the prior year due to higher electricity costs and increased truck transportation costs associated with extreme winter conditions. Gross margin per tonne was also impacted by sales mix due to a higher proportion of international and Tronox related sales volumes.
- Sodium chlorate sales volumes were 15% higher than the prior year quarter due to sales volumes associated with the Tronox agreement. The Tronox agreement, announced on October 31, 2013, provides that Superior can purchase and market up to 130,000 metric tonnes of sodium chlorate on an annual basis.
- Chloralkali gross profits were modestly lower than the prior year quarter as lower realized pricing on caustic soda and hydrochloric acid, more than offset improved potassium caustic selling prices and sales volumes.
- Operating expenses of \$38.4 million were \$5.6 million higher than the prior year due to the impact of a weaker Canadian dollar on the foreign currency translation of U.S. dollar denominated expenses, higher maintenance costs, and general inflationary increases, offset in part, by a foreign currency translation gain on the revaluation of U.S. dollar denominated working capital.
- The previously announced hydrochloric acid expansion projects at Port Edwards, Wisconsin and Saskatoon, Saskatchewan remain on-time and on-budget. Upon completion of both projects, Superior will have doubled its total hydrochloric acid production capacity to 360,000 wet metric tonnes. The expansion of the production capacity will allow Superior to optimize overall returns at both facilities by converting a larger portion of its chlorine into higher value hydrochloric acid, thus reducing Superior's exposure to chlorine. The Port Edwards project is anticipated to cost \$18 million with commercial production expected early in the fourth quarter of 2014. The Saskatoon project is anticipated to cost \$25 million with commercial production expected in the

fourth quarter of 2014. To date, cumulative costs of \$24 million have been incurred with respect to both projects.

- Superior expects EBITDA from operations for 2014 to be lower than in 2013 due to a reduced contribution from sodium chlorate due to higher electricity prices and plant operating costs, offset in part, by the contribution from the Tronox agreement. Contribution from the chloralkali segment is anticipated to be higher than 2013 due to the completion of the hydrochloric acid facility expansions in the fourth quarter of 2014. Sales volumes of caustic, chlorine and hydrochloric acid are anticipated to be modestly higher than 2013, offset by lower average selling prices. Supply and demand fundamentals in the chloralkali markets in which Superior operates are anticipated to remain similar with the prior year.

### **Construction Products Distribution**

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- EBITDA from operations for the first quarter was \$4.5 million compared to \$5.0 million in the prior year quarter. Results in the current year quarter were negatively impacted by adverse weather conditions and \$1.5 million in costs associated with deferring the IT system integration project, the impacts of which more than offset benefits from higher average selling prices and improved average sales margins.
- Gross profit was higher than the prior year quarter due to improved average selling prices and higher average sales margins. Gypsum revenues were higher than the prior year quarter due 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 foreign currency translation on U.S. denominated revenues. These improvements more than offset lower revenues in Canada due to adverse weather conditions and a slowdown in Canadian new housing starts and general construction related activity. Gypsum sales margins benefited from improved board pricing and the success of intelligent pricing initiatives.
- Commercial and industrial insulation (C&I) revenues increased over the prior year quarter due to modest improvements in end-use markets, an increase in market share due to investments in sales and marketing, the opening of a new branch in Baton Rouge, Louisiana and a stronger U.S. dollar. C&I gross margins were modestly higher than the prior year due to marginally improved market conditions and the implementation of intelligent pricing initiatives.
- Operating expenses for the first quarter were \$43.0 million compared to \$40.1 million in the prior year quarter. Operating costs were impacted by costs associated with deferring the IT system integration project, higher sales volumes in the U.S., the impact of foreign currency translation on U.S. denominated expenses, difficult operating conditions due to adverse weather during the first quarter, investments in sales and marketing in the C&I segment and general inflationary increases of wages and benefits. Operating expenses as a percentage of sales were modestly higher than the prior year quarter due to the impact of weather as noted above and lower Canadian revenues.
- As previously noted, Superior's Board of Directors has approved the commencement of a formal process to solicit and assess offers for the potential divestiture of the CPD business.
- Before consideration of the timing of the sales process noted above, Superior anticipates that EBITDA from operations in 2014 will be higher than in 2013 due to continued improvements in U.S. residential construction markets, benefits resulting from ongoing business initiatives and improvements in the commercial and industrial markets. Superior anticipates that the U.S. commercial market will be modestly improved in 2014 compared to 2013 and that the Canadian residential market will continue to be challenging.

### **Corporate Related**

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- Interest expense for the first quarter was \$12.9 million compared to \$17.0 million in the prior year quarter. Interest expense was lower than the prior year quarter as a result of lower average effective interest rates.
- Corporate costs were \$4.8 million in the first quarter which was \$1.3 million lower than the prior year quarter. The decrease in corporate costs is due to lower long-term incentive plan costs due to changes in Superior's share price compared to December 31, 2013.
- Superior's total debt (including convertible debentures) to Compliance EBITDA before restructuring costs was 3.9X as at March 31, 2014 (4.1X after restructuring costs), consistent with 3.9X as at December 31, 2013. See "Debt Management Update" for additional details.

- On April 25, 2014, Superior completed the repayment of the \$125.0 million short-term loan facility which was entered into on February 14, 2014 to ensure Superior maintained sufficient liquidity to manage short-term fluctuations in working capital requirements throughout the first quarter of 2014 due to volatility in the wholesale cost of propane. The wholesale cost of propane normalized by the end of the first quarter, alleviating working capital requirements and allowing Superior to redeem the short-term facility before its maturity date.

### CRA Income Tax Update

As previously disclosed, 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, in addition to the general anti-avoidance rules in the Income Tax Act (Canada).

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 Notices of Reassessment, must be remitted to the CRA.

Taxation Year	Taxes Payable <sup>(1)(2)</sup>	50% of the Taxes Payable <sup>(1)(2)</sup>	Payment Dates
2009/2010	\$13.0	\$6.5	April 2013
2011	\$10.0 <sup>(3)</sup>	\$5.0	2015
2012	\$10.0 <sup>(3)</sup>	\$5.0	2015
2013	\$10.0 <sup>(3)</sup>	\$5.0	2015
2014	\$20.0 <sup>(3)</sup>	\$10.0	2015
<b>Total</b>	<b>\$63.0</b>	<b>\$31.5</b>	

<sup>(1)</sup> In millions of dollars.

<sup>(2)</sup> Includes estimated interest and penalties.

<sup>(3)</sup> Estimated based on Superior's previously filed tax returns, actual 2013 financial results and the midpoint of Superior's 2014 financial outlook.

During 2013, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notice of Reassessments received on May 8, 2013. Superior anticipates that if the case proceeds in the Tax Court of Canada, the case could be heard in the first quarter of 2015, with a decision rendered by the end of fiscal 2015. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional 2 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.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such position and intends 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.

Based on the midpoint of Superior's current 2014 financial outlook of AOCF per share of \$1.80, if the tax pools from the Conversion were not available to Superior, the impact would be an increase to cash income taxes of approximately \$0.15 per share for 2014. As previously stated, Superior intends to file its future income tax returns on a basis consistent with its view of the outcome of the Conversion.

### 2014 Financial Outlook

Superior expects 2014 AOCF per share of \$1.65 to \$1.95, consistent with the financial outlook provided at the end of the fourth quarter of 2013. Superior's 2014 financial outlook is stated before the impact of one-time

restructuring costs anticipated to be incurred in 2014 and the potential sale of the Construction Products Distribution business.

For additional details on the assumptions underlying the 2014 financial outlook, see Superior's 2014 First Quarter MD&A.

### Restructuring Cost Summary

<i>(millions of dollars)</i>	Three months ended		Cumulative 2014 and 2013
	2014	March 31, 2013	
Severance	0.4	0.2	6.1
Branch closure and lease termination	–	–	4.7
Consulting	1.4	–	2.7
Inventory write-down	–	–	3.6
Total Restructuring Costs	1.8	0.2	17.1

As previously disclosed in Superior's 2013 third quarter MD&A, Superior is undertaking restructuring activities in its Energy Services and Construction Products Distribution businesses to accelerate ongoing operational improvements. As a result of these activities, Superior incurred \$1.8 million in costs in the first quarter of 2014. Superior anticipates that an additional \$5 to \$7 million in restructuring costs will be expensed during the second quarter of 2014. Superior's forecasted total restructuring costs of \$22 to \$25 million are consistent with the estimate provided in the fourth quarter of 2013.

### Debt Management Update

Superior's anticipated debt repayment for 2014 and total debt to EBITDA leverage ratio as at December 31, 2014, based on Superior's 2014 financial outlook is detailed in the chart below. Superior's December 31, 2014 forecasted total debt to EBITDA leverage ratio is stated before restructuring costs and before the potential impact of the sale of CPD.

	Dollar Per Share	Millions of Dollars
2014 financial outlook AOCF per share – mid-point <sup>(1)</sup>	1.80	227.1
Maintenance capital expenditures, net	(0.28)	(35.0)
Capital lease obligation repayments	(0.16)	(20.0)
Restructuring costs	(0.16)	(20.0)
Cash flow available for dividends and debt repayment before growth capital	1.20	152.1
Expansion of Port Edward's and Saskatoon facilities	(0.17)	(22.0)
Other growth capital expenditures	(0.12)	(15.0)
Proceeds on disposition of turbo generator in Chile	0.12	15.0
Estimated 2014 free cash flow available for dividend and debt repayment	1.03	130.1
Dividends	(0.60)	(75.7)
Total estimated debt repayment	0.43	54.4
Estimated total debt to EBTIDA as at December 31, 2014	3.6X – 4.0X	3.6X – 4.0X
Dividends	0.60	75.7
Calculated payout ratio after all capital	58%	58%

<sup>(1)</sup> See "Financial Outlook" in Superior's 2014 First Quarter MD&A for additional details including assumptions, definitions and risk factors.

Superior's total debt (including convertible debentures) to Compliance EBITDA before restructuring costs was 3.9X as at March 31, 2014 (4.1X after restructuring costs), consistent with the 3.9X as at December 31, 2013. Debt levels and total leverage as at March 31, 2014 were consistent with December 31, 2013 levels as working capital levels in the Energy Services business were high due to strong sales volumes. Superior anticipates that working

capital levels will reduce throughout the second quarter of 2014 due to the seasonal nature of Superior's Energy Service business. Superior continues to focus on reducing its total leverage through ongoing debt reduction, including reducing working capital requirements and improving business operations.

Superior remains focused on managing both its total debt and its total debt to EBITDA. Superior's forecasted total debt to EBITDA at December 31, 2014 is 3.6X to 4.0X, consistent with the forecast provide by Superior in the fourth quarter of 2103. Superior anticipates being at the lower end of the total debt to EBITDA range.

### **2014 Detailed First Quarter Results**

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Superior's 2014 First Quarter Management's Discussion and Analysis is attached and is also available on Superior's website at [www.superiorplus.com](http://www.superiorplus.com) under the Investor Relations section.

### **2014 First Quarter Conference Call**

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Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2014 First Quarter Results at 8:30 a.m. MST on Thursday, May 8, 2014. To participate in the call, dial:1-877-677-0837. An archived recording of the call will be available for replay until midnight, July 6, 2014. To access the recording, dial: 1-800-408-3053 and enter pass code 4639812 followed by the # key. Internet users can listen to the call live, or as an archived call, on Superior's website at [www.superiorplus.com](http://www.superiorplus.com).

### **Supplemental Financial Information**

#### *Diluted AOCF Per Share*

For the three months ended March 31, 2014, the dilutive impact of the 7.50%, October 31, 2016 convertible debentures was 6.6 million shares (132.8 million total shares on a dilutive basis) with a resulting impact on AOCF before restructuring costs of \$1.4 million (\$89.6 million total on a dilutive basis) and on AOCF of \$1.4 million (\$87.8 million total on a dilutive basis). For the three months ended March 31, 2013, the dilutive impact of the 7.50%, October 31, 2016 convertible debentures was 6.6 million shares (120.3 million total shares on a dilutive basis) with a resulting impact on AOCF of \$1.4 million (\$83.6 million total on a dilutive basis) and on AOCF of \$1.4 million (\$83.4 million total on a dilutive basis).

### **Forward Looking Information**

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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, costs and benefits of restructuring activities, outcome and timing of the sale of the Construction Products Distribution business, business strategy and objectives, development plans and programs, business expansion and improvement projects, expected timing of commercial production and the costs and benefits associated therewith, market conditions in Canada and the U.S., 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 and exposure to 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 and similar products, demand for chemicals including sodium chlorate and chloralkali, effect of operational and technological improvements, anticipated costs and benefits of restructuring activities, business enterprise system upgrade plans, 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 first quarter management's discussion and analysis ("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, operational risks involving our facilities, force majeure, labour relations matters, our ability to access external sources of debt and equity capital, and the risks identified in (i) our MD&A under the heading "Risk Factors" and (ii) Superior's most recent Annual Information Form. The preceding list of assumptions, risks and uncertainties is not exhaustive.

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

For more information about Superior, visit our website at [www.superiorplus.com](http://www.superiorplus.com) or contact:

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## Management's Discussion and Analysis of 2014 First Quarter Results

May 7, 2014

The following Management Discussion & Analysis (MD&A) is a review of the financial performance and position of Superior Plus Corp. (Superior) as at and for the three months ended March 31, 2014 and 2013. The information in this MD&A is current to May 7, 2014. This MD&A should be read in conjunction with Superior's audited consolidated financial statements and notes to those statements as at and for the twelve months ended December 31, 2013 and its December 31, 2013 MD&A. Additional information regarding Superior, including the Annual Information Form, is available on SEDAR at [www.sedar.com](http://www.sedar.com), and on Superior's website, [www.superiorplus.com](http://www.superiorplus.com).

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

### Overview of Superior

Superior is a diversified business corporation. Superior holds 99.9% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. (Superior GP) as general partner and Superior as limited partner. Superior owns 100% of the shares of Superior GP and Superior GP 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 Services segment, which includes a Canadian propane distribution business, a U.S. refined fuels distribution business, a fixed-price energy services business and a supply portfolio management business; the Specialty Chemicals segment; and the Construction Products Distribution segment.

## First Quarter Results

### Summary of Adjusted Operating Cash Flow

<i>(millions of dollars except per share amounts)</i>	Three months ended	
	2014 <sup>(4)</sup>	March 31, 2013 <sup>(4)</sup>
EBITDA from operations: <sup>(1)</sup>		
Energy Services	72.2	67.8
Specialty Chemicals	29.6	32.9
Construction Products Distribution	4.5	5.0
	<b>106.3</b>	105.7
Interest expense	(12.9)	(17.0)
Corporate costs	(4.8)	(6.1)
Cash income tax expense	(0.4)	(0.4)
Adjusted operating cash <sup>(1)</sup> flow before restructuring costs	<b>88.2</b>	82.2
Restructuring costs	(1.8)	(0.2)
Adjusted operating cash flow <sup>(1)</sup>	<b>86.4</b>	82.0
Adjusted operating cash flow per share before restructuring costs, basic <sup>(2)</sup>	<b>\$0.70</b>	\$0.72
Adjusted operating cash flow per share before restructuring costs, diluted <sup>(3)</sup>	<b>\$0.68</b>	\$0.69
Adjusted operating cash flow per share, basic <sup>(2)</sup>	<b>\$0.68</b>	\$0.72
Adjusted operating cash flow per share, diluted <sup>(3)</sup>	<b>\$0.66</b>	\$0.69

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

(2) The weighted average number of shares outstanding for the three months ended March 31, 2014, is 126.2 million (March 31, 2013 – 113.7 million).

(3) For the three months ended March 31, 2014, the dilutive impact of the 7.50%, October 31, 2016 convertible debentures was 6.6 million shares (132.8 million total shares on a dilutive basis) with a resulting impact on AOCF before restructuring costs of \$1.4 million (\$89.6 million total on a dilutive basis) and on AOCF of \$1.4 million (\$87.8 million total on a dilutive basis). For the three months ended March 31, 2013, the dilutive impact of the 7.50%, October 31, 2016 convertible debentures was 6.6 million shares (120.3 million total shares on a dilutive basis) with a resulting impact on AOCF of \$1.4 million (\$83.6 million total on a dilutive basis) and on AOCF of \$1.4 million (\$83.4 million total on a dilutive basis). Superior’s diluted per share amounts exclude all debentures which have an exercise price above Superior’s share price as at March 31, 2014 since it is unlikely any material conversions would occur.

(4) Superior has restated its 2013 financial results and presented its 2014 financial results on a before and after restructuring cost basis due to the one-time nature of these items. See Restructuring Costs for further details.

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

<i>(millions of dollars)</i>	Three months ended	
	2014	March 31, 2013
<b>Net cash flow from operating activities</b>	<b>51.1</b>	95.3
<b>Add:</b>		
Non-cash interest expense	1.5	1.7
Increase in non-cash working capital	48.6	4.1
<b>Less:</b>		
Gain on debenture redemptions	–	(0.2)
Income tax expense	(0.4)	(0.4)
Finance expense recognized in net earnings	(14.4)	(18.5)
<b>Adjusted operating cash flow</b>	<b>86.4</b>	82.0

<sup>(1)</sup> See the unaudited condensed consolidated financial statements for net cash flow from operating activities and changes in non-cash working capital.

First quarter adjusted operating cash flow (before restructuring costs of \$1.8 million) was \$88.2 million, an increase of \$6.0 million or 7% from the prior year quarter. The increase in adjusted operating cash flow was primarily due to higher operating results at Energy Services and lower interest costs. Adjusted operating cash flow (before restructuring costs) of \$0.70 per share, decreased by \$0.02 per share from the prior year quarter due to a 11% increase in the weighted average number of shares outstanding offset in part by the increase in adjusted operating cash flow as noted above. The weighted average number of shares outstanding increased as a result of shares issued from Superior's Dividend Reinvestment Program and Optional Share Purchase Plan (DRIP) and the completion of an equity offering on March 27, 2013 for gross proceeds of \$143.9 million and 13.0 million shares.

The net earnings for the first quarter were \$40.6 million, compared to net earnings of \$31.4 million in the prior year quarter. Net earnings were higher due to increased sales volumes and gross margins as a result of colder weather as compared to historical norms offset in part by higher operating costs. Interest costs were lower due to reduced debt levels and unrealized derivative financial instrument losses were lower due to foreign currency losses on Superior's foreign currency financial derivatives compared to the prior year quarter as a result of the appreciation of the U.S. dollars offset in part by gains on natural gas forward contracts due to an increase in natural gas prices. Revenue of \$1,282.4 million was \$232.5 million higher than in the prior year's quarter due to increased Energy Services revenue as a result of higher propane commodity prices and sales volumes and increased Specialty Chemicals revenue due to higher sales volumes and favourable foreign exchange impact. Gross profit of \$276.6 million was \$23.5 million higher than in the prior year quarter primarily due to increased Energy Services gross profits as a result of higher sales volumes and gross margins and higher Construction Products Distribution gross profits due to increased gross margins offset in part by losses from the fixed price energy business. Operating expenses of \$200.7 million in the first quarter were \$21.6 million higher than in the prior year quarter primarily due to increased operating expenses associated with higher sales volumes at Energy Services and the negative impact of weaker Canadian dollar on the translation of U.S. denominated operating expenses. Total income tax expense for the first quarter was \$16.8 million compared to income tax expense of \$15.8 million in the prior year quarter. The slight increase in income tax expense was due to higher net earnings in the first quarter of 2014.

## Energy Services

Energy Services' condensed operating results for 2014 and 2013:

<i>(millions of dollars)</i>	<b>Three months ended</b>	
	<b>2014</b>	<b>March 31, 2013</b>
Revenue <sup>(1)</sup>	<b>939.6</b>	719.7
Cost of sales <sup>(1)</sup>	<b>(764.5)</b>	(566.2)
Gross profit	<b>175.1</b>	153.5
Less: Cash operating and administrative costs <sup>(1)</sup>	<b>(102.9)</b>	(85.7)
EBITDA from operations	<b>72.2</b>	67.8

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

<sup>(2)</sup> Energy Services EBITDA from operations has been restated and restructuring cost have been excluded from EBITDA from operations. The above results exclude restructuring costs for the three months ended March 31, 2014 and 2013 of \$1.8 million and \$0.2 million, respectively. See Restructuring Costs for further details.

Revenues for the first quarter of 2014 were \$939.6 million, an increase of \$219.9 million from revenues of \$719.7 million in 2013. The increase in revenues was primarily due to higher commodity prices and sales volumes due to colder weather during the first quarter as compared to the prior year quarter. Total gross profit for the first quarter of 2014 was \$175.1 million, an increase of \$21.6 million or 14% as compared to the prior year quarter. The increase in gross profit was primarily due to higher sales volumes and gross margins at Canadian propane distribution and U.S. refined fuels along with strong contribution from supply portfolio management offset in part by lower fixed-price energy services gross profits. A summary and detailed review of gross profit is provided below.

## Gross Profit Detail

<i>(millions of dollars)</i>	Three months ended	
	2014	March 31, 2013
Canadian propane distribution	90.3	77.1
U.S. refined fuels distribution	68.8	52.9
Other services	9.1	10.9
Supply portfolio management	11.2	7.9
Fixed-price energy services	(4.3)	4.7
<b>Total gross profit</b>	<b>175.1</b>	<b>153.5</b>

### Canadian Propane Distribution

Canadian propane distribution gross profit for the first quarter was \$90.3 million, an increase of \$13.2 million or 17% from 2013, due to higher sales volumes and gross margins. Residential and commercial sales volumes increased by 19 million litres or 12% from the prior year quarter due to significantly colder weather, new residential sales and improved customer retention. Average weather across Canada for the first quarter, as measured by degree days, was 12% colder than the prior year and 11% colder than the five-year average. Industrial volumes increased by 5 million litres or 2% due to increased demand from large commercial and mining customers as a result of colder weather. Automotive propane sales volumes were consistent with the prior year quarter as increased propane prices narrowed the price spread between propane and gasoline which reduced demand.

Average propane sales margins for the first quarter increased to 19.9 cents per litre from 18.0 cents per litre in the prior year quarter. The increase is principally due to favourable movement in the sales mix as the current quarter included a higher proportion of higher-margin heating related sales volumes, the benefit of improved pricing management and the impact of declining supply costs during the end of February and into March.

### Canadian Propane Distribution Sales Volumes

<i>(millions of litres)</i>	Volumes by End-Use Application		Volumes by Region <sup>(1)</sup>		
	Three months ended March 31,		Three months ended March 31,		
	2014	2013	<i>(millions of litres)</i>	2014	2013
Residential	60	52	Western Canada	260	255
Commercial	118	107	Eastern Canada	159	144
Agricultural	18	17	Atlantic Canada	35	30
Industrial	243	238			
Automotive	15	15			
	<b>454</b>	<b>429</b>		<b>454</b>	<b>429</b>

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

## U.S. Refined Fuels Distribution

U.S. refined fuels distribution gross profit for the first quarter was \$68.8 million, an increase of \$15.9 million or 30% from the prior year quarter. The increase in gross profit was due to higher gross margins offset in part by lower sales volumes. Sales volumes of 492 million litres, decreased by 20 million litres or 4% from the prior year quarter. The decrease was primarily due continuing challenges in the wholesale market and supply constraints offset in part by higher heating related demand for heating oil, propane and commercial fuels as a result of the extremely cold weather experienced in Northeastern U.S. Average weather as measured by heating degree days for the first quarter was 18% colder than the prior year quarter and 21% colder than the 5-year average. Average U.S. refined fuels sales margins of 14.0 cents per litre increased from 10.3 cents per litre in the prior year quarter. Sales margins were positively impacted by a favourable sales mix due to a higher proportion of higher-margin heating related sales volumes, effective price and supply management in an escalating cost environment and favourable foreign exchange translation contribution.

## U.S. Refined Fuels Distribution Sales Volumes

Volumes by End-Use Application <sup>(1)</sup>			Volumes by Region <sup>(2)</sup>		
<i>(millions of litres)</i>	Three months ended March 31,		<i>(millions of litres)</i>	Three months ended March 31,	
	2014	2013		2014	2013
Residential	164	143	Northeast United States	492	512
Commercial	211	226			
Automotive	117	143			
	<b>492</b>	512		<b>492</b>	512

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

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

## Other Services

Other services gross profit was \$9.1 million in the first quarter, a decrease of \$1.8 million from the prior year quarter due to lower profitability on appliance and parts revenues.

## Supply Portfolio Management

Supply portfolio management gross profits were \$11.2 million in the first quarter, an increase of \$3.3 million from the prior year quarter due to favourable market conditions, optimization of arbitrage opportunities through logistics management and increased sales volumes associate with colder weather offset in part by a difficult environment for transporting supply which increased transportation costs.

## Fixed-Price Energy Services

### Fixed-Price Energy Services Gross Profit

<i>(millions of dollars except volume and per unit amounts)</i>	Three months ended March 31, 2014			Three months ended March 31, 2013		
	Gross Profit	Volume	Per Unit	Gross Profit	Volume	Per Unit
Natural gas <sup>(1)</sup>	(2.6)	4.6 GJ	(56.5¢)/GJ	3.0	4.5 GJ	66.7¢/GJ
Electricity <sup>(2)</sup>	(1.7)	244.4 KWh	(0.70¢)/KWh	1.7	205.2KWh	0.83¢/KWh
Total	<b>(4.3)</b>			4.7		

<sup>(1)</sup> Natural gas volumes are expressed in thousands of gigajoules (GJ).

<sup>(2)</sup> Electricity volumes are expressed in thousands of kilowatt hours (KWh).

Fixed-price energy services gross profit was a loss of \$4.3 million in the first quarter, a decrease of \$9.0 million or 191% from \$4.7 million in the prior year quarter. Natural gas gross profit was a loss of \$2.6 million, a decrease of \$5.6 million from the prior year quarter due to negative gross margins. Natural gas gross profit per unit was a loss of 56.5 cents per gigajoule (GJ), a decrease of 123.2 cents per GJ or 185% from the prior year quarter due to a significant increase in the spot price of natural gas associated with extremely cold weather which negatively

impacted margins as natural gas was purchased at high prices to cover balancing and supply requirements. Sales volumes of natural gas were 4.6 million GJ, an increase of 0.1 million GJ or 2% higher than the prior year quarter due to colder weather. Electricity gross profit in the first quarter of 2014 was a loss \$1.7 million, a decrease of \$3.4 million or 200% from the prior year quarter due to significantly increase in customer demand associated with extremely cold weather which required the purchase of supply at record high market prices.

### **Operating Costs**

Cash operating and administrative costs were \$102.9 million in the first quarter of 2014, an increase of \$17.2 million or 20% from the prior year quarter. The increase in expenses was primarily due to higher delivery costs associated with increased sales volumes and difficult weather conditions, system conversion costs, higher vehicle expenses and the impact of a weaker Canadian dollar on the translation of U.S. denominated operating expenses offset in part by cost reduction initiatives implemented during 2012/2013.

### **Fixed-Price Energy Asset Sale**

On May 1, 2014, Superior closed the sale of its U.S. based residential and commercial electricity customer base to Crius Energy. Superior has decided to exit both the residential and commercial Northeast U.S. based electricity markets in order to focus on the Canadian market and reduce the risk of future losses associated with volatility in electricity prices. Superior received proceeds of \$3.1 million from the sale on May 1, 2014 and expects to receive deferred consideration of approximately \$1.9 million during the next 9 months if certain conditions are met.

### **Financial Outlook**

EBITDA from operations for 2014 is anticipated to be higher than in 2013 due to improved results at the Canadian propane and U.S. refined fuels businesses. Improvement in EBITDA is anticipated as a result of higher sales volumes and improved average sales margins due to the ongoing business operational improvements and contribution from colder weather experienced during the first quarter. EBITDA from the wholesale supply business is anticipated to be higher than 2013 due to year-to-date results, whereas EBITDA from fixed-price energy services is anticipated to be lower than 2013 due to 2014 year-to-date results. Operating costs as a percentage of gross profits are anticipated to be modestly lower than the prior year due to improvements from business initiatives offset in part by costs associated with difficult operating conditions throughout the first quarter of 2014. Average weather, as measured by degree days, is anticipated to be consistent with the five-year average for the remainder of 2014. Operating conditions for the remainder of 2014 are expected to be similar to 2013. The difficult wholesale propane supply conditions experienced at the beginning of 2014 due in part to lower than average propane storage levels and colder than average temperatures moderated towards the end of the first quarter and are expected to return to historical levels during the second quarter.

Initiatives to improve results in the Energy Services business continued during the first quarter of 2014 in conjunction with Superior's *Destination 2015* initiative and Superior's goal for each of its businesses to become best-in-class. Business improvement projects for 2014 include: a) improving customer service, b) improving overall logistics and procurement functions, c) enhancing the management of margins, d) working capital management e) improving existing and implementing new technologies to facilitate improvements to the business, f) headcount reductions and g) execution of the detailed restructuring plan.

The restructuring plan for the Canadian Propane distribution and U.S. refined fuels businesses are expected to accelerate realization of operating efficiencies by implementing a more disciplined and consistent management operating system across the segment designed to leverage the new processes and information system investments and by sizing the organization to efficiently meet its operational business needs. The restructuring plan is expected to be completed by mid-2014.

## System Conversion

In 2013, Canadian propane distribution commenced the implementation of an order-to-cash, billing and logistics IT system to replace the distribution and invoicing functions of the present enterprise system. The total estimated cost of the implementation is \$21.7 million. Approximately \$19.0 million has been incurred to date and the estimated completion is the summer of 2014. During the third and fourth quarters of 2013, the new system was successfully implemented in the Atlantic and British Columbia regions and during April of 2014, it was successfully implemented in the Prairies. The remaining three regions will be converted during the remainder of the second quarter of 2014. The implementation has been phased in order to minimize the impact on the business during the heating season.

During 2014, Canadian propane distribution will migrate its current data center located in Calgary, Alberta to a new location in New Jersey, U.S. along with approximately 175 services and more than 200 applications. Superior does not anticipate any business interruptions associated with the migration.

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

## Specialty Chemicals

Specialty Chemicals’ condensed operating results for 2014 and 2013:

<i>(millions of dollars except per metric tonne (MT) amounts)</i>	<b>Three months ended</b>			
	<b>2014</b>		<b>March 31,</b>	
	<b>\$ per MT</b>		<b>2013</b>	
Chemical revenue <sup>(1)</sup>	<b>159.1</b>	<b>716</b>	144.6	711
Chemical cost of sales <sup>(1)</sup>	<b>(91.1)</b>	<b>(410)</b>	(78.9)	(388)
Chemical gross profit	<b>68.0</b>	<b>306</b>	65.7	323
Less: Cash operating and administrative costs <sup>(1)</sup>	<b>(38.4)</b>	<b>(173)</b>	(32.8)	(161)
EBITDA from operations	<b>29.6</b>	<b>133</b>	32.9	162
Chemical volumes sold (thousands of MTs)	<b>222</b>		203	

<sup>(1)</sup> In order to better reflect the results of its operations, Superior has reclassified certain amounts for purposes of this MD&A related to derivative financial instruments, non-cash amortization and foreign currency translation losses or gains related to U.S.-denominated working capital. See “Reconciliation of Divisional Segmented Revenue, Cost of Sales and Cash Operating and Administrative Costs Included in this MD&A” for detailed amounts.

Chemical revenue for the first quarter of \$159.1 million was \$14.5 million or 10% higher than in the prior year quarter primarily due to higher sodium chlorate sales volumes offset in part by lower chloralkali/potassium pricing. First quarter gross profit of \$68.0 million was \$2.3 million higher than in the prior year quarter due to higher sodium chlorate gross profits. Sodium chlorate gross profits increased due to higher sales volumes offset in part by lower gross margins. Sodium chlorate gross margins were lower due to higher average electricity costs, increased transportation costs associated with extreme winter conditions and sales mix due to a higher proportion of international and Tronox related sales volumes. Sodium chlorate sales volumes increased by approximately 18,000 tonnes or 15% compared to the prior year quarter due to incremental contribution from the Tronox agreement announced in the fourth quarter of 2013 and provides Superior with access to up to 130,000 tonnes of supply on an annual basis. Chloralkali/potassium products gross profits were lower than the prior year quarter due to slightly lower gross margins offset by higher sale volumes. Sales volumes were higher due to increased demand for potassium caustic offset in part by lower chlorine sales volumes. Gross margins were lower due to a reduction in average selling prices for caustic and hydrochloric acid.

Cash operating and administrative costs of \$38.4 million were \$5.6 million or 17% higher than in the prior year quarter due to impact of a weaker Canadian dollar on the translation of U.S. dollar denominated expenses, timing



of plant maintenance and general inflationary increases offset in part by gains on the translation of U.S. dollar denominated net working capital.

### Major Capital Projects

As announced in the first quarter of 2012, Superior approved an \$18.0 million expansion of hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The plant's capacity of 110,000 wet metric tonnes (WMT), or 36,000 dry metric tonnes, is being increased to approximately 220,000 WMT. The expansion project commenced in 2012, with commercial production expected early in the fourth quarter of 2014.

As announced in the third quarter of 2012, Superior has approved a \$25.0 million expansion of hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The plant's capacity of 70,000 WMT, or 22,000 dry metric tonnes, will be increased to approximately 140,000 WMT. The expansion project commenced in 2012, with commercial production expected in the fourth quarter of 2014.

As at March 31, 2014, a total of \$24.0 million had been spent on the two projects. Upon completion of both projects, Superior will have total hydrochloric acid production capacity of approximately 360,000 WMT. The two expansions will allow Superior to optimize overall returns at both facilities by converting a larger portion of its chlorine into higher-value hydrochloric acid.

### Financial Outlook

EBITDA from operations for 2014 is expected to be lower than in 2013 due to reduced sodium chlorate contribution from higher average electricity prices and plant operating costs, offset in part by the contribution from the Tronox agreement. Contribution from the chloralkali segment is anticipated to be higher than in 2013 due to the completion of the hydrochloric acid facility expansions during 2014. Selling prices and sales volumes of caustic, chlorine and hydrochloric acid are anticipated to be modestly higher than 2013, offset by lower average selling prices. Supply and demand fundamentals in the chloralkali markets in which Superior operates are anticipated to remain consistent with the prior year.

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 2014 and 2013:

<i>(millions of dollars)</i>	Three months ended	
	2014	2013
Revenue <sup>(2)</sup>	185.8	186.5
Cost of sales <sup>(2)</sup>	(138.3)	(141.4)
Gross profit	47.5	45.1
Less: Cash operating and administrative costs	(43.0)	(40.1)
EBITDA from operations	4.5	5.0

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

<sup>(2)</sup> The prior year revenue and cost of sales classifications between GSD and C&I have been adjusted to align with the ongoing restructuring efforts.

Revenues of \$185.8 million for the first quarter of 2014 were \$0.7 million or nil% lower than in the prior year quarter. Revenue decreased slightly due to a slowdown in Canadian new housing starts and severe winter weather in both Canada and U.S. which reduced construction activity and delivery days. This was offset in part by higher contribution from some U.S. regions due to ongoing improvement in the construction market, pricing initiatives and the impact of a weaker Canadian dollar on the translation of U.S. dollar revenue.

Gross profits of \$47.5 million in the first quarter were \$2.4 million or 5% higher than in the prior year quarter primarily due to increased gross margins. The increase in gross margins was due to improved average selling prices, successful procurement initiatives including volume rebate achievements, sales mix, impact of exiting less profitable markets and the benefit of a weaker Canadian dollar on the translation of U.S. denominated revenue.

Cash operating and administrative costs were \$43.0 million in the first quarter, an increase of \$2.9 million or 7% from the prior year quarter. The increase was primarily due the impact of a weaker Canadian dollar on the translation of U.S. denominated operating costs, higher delivery costs due to adverse winter weather and costs associated with suspending the system conversion project.

### **Construction Products Distribution Strategic Alternatives**

As previously announced in Superior's fourth quarter financial discussion, Superior has been assessing strategic alternatives for its Construction Products Distribution segment and has retained BMO Capital Markets as a financial advisor. As a result of the review, Superior's Board of Directors has authorized the commencement of a formal process to solicit and assess offers for the potential divestiture of the Construction Products Distribution segment.

### **Financial Outlook**

Before consideration of the timing of the sale process noted above, Superior anticipates that EBITDA from operations in 2014 will be higher than in 2013 due to continued improvements in U.S. residential construction markets, benefits resulting from ongoing business initiatives and improvements in the commercial and industrial insulation markets. Superior anticipates that the U.S. commercial market will improve in 2014 over 2013 and that the Canadian residential markets will continue to be challenging.

Initiatives to improve results in the Construction Products Distribution business continued during the first quarter of 2014. Ongoing business improvement projects include: a) assessment of overall logistics and existing branch network, b) review of supply chain management including procurement and transportation, c) review of product pricing, d) working capital management, e) sales growth in select focus products/markets, and f) execution of the detailed restructuring plan.

In late 2013, Construction Products Distribution initiated a business transformation project to fully integrate its C&I and GSD operations. The project consists of realigning the management structure along geographic lines, adopting best practice common business processes, and integrating all operations onto a single ERP (computer) system. The project was expected to take approximately two years and conclude at the end of 2015. The ERP system conversion has been placed on hold due to the proposed sale of the Construction Products Distribution segment.

As part of the business transformation project, the decision was made, in the fourth quarter of 2013, to relocate the Calgary, Alberta corporate office to Dallas, Texas. The relocation has been suspended pending the conclusion of the sale process.

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

## Consolidated Capital Expenditure Summary

<i>(millions of dollars)</i>	Three months ended	
	2014	March 31, 2013
Efficiency, process improvement and growth-related	10.5	8.5
Other capital	6.3	3.2
	16.8	11.7
Proceeds on disposition of capital	(0.4)	(0.5)
Total net capital expenditures	16.4	11.2
Investment in finance leases	0.9	1.0
Total expenditures including finance leases	17.3	12.2

Efficiency, process improvement and growth related expenditures were \$10.5 million in the first quarter compared to \$8.5 million in the prior year quarter. These are primarily related to the expansion projects at Specialty Chemicals and Energy Services' purchases of rental assets and truck related expenditures although additional expenditures were made during the quarter on the Canadian Propane distribution system conversion. Other capital expenditures were \$6.3 million in the first quarter compared to \$3.2 million in the prior year quarter, consisting primarily of required maintenance and general capital across all of Superior's segments although additional expenditures were made at Specialty Chemicals. Proceeds on the disposal of capital were \$0.4 million in the first quarter and consisted of Superior's disposition of surplus tanks, cylinders and property. During the first quarter Superior entered into new leases with a capital equivalent value of \$0.9 million primarily related to delivery vehicles for the Energy Services and Construction Products Distribution segments.

### Corporate and Interest Costs

Corporate costs for the first quarter were \$4.8 million, compared to \$6.1 million in the prior year quarter. The decrease was primarily due to lower long term incentive costs as Superior's share price did not increase as significantly as the prior year quarter offset in part by higher consulting and legal costs.

Interest expense on borrowing and finance lease obligations for the first quarter was \$5.4 million, compared to \$9.1 million in the prior year quarter. The decrease was due to lower average debt as a result of Superior's \$143.9 million equity offering (\$137.8 million net of issuance costs) which closed on March 27, 2013, higher cash flows and the benefit of debt repayment efforts during the past 12 months. See "Liquidity and Capital Resources" discussion for further details on the change in average debt levels.

Interest on Superior's convertible unsecured subordinated debentures ("Debentures" which include all series of convertible unsecured subordinated debentures) for the first quarter was \$7.5 million compared to \$7.9 million in the prior year quarter. The decrease was due to the redemption of \$49.9 million of Superior's \$25.0 million of Superior's 5.85% convertible subordinated debentures due October 31, 2015 on April 9, 2013 and \$68.9 million of Superior's 7.50% convertible subordinated debentures due December 31, 2014 on September 3, 2013 offset in part by the issuance of \$97.0 million of 6.00% convertible subordinated debentures on July 22, 2013 which mature on June 30, 2019.

## Restructuring Costs

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

<i>(millions of dollars)</i>	Three months ended		Cumulative costs for 2013 and 2014
	2014	March 31, 2013	
Severance costs	0.4	0.2	6.1
Branch closure and lease termination costs	–	–	4.7
Consulting costs	1.4	–	2.7
Inventory write-downs	–	–	3.6
Total restructuring costs	1.8	0.2	17.1

Superior recognized \$1.8 million of restructuring costs during the first quarter 2014 as compared to \$0.2 million in the prior year quarter. The \$1.8 million of restructuring costs recognized during the first quarter were related to employee severance costs and consulting costs at Energy Services. Superior expects to incur between \$5 million and \$7 million in restructuring costs during the second quarter and a total of between \$7 million and \$10 million of restructuring costs during 2014. Total restructuring costs are anticipated to be between \$22 million and \$25 million during 2013 and 2014 which is consistent with the range provided in Superior's fourth quarter 2013 Financial Discussion.

## Income Taxes

Total income tax expense for the first quarter was \$16.8 million and consists of \$0.4 million in cash income tax recovery and \$16.4 million in deferred income tax expense, compared to a total income tax expense of \$15.8 million in the prior year quarter, which consisted of \$0.4 million in cash income tax expense and a \$15.4 million deferred income tax expense.

Cash income tax expense for the first quarter was \$0.4 million and consisted of income tax expense in the U.S. of \$0.4 million (2013 Q1 - \$0.4 million of U.S. cash tax expense). Deferred income tax expense for the first quarter was \$16.4 million (2013 Q1 - \$15.4 million deferred income tax expense), resulting in a corresponding net deferred income tax asset of \$272.4 million as at March 31, 2014. The increase in deferred income tax expense was due to higher taxable earnings compared to the prior year quarter.

## Canada Revenue Agency (CRA) Income Tax Update

As previously disclosed, 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, in addition to the general anti-avoidance rules in the Income Tax Act (Canada).

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 Notices of Reassessment, must be remitted to the CRA.

Taxation Year	Taxes Payable <sup>(1)(2)</sup>	50% of the Taxes Payable <sup>(1)(2)</sup>	Payment Dates
2009/2010	\$13.0	\$6.5	Paid in April 2013
2011	\$10.0 <sup>(3)</sup>	\$5.0	2015
2012	\$10.0 <sup>(3)</sup>	\$5.0	2015
2013	\$10.0 <sup>(3)</sup>	\$5.0	2015
2014	\$20.0 <sup>(3)</sup>	\$10.0	2015
<b>Total</b>	<b>\$63.0</b>	<b>\$31.5</b>	

<sup>(1)</sup> In millions of dollars.

<sup>(2)</sup> Includes estimated interest and penalties.

<sup>(3)</sup> Estimated based on Superior's previously filed tax returns and the midpoint of Superior's 2014 outlook.

During 2013, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notice of Reassessments received on May 8, 2013. Superior anticipates the case could be heard in the Tax Court of Canada, in the first quarter of 2015, with a decision rendered by the end of fiscal 2015. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional 2 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.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such position and intends 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.

Based on the midpoint of Superior's current 2014 financial outlook of AOCF per share of \$1.80, if the tax pools from the Conversion were not available to Superior, the impact would be an increase to cash income taxes of approximately \$0.15 per share for 2014. As previously stated, Superior intends to file its future income tax returns on a basis consistent with its view of the outcome of the Conversion.

### **Financial Outlook**

Superior's outlook is for adjusted operating cash flow for 2014 to be between \$1.65 per share and \$1.95 per share, before restructuring costs and any impact of a potential sale of Construction Products Distribution, consistent with the outlook included in Superior's 2013 fourth-quarter Financial Discussion. Achieving Superior's adjusted operating cash flow depends on the operating results of its three operating segments.

In addition to the operating results of Superior's three operating segments, significant assumptions underlying Superior's 2014 outlook are:

- Economic growth in Canada and the U.S. is expected to be similar to or modestly higher than in 2013;
- 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 \$72.0 million in 2014 and working capital funding requirements which do not contemplate any significant commodity price changes;
- The foreign currency exchange rate between the Canadian dollar and US dollar is expected to average 1.10 in 2014 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to remain consistent with 2013 levels; and
- Canadian and U.S. based cash taxes are expected to be minimal for 2014 based on existing statutory income tax rates and the ability to use available tax basis.

### **Energy Services**

- Average temperatures across Canada and the Northeast U.S. in 2014 are expected to be consistent with the recent five-year average for the remainder of the year;
- Total propane and U.S. refined fuels-related sales volumes are expected to increase in 2014 due to the impact from customer win-back and retention programs;
- Wholesale propane and U.S. refined fuels-related prices are not anticipated to significantly affect demand for propane, refined fuels and related services;
- Supply portfolio management market results for 2014 are expected to increase modestly from 2013 due to growth in sales volumes and margins;

- Fixed-price energy services results for 2014 are expected to decrease from 2013 due to market challenges experienced during the first quarter, the sale of the U.S. based residential and commercial customer base and continued challenges in the natural gas market; and
- Operating costs are expected to decrease in 2014 from 2013 due to improvements in operational efficiencies from business initiatives.

### ***Specialty Chemicals***

- Sodium chlorate contribution in 2014 is expected to decrease from 2013 due to lower gross margins associated with higher electricity prices. Sales volumes in 2014 are expected to increase as compared to 2013 due to the impact of the strategic supply agreement;
- Chloralkali contribution in 2014 is expected to be higher than in 2013 due to higher sales volumes associated with the completion of the Port Edwards and Saskatoon expansions;
- Electricity costs are expected to increase in 2014 as compared to the prior year; and
- Average plant utilization will approximate greater than 94% in 2014.

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

- Revenues in 2014 are expected to increase as compared to 2013 due to continued growth in U.S. based GSD sales as the U.S. residential market continues to improve, and higher C&I sales revenue due to improvement in the U.S. commercial construction segment;
- Sales margins in 2014 are expected to increase from 2013 due to continued focus on price management, customer profitability and procurement; and
- Operating costs in 2014 are expected to decrease as a percentage of revenue compared to 2013 due to anticipated savings from restructuring efforts.
- Superior's 2014 outlook includes a full year contribution from Construction Products Distribution.

### ***Restructuring Charges***

- Superior has incurred a total of \$17.1 million of restructuring costs to date associated with the restructuring efforts announced during the fourth quarter of 2013 of which \$1.8 million was incurred during the first quarter of 2014. The \$1.8 million was incurred for severance and consulting costs at Energy Services. Total restructuring costs are expected to be between \$22 million to \$25 million for 2013 and 2014 and this is consistent with the range provided in Superior's fourth-quarter Financial Discussion. Superior expects to incur between \$5 million and \$7 million of total restructuring costs during the second quarter of 2014. These costs are excluded from Superior's 2014 financial outlook.

## Debt Management Update

Superior's anticipated debt repayment for 2014 and total debt to EBITDA leverage ratio as at December 31, 2014, based on Superior's 2014 financial outlook and year-to-date results, are detailed in the chart below.

### Debt Management Summary

	Per Share	Millions of dollars
2014 financial outlook AOCF per share – mid-point <sup>(1)</sup>	\$ 1.80	227.1
Maintenance capital expenditures, net	(0.28)	(35.0)
Capital lease obligation repayments	(0.16)	(20.0)
Restructuring costs	(0.16)	(20.0)
Cash flow available for dividends and debt repayment before growth capital	\$ 1.20	152.1
Expansion of Port Edward's and Saskatoon facilities	(0.17)	(22.0)
Other growth capital expenditures	(0.12)	(15.0)
Proceeds on disposition of turbo generator in Chile	0.12	15.0
Estimated 2014 free cash flow available for dividend and debt repayment	\$ 1.03	130.1
Dividends (annualized)	(0.60)	(75.7)
Total estimated debt repayment	\$ 0.43	54.4
Estimated total debt to EBITDA ratio as at December 31, 2014	3.6X – 4.0X	3.6X – 4.0X
Dividend per share (annualized)	\$ 0.60	75.7
Calculated payout ratio after all capital	58%	58%

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

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

Superior's revolving syndicated bank facility (Credit Facility), term loans and finance lease obligations (collectively Borrowing) before deferred financing fees totalled \$584.1 million as at March 31, 2014, an increase of \$5.4 million from December 31, 2013. The increase in Borrowing was primarily due to higher net working capital requirements and capital expenditures offset in part by cash flow from operating activities.

On June 10, 2013, Superior completed an extension of its \$570.0 million Credit Facility with eight lenders. The Credit Facility matures on June 27, 2016 and can be expanded to \$750.0 million. Financial covenant ratios were unchanged with a consolidated secured debt to consolidated EBITDA ratio and a consolidated debt to consolidated EBITDA ratio of 3.0x and 5.0x, respectively. See "Summary of Cash Flow" for details on Superior's sources and uses of cash.

As at March 31, 2014, Debentures (before deferred issuance fees and discount values) issued by Superior totalled \$494.4 million which was \$0.1 million lower than the balance as at December 31, 2013 due to the conversion of \$0.1 of debentures into common shares. See Note 12 to the unaudited condensed consolidated financial statements for additional details on Superior's Debentures.

As previously announced, on February 14, 2014, Superior closed a \$125.0 million term loan facility which matures on August 14, 2014. The term loan facility provides additional liquidity to ensure Superior has sufficient financial flexibility to manage short term fluctuations in working capital requirements. Throughout the end of 2013 and the beginning of 2014, Superior's working capital requirements increased due to a rise in the wholesale cost of propane. The wholesale cost of propane and the related working capital started to normalize during March which allowed Superior repaid the facility in full on April 25, 2014. As at March 31, 2013, approximately \$137.9 million was available under the Credit Facility which Superior considers sufficient to meet its expected net working

capital, capital expenditure and refinancing requirements during 2014 when combined with the above noted \$125 million term loan facility.

Consolidated net working capital was \$336.3 million as at March 31, 2014, an increase of \$43.2 million from net working capital of \$293.1 million as at December 31, 2013. The increase was primarily due to higher Energy Services net working capital requirements due to increased commodity prices and sales volumes. Superior's net working capital requirements are financed from its Credit Facility.

Proceeds received from the DRIP for 2014 were \$nil as compared to \$3.6 million in 2013. The decrease was due to Superior suspending the DRIP following payment of the March dividend in April 2013.

As at March 31, 2014, when calculated in accordance with the Credit Facility, the consolidated secured debt to compliance EBITDA ratio was 2.2 to 1.0 (December 31, 2013 – 2.2 to 1.0) and the consolidated debt to compliance EBITDA ratio was 2.2 to 1.0 (December 31, 2013 – 2.2 to 1.0). For both of these covenants, Debentures are excluded. These ratios are within the requirements of Superior's debt covenants. In accordance with the Credit Facility, Superior must maintain a consolidated secured debt to compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a consolidated debt to compliance EBITDA ratio of not more than 5.0 to 1.0, excluding Debentures. Superior's total debt to compliance EBITDA ratio was 4.1 to 1.0 as at March 31, 2014 and 3.9 to 1.0 on a before restructuring cost basis. 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 March 31, 2014, Superior's available distribution amount was \$140.0 million under the above noted distribution test.

On December 11, 2013, Standard & Poor's raised Superior and Superior LP's long-term corporate credit rating to BB from BB- and the senior secured debt rating to BBB- from BB+. The outlook rating for Superior remains stable. On July 2, 2013, Dominion Bond Rating Service confirmed Superior LP's senior secured rating of BB (high) and Superior LP's senior unsecured rating of BB (low). The trend for both ratings is stable.

As at March 31, 2014, Superior had an estimated defined benefit pension solvency deficiency of approximately \$10.5 million (December 31, 2013 - \$12.8 million) and a going concern surplus of approximately \$18.1 million (December 31, 2013 – surplus - \$11.5 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.

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

### **Shareholders' Capital**

The weighted average number of common shares issued and outstanding at the end of the first quarter was 126.2 million shares, an increase of 12.5 million common shares from the prior year quarter due to the issuance of 13,806,271 common shares on March 27, 2013 and the resulting impact on weighted average number of common shares outstanding during the past 12 months.



As at May 7, 2014, March 31, 2014 and December 31, 2013, the following common shares and securities convertible into common shares were issued and outstanding:

(millions)	May 7, 2014		March 31, 2014		December 31, 2013	
	Convertible Securities	Shares	Convertible Securities	Shares	Convertible Securities	Shares
Common shares outstanding		126.2		126.2		126.2
5.75% Debentures <sup>(1)</sup>	\$172.5	9.1	\$172.5	9.1	\$172.5	9.1
6.00% Debentures <sup>(2)</sup>	\$150.0	9.9	\$150.0	9.9	\$150.0	9.9
7.50% Debentures <sup>(3)</sup>	\$74.9	6.6	\$74.9	6.6	\$75.0	6.6
6.00% Debentures <sup>(4)</sup>	\$97.0	5.8	\$97.0	5.8	\$97.0	5.8
Shares outstanding and issuable upon conversion of Debentures		157.6		157.6		157.6

<sup>(1)</sup> Convertible at \$19.00 per share.

<sup>(2)</sup> Convertible at \$15.10 per share.

<sup>(3)</sup> Convertible at \$11.35 per share.

<sup>(4)</sup> 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 2014 were \$18.9 million (before DRIP proceeds of \$nil) or \$0.60 per share compared to \$16.9 million (before DRIP proceeds of \$3.6 million) or \$0.60 per share in 2013. The increase of \$2.0 million was due to the issuance of shares under Superior's DRIP during 2013 and the equity offering completed on March 27, 2013. Superior's monthly dividend is \$0.05 per share or \$0.60 per share on an annualized basis. See "Debt Management Update" for further details. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

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

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

<i>(millions of dollars)</i>	<b>Three months ended</b>	
	<b>2014</b>	<b>March 31, 2013</b>
<b>Cash flow from operating activities</b>	<b>46.2</b>	90.6
Investing activities <sup>(2)</sup> :		
Purchase of property, plant and equipment	<b>(16.8)</b>	(11.7)
Proceeds from disposal of property, plant and equipment	<b>0.4</b>	0.5
<b>Cash flow used in investing activities</b>	<b>(16.4)</b>	(11.2)
Financing activities:		
Net repayment of revolving term bank credits and other debt	–	(123.6)
Repayment of finance lease obligation	<b>(4.7)</b>	(3.9)
Redemption of 5.75% convertible debentures	–	(50.0)
Proceeds from issuance of common shares	–	143.9
Issue costs on issuance of common shares	–	(6.1)
Proceeds from the dividend reinvestment plan	–	3.6
Dividends paid to shareholders	<b>(18.9)</b>	(16.9)
<b>Cash flow used in financing activities</b>	<b>(23.6)</b>	(53.0)
Net increase in cash and cash equivalents	<b>6.2</b>	26.4
Cash and cash equivalents, beginning of period	<b>8.3</b>	7.6
Effect of translation of foreign currency-denominated cash and cash equivalents	<b>0.1</b>	(0.1)
<b>Cash and cash equivalents, end of period</b>	<b>14.6</b>	33.9

<sup>(1)</sup> See the consolidated statement of cash flow for additional details.

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

### Financial Instruments – Risk Management

Derivative and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates, 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 2013 Annual MD&A for further details on financial instrument risk management.

As at March 31, 2014, Superior has hedged approximately 91% of its estimated US dollar exposure for 2014 and 68% for 2015. The estimated sensitivity of adjusted operating cash flow for Superior, including divisional US exposures and the impact on US-denominated debt with respect to a \$0.01 change in the Canadian to United States exchange rate for 2014 is \$0.2 million and for 2015 is \$0.3 million after giving effect to United States forward contracts for 2014 and 2015, as shown in the table below. Superior's sensitivities and guidance are based on an anticipated average Canadian to US dollar foreign currency exchange rate for 2014 of 1.10.

<i>(US\$ millions except exchange rates)</i>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 and Thereafter</b>	<b>Total</b>
Energy Services – US\$ forward sales	7.2	26.0	–	–	–	–	33.2
Construction Products Distribution – US\$ forward sales	9.0	12.0	12.0	–	–	–	33.0
Specialty Chemicals – US\$ forward sales	148.3	148.0	101.4	51.0	–	–	448.7
Corporate – US\$ forward purchases	(27.0)	–	–	–	–	–	(27.0)
Net US \$ forward sales	137.5	186.0	113.4	51.0	–	–	487.9
Energy Services – Average US\$ forward sales rate	1.00	1.01	–	–	–	–	1.01
Construction Products Distribution – Average US\$ forward sales rate	1.00	1.00	1.03	–	–	–	1.01
Specialty Chemicals – Average US\$ forward sales rate	1.03	1.02	1.04	1.04	–	–	1.03
Corporate – US\$ forward purchases rate	1.01	–	–	–	–	–	1.01
Net average external US\$/CDN\$ exchange rate	1.02	1.01	1.04	1.04	–	–	1.02

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's first quarter condensed consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see Note 13 to the unaudited condensed consolidated financial statements.

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

No changes have been made in Superior's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, Superior's internal control over financial reporting in the quarter ended March 31, 2014.

The Canadian propane business system roll out (see System Conversion) commenced during the third quarter of 2013 and is expected to be completed by the second quarter of 2014. Management has concluded that the change materially affected Superior's internal controls over financial reporting. Superior's management team has participated at all levels of planning and execution of the IT system and has concluded that no material deficiency has resulted from this change to internal controls over financial reporting. The planning and execution of the system transition will continue to be overseen by senior management with involvement by the President and VP Finance of the business and the certifying officers.

#### **Critical Accounting Policies and Estimates**

Superior's unaudited condensed consolidated financial statements have been prepared in accordance with IFRS. The significant accounting policies are described in the unaudited condensed consolidated financial statements for the period ended March 31, 2014. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, future income tax assets and liabilities, the valuation of derivatives and non-financial derivatives and asset impairments and the assessment of potential provision retirement obligations.

#### **Recent Accounting Pronouncements**

Certain new standards, interpretations, amendments or improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning on January 1, 2014 or later. The affected standards that apply to Superior are as follows:

#### *IFRS 9 – Financial Instruments: Classification and Measurement*

IFRS 9, Financial Instruments, was issued in November 2009 and is intended to replace International Accounting Standard (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. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. Superior is assessing the effect of IFRS 9 on its financial results and financial position; changes, if any, are not expected to be material.

#### **Superior adopted the following on January 1, 2014:**

##### *IAS 36 – Impairment of Assets*

The IASB issued *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)* on May 29, 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of cash-generating units (“CGUs”) is required to be disclosed and to clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. Superior adopted the amendments on January 1, 2014, with no impact to Superior.

##### *IFRS 10 – Consolidated Financial Statements, IFRS 12 – Disclosure of Interests in Other Entities and IAS 27 – Separate Financial Statements*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequently, IFRS 12 and IAS 27 were amended to introduce new disclosure requirements for investment entities. Superior adopted the amendments on January 1, 2014, with no impact to Superior.

##### *International Financial Reporting Interpretations Committee (IFRIC) 21, Levies*

IFRIC 21, *Levies*, was issued on May 20, 2013 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets and those where the timing and amount of the levy is certain. The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes (see IAS 12 Income Taxes), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. It also provides the following guidance on recognition of a liability to pay levies: The liability is recognized progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This standard must be applied for accounting periods beginning on or after January 1, 2014, with retrospective application from December 31, 2012. Superior adopted IFRS 21 on January 1, 2014, with retroactive application from December 31, 2012 with no impact to its financial results.

## Quarterly Financial and Operating Information

(millions of dollars except per share amounts)	2014	2013 Quarters				2012 Quarters <sup>(2)(3)</sup>		
	Quarter	Fourth	Third	Second	First	Fourth	Third	Second
	First							
Canadian propane sales volumes (millions of litres)	454	405	232	265	429	383	240	255
U.S. refined fuels sales volumes (millions of litres)	492	411	326	383	512	428	335	363
Natural gas sales volumes (millions of GJs)	5	5	5	5	5	5	5	5
Electricity sales volumes (millions of kWh)	244	228	249	205	205	200	245	187
Chemical sales volumes (thousands of metric tonnes)	222	220	204	199	203	200	193	190
Revenues	1,282.4	1,034.7	813.8	854.4	1,049.9	934.0	790.1	843.3
Gross profit	276.6	240.8	184.9	190.0	253.1	228.2	195.9	184.1
Net earnings (loss)	40.6	10.9	35.9	(25.5)	31.4	13.5	35.9	12.7
Per share, basic	\$0.32	\$0.09	\$0.28	\$(0.20)	\$0.28	\$0.12	\$0.32	\$0.11
Per share, diluted	\$0.28	\$0.05	\$0.12	\$(0.20)	\$0.27	\$0.12	\$0.29	\$0.11
Adjusted operating cash flow	86.4	55.9	24.2	30.2	82.0	61.9	33.7	28.2
Per share, basic	\$0.70	\$0.44	\$0.19	\$0.24	\$0.72	\$0.55	\$0.30	\$0.25
Per share, diluted	\$0.68	\$0.43	\$0.19	\$0.24	\$0.69	\$0.53	\$0.30	\$0.25
Adjusted operating cash flow before restructuring costs	88.2	70.1	24.4	30.9	82.2	65.9	37.3	29.3
Per share, basic	\$0.68	\$0.56	\$0.19	\$0.24	\$0.72	\$0.59	\$0.33	\$0.26
Per share, diluted	\$0.66	\$0.54	\$0.19	\$0.24	\$0.69	\$0.57	\$0.33	\$0.26
Net working capital <sup>(1)</sup>	336.3	293.1	202.0	242.3	280.5	279.2	218.3	234.4

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

<sup>(2)</sup> Superior's 2012 quarterly results have been restated for the adoption of IAS 19 *Employee Benefits, amendments*.

<sup>(3)</sup> December 31, 2012 has been restated for the impact of a prior-period adjustment.

### Non-IFRS Financial Measures

#### *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. Readers are cautioned that it is not a defined performance measure under IFRS and cannot be assured. Superior's calculation of AOCF may differ from similar calculations used by comparable entities. 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 Services segment, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and 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. AOCF is reconciled to net cash flow from operating activities on page 11.

#### *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. EBITDA is not a defined performance measure under IFRS. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities. The EBITDA of Superior's operating segments may be referred to as

EBITDA from operations. Net earnings before income taxes are reconciled to EBITDA from operations on page 30.

### ***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. Compliance EBITDA is not a defined performance measure under IFRS. Superior's calculation of compliance EBITDA may differ from similar calculations used by comparable entities. See Note 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 other capital expenditures, and is used by Superior to assess its financial results and leverage. Payout ratio is not a defined performance measure under IFRS. Superior's calculation of payout ratio may differ from similar calculations used by comparable entities.

### **Reconciliation of Net Earnings before income taxes to EBITDA from Operations** <sup>(1) (2)</sup>

	<b>Energy Services</b>	<b>Specialty Chemicals</b>	<b>Construction Products Distribution</b>
<b>For the three months ended March 31, 2014</b>			
Net Earnings before income taxes	71.3	16.9	2.7
Add: Depreciation included in selling, distribution and administrative costs	10.6	–	1.6
Depreciation included in cost of sales	–	11.9	–
Customer contract-related costs	(0.4)	–	–
Restructuring costs	1.8	–	–
Finance expense	0.7	0.3	0.2
Unrealized (gains) losses on derivative financial instruments	(11.8)	0.5	–
<b>EBITDA from operations</b>	<b>72.2</b>	<b>29.6</b>	<b>4.5</b>
<b>For the three months ended March 31, 2013</b>			
Net Earnings before income taxes	71.3	22.6	3.3
Add: Depreciation included in selling, distribution and administrative costs	13.3	–	1.5
Depreciation included in cost of sales	–	10.3	–
Losses on disposal of assets	0.3	–	0.1
Customer contract-related costs	(0.2)	–	–
Restructuring costs	0.2	–	–
Finance expense	0.8	0.1	0.1
Unrealized gains on derivative financial instruments	(17.9)	(0.1)	–
<b>EBITDA from operations</b>	<b>67.8</b>	<b>32.9</b>	<b>5.0</b>

<sup>(1)</sup> See the unaudited condensed consolidated financial statements for net earnings before income taxes, depreciation of property, plant, equipment, intangible assets and accretion of convertible debenture issuance costs, depreciation included in cost of sales, customer contract-related costs and unrealized gains or losses on derivative financial instruments.

<sup>(2)</sup> See “Non-IFRS Financial Measures” for additional details.

## Reconciliation of Divisional Segmented Revenue, Cost of Sales and Cash Operating and Administrative Costs Included in this MD&A

	For the three months ended			For the three months ended		
	March 31, 2014			March 31, 2013		
	Energy Services	Specialty Chemicals	Construction Products Distribution	Energy Services	Specialty Chemicals	Construction Products Distribution
<b>Revenue per financial statements</b>	<b>939.6</b>	<b>157.0</b>	<b>185.8</b>	719.7	143.7	186.5
Foreign currency gains related to working capital	–	2.1	–	–	0.9	–
<b>Revenue per the MD&amp;A</b>	<b>939.6</b>	<b>159.1</b>	<b>185.8</b>	719.7	144.6	186.5
<b>Cost of products sold per financial statements</b>	<b>(764.5)</b>	<b>(103.0)</b>	<b>(138.3)</b>	(566.2)	(89.2)	(141.4)
Non-cash amortization	–	11.9	–	–	10.3	–
<b>Cost of products sold per the MD&amp;A</b>	<b>(764.5)</b>	<b>(91.1)</b>	<b>(138.3)</b>	(566.2)	(78.9)	(141.4)
<b>Gross profit</b>	<b>175.1</b>	<b>68.0</b>	<b>47.5</b>	153.5	65.7	45.1
<b>Cash operating and administrative costs per financial statements</b>	<b>(114.9)</b>	<b>(36.3)</b>	<b>(44.6)</b>	(99.3)	(31.9)	(41.7)
Amortization and depreciation expenses	10.6	–	1.6	13.3	–	1.5
Losses on disposal of assets	–	–	–	0.3	–	0.1
Customer contract-related costs	(0.4)	–	–	(0.2)	–	–
Restructuring costs	1.8	–	–	0.2	–	–
Reclassification of foreign currency gains related to working capital	–	(2.1)	–	–	(0.9)	–
<b>Cash operating and administrative costs per the MD&amp;A</b>	<b>(102.9)</b>	<b>(38.4)</b>	<b>(43.0)</b>	(85.7)	(32.8)	(40.1)

### 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 2013 Annual Information Form under “Risk Factors” which is filed on the Canadian Securities Administrators’ website, [www.sedar.com](http://www.sedar.com), and on Superior’s website, [www.superiorplus.com](http://www.superiorplus.com).

### Risks to Superior

Superior depends entirely on the operations and assets of Superior LP. Superior’s ability to make dividend payments to its shareholders depends on the ability of Superior LP 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.

As previously disclosed by Superior, 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, in addition to the general anti-avoidance rules in the Tax Act. See Canada Revenue Agency Income Tax Update.

During 2013, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notice of Reassessments received on May 8, 2013. Superior anticipates the case could be heard in the Tax Court of Canada, in the first quarter of 2015, with a decision rendered by the end of fiscal 2015. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional 2 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.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and 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 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 taxes payable pursuant to such Notices of Reassessment, must be remitted to the CRA. Superior would also be required to make a payment of 50% of the taxes the CRA claims are owed in any future tax year if the CRA were to issue a similar notice of reassessment for such years and Superior were to appeal such other years. See the CRA Income Tax Update section for further details on the amounts paid and estimated amounts payable. Superior has 90 days from any future Notice of Reassessment to prepare and file a Notice of Objection, which would be reviewed by the CRA's appeals division. If the CRA is not in agreement with Superior's Notice of Objection, Superior has the option to appeal to the Tax Court of Canada following the same process described above.

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.

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 Services' sales and substantially all of Specialty Chemicals' and Construction Products Distribution's sales are affected by general economic trends. Generally speaking, when the economy is strong, interest rates increase, as does 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.

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

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

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

There can be no 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 the various Tax Agencies will not change their administrative practices to the detriment of Superior or its shareholders.

## **Risks to Superior's Segments**

### **Energy Services**

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

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy-equivalent basis. While propane is usually more cost-effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent-energy basis, although operating efficiencies, environmental and air quality factors help make propane competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas 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 propane industry in general and Canadian propane distribution in particular, in the future. 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 and the market 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.

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 Propane to obtain propane from its suppliers. Such conditions may also increase Superior Propane'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 terms of extreme peak demand.

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

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

Superior's operations are subject to the risks associated with handling, storing and transporting propane in bulk. Slight quantities of propane may also be released during transfer operations. To mitigate risks, Superior has established a comprehensive 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 Services in comparison to such competing energy sources. Any such changes could have an adverse effect on the operations of Energy Services.

In 2013, two regions at Canadian propane distribution were converted to a new order to cash, billing and logistics IT system to replace the distribution and invoicing functions of the present enterprise system. While no significant financial or business issues have resulted, in 2014, Canadian propane distribution will implement the same system in its remaining four regions by the end of the second quarter. To mitigate the risk associated with system changes, Superior Propane has leveraged operational learnings from the USRF organization, which has have been using this system and implementation will be rolled out one region at a time. Superior will migrate its current data center located in Calgary, Alberta to a new location in New Jersey, United States through 2014; approximately 120 servers and more than 200 applications will be transferred. A disruption in the availability of current and future business applications may result from the migration, leading to Superior being unable to carry out required business transactions.

Approximately 18% of Superior's Canadian propane distribution business employees and 5% 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.

### ***Fixed-price Energy Services Business***

There may be new market entrants in the energy retailing business that compete directly for the customer base that Superior targets, slowing or reducing its market share.

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

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

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

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

Fixed-price energy services operates in the highly regulated energy industry in Ontario and Quebec. Changes to laws could impact this business' operations. As part of the current regulatory framework, local delivery companies are mandated to perform certain services on behalf of fixed-price energy services, including invoicing, collection, assuming specific bad debt risks, and storage and distribution of natural gas. Any elimination or changes to these rules could have a significant adverse effect on the results of this business. As of May 1, 2014 fixed-price energy services no longer markets electricity in Pennsylvania and although it continues to market natural gas in New York State. The regulatory environment in Pennsylvania is favourable to retail choice. The Pennsylvania Utility Commission's Retail Market Investigation focused on solutions to increase retail market share and included orders for utilities to investigate retail opt-in auctions to entice customers to consider retail choice, reduce enrolment timelines, implement retail referral programs and design seamless moves that would reduce churn as a customer moves or changes accounts.

### **Specialty Chemicals**

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

the competitiveness of customers, all of which are outside of the segment's control, along with market pricing for pulp.

Specialty Chemicals has long-term electricity contracts or electricity contracts that renew automatically with power producers in each of the jurisdictions where its plants are located. There is no assurance that Specialty Chemicals will 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.

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.

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.

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.

Specialty Chemicals' does not directly operate or control Tronox's Hamilton, Mississippi sodium chlorate facility. A major production outage or unplanned downtime could harm Specialty Chemicals' reputation and its ability to meet customer requirements.

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.

Approximately 25% of Specialty Chemicals' employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the negotiation process that could have an adverse impact on Superior.

### **Construction Products Distribution**

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.

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.

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.

During 2013, CPD initiated a business transformation project to fully integrate its C&I and GSD operations. The project consists of realigning the management structure along geographic lines, adopting best practice common business processes, and integrating all operations onto a single ERP system. The ERP system integration has been suspended as a result of the proposed sale of the Construction Products Distribution segment. If, and when, the project resumes, it is expected to take approximately two years to three years. Upon full commencement of the project, the scoping, requirements definition, business process definition, design, and testing of the integrated ERP system would 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 would be mitigated by extensive testing and regionally phased implementation.

Approximately 4% of Construction Products Distribution's employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the 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)	Notes	March 31, 2014	December 31, 2013
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		14.6	8.3
Trade and other receivables	4&13	534.8	479.8
Prepaid expenses		33.2	35.3
Inventories		185.2	206.3
Unrealized gains on derivative financial instruments	13	12.8	13.7
<b>Total Current Assets</b>		<b>780.6</b>	<b>743.4</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	6	888.0	877.9
Intangible assets		19.7	19.0
Goodwill		193.9	193.7
Notes and finance lease receivables		10.3	10.2
Deferred tax	14	276.5	292.3
Unrealized gains on derivative financial instruments	13	6.0	4.6
<b>Total Non-Current Assets</b>		<b>1,394.4</b>	<b>1,397.7</b>
<b>Total Assets</b>		<b>2,175.0</b>	<b>2,141.1</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Trade and other payables	8	381.4	396.2
Deferred revenue	9	20.7	24.8
Borrowing	11	98.1	67.0
Dividends and interest payable		14.8	7.3
Unrealized losses on derivative financial instruments	13	24.9	25.1
<b>Total Current Liabilities</b>		<b>539.9</b>	<b>520.4</b>
<b>Non-Current Liabilities</b>			
Borrowing	11	483.8	509.1
Convertible unsecured subordinated debentures	12	470.5	469.4
Other liabilities	10	0.8	0.4
Provisions	7	20.6	19.5
Employee future benefits		21.5	23.3
Deferred tax	14	4.1	4.0
Unrealized losses on derivative financial instruments	13	57.1	54.8
<b>Total Non-Current Liabilities</b>		<b>1,058.4</b>	<b>1,080.5</b>
<b>Total Liabilities</b>		<b>1,598.3</b>	<b>1,600.9</b>
<b>Equity</b>			
Capital		1,787.9	1,787.9
Deficit		(1,218.1)	(1,239.8)
Accumulated other comprehensive gain (loss)		6.9	(7.9)
<b>Total Equity</b>	15	<b>576.7</b>	<b>540.2</b>
<b>Total Liabilities and Equity</b>		<b>2,175.0</b>	<b>2,141.1</b>

See accompanying Notes to the Condensed Consolidated Financial Statements.

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

(unaudited, millions of Canadian dollars)	Share Capital	Contributed Surplus <sup>(1)</sup>	Total Capital	Deficit	Accumulated other comprehensive gain (loss)	Total
<b>January 1, 2013</b>	1,644.0	2.5	<b>1,646.5</b>	<b>(1,218.2)</b>	<b>(53.9)</b>	<b>374.4</b>
Net earnings	–	–	–	<b>31.4</b>	–	<b>31.4</b>
Option value associated with redemption of convertible debentures	–	(0.4)	<b>(0.4)</b>	–	–	<b>(0.4)</b>
Shares issued under dividend reinvestment plan	3.6	–	<b>3.6</b>	–	–	<b>3.6</b>
Issuance of common shares	138.1	–	<b>138.1</b>	–	–	<b>138.1</b>
Issue costs associated with the issuance of common shares	(0.3)	–	<b>(0.3)</b>	–	–	<b>(0.3)</b>
Dividends declared to shareholders	–	–	–	<b>(17.6)</b>	–	<b>(17.6)</b>
Unrealized foreign currency gains on translation of foreign operations	–	–	–	–	<b>7.8</b>	<b>7.8</b>
Actuarial defined benefit gains	–	–	–	–	<b>6.1</b>	<b>6.1</b>
Income tax expense on other comprehensive income	–	–	–	–	<b>(1.4)</b>	<b>(1.4)</b>
<b>March 31, 2013</b>	1,785.4	2.1	<b>1,787.5</b>	<b>(1,204.4)</b>	<b>(41.4)</b>	<b>541.7</b>
Net earnings	–	–	–	<b>21.3</b>	–	<b>21.3</b>
Option value associated with redemption of convertible debentures	–	(0.7)	<b>(0.7)</b>	–	–	<b>(0.7)</b>
Shares issued under dividend reinvestment plan	1.3	–	<b>1.3</b>	–	–	<b>1.3</b>
Issue costs associated with the issuance of common shares	(0.2)	–	<b>(0.2)</b>	–	–	<b>(0.2)</b>
Dividends declared to shareholders	–	–	–	<b>(56.7)</b>	–	<b>(56.7)</b>
Unrealized foreign currency gains on translation of foreign operations	–	–	–	–	<b>19.1</b>	<b>19.1</b>
Actuarial defined benefit gains	–	–	–	–	<b>20.2</b>	<b>20.2</b>
Reclassification of derivatives losses previously deferred	–	–	–	–	<b>(0.4)</b>	<b>(0.4)</b>
Income tax expense on other comprehensive loss	–	–	–	–	<b>(5.4)</b>	<b>(5.4)</b>
<b>December 31, 2013</b>	1,786.5	1.4	<b>1,787.9</b>	<b>(1,239.8)</b>	<b>(7.9)</b>	<b>540.2</b>
Net earnings	–	–	–	<b>40.6</b>	–	<b>40.6</b>
Dividends declared to shareholders	–	–	–	<b>(18.9)</b>	–	<b>(18.9)</b>
Unrealized foreign currency gains on translation of foreign operations	–	–	–	–	<b>14.8</b>	<b>14.8</b>
Actuarial defined benefit loss	–	–	–	–	<b>(0.1)</b>	<b>(0.1)</b>
Income tax recovery on other comprehensive income	–	–	–	–	<b>0.1</b>	<b>0.1</b>
<b>March 31, 2014</b>	1,786.5	1.4	<b>1,787.9</b>	<b>(1,218.1)</b>	<b>6.9</b>	<b>576.7</b>

<sup>(1)</sup> Contributed surplus represents Superiors 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 except per share amounts)	Notes	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Revenues</b>	<b>18</b>	<b>1,282.4</b>	1,049.9
Cost of sales (includes products & services)	<b>18</b>	<b>(1,005.8)</b>	(796.8)
<b>Gross profit</b>		<b>276.6</b>	253.1
<b>Expenses</b>			
Selling, distribution and administrative costs	<b>18</b>	<b>(200.7)</b>	(179.1)
Finance expense	<b>18</b>	<b>(14.4)</b>	(18.5)
Unrealized losses on derivative financial instruments	<b>13</b>	<b>(4.1)</b>	(8.3)
		<b>(219.2)</b>	(205.9)
<b>Net earnings before income taxes</b>		<b>57.4</b>	47.2
Income tax expense	<b>14</b>	<b>(16.8)</b>	(15.8)
<b>Net earnings</b>		<b>40.6</b>	31.4
<b>Net earnings</b>		<b>40.6</b>	31.4
Other comprehensive income:			
Unrealized foreign currency gains on translation of foreign operations		<b>14.8</b>	7.8
Actuarial defined benefit (losses) gains		<b>(0.1)</b>	6.1
Income tax recovery (expense) on other comprehensive income		<b>0.1</b>	(1.4)
Other comprehensive income		<b>14.8</b>	12.5
<b>Total Comprehensive income for the period</b>		<b>55.4</b>	43.9
<b>Net earnings per share</b>			
Basic	<b>16</b>	<b>\$0.32</b>	\$0.28
Diluted	<b>16</b>	<b>\$0.28</b>	\$0.27

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 March 31, 2014	Three months ended March 31, 2013
<b>OPERATING ACTIVITIES</b>			
Net earnings for the period		40.6	31.4
Adjustments for:			
Depreciation included in selling, distribution and administrative costs	6	11.4	10.3
Amortization of intangible assets		0.9	4.6
Depreciation included in cost of sales	6	11.9	10.3
Losses on disposal of assets		–	0.4
Unrealized losses on derivative financial instruments	13	4.1	8.3
Customer contract-related costs		(0.4)	(0.2)
Finance expense recognized in net earnings		14.4	18.5
Income tax expense recognized in net earnings		16.8	15.8
Increase in non-cash operating working capital	17	(48.6)	(4.1)
Net cash flows from operating activities		51.1	95.3
Income taxes paid		(0.1)	–
Interest paid		(4.8)	(4.7)
Cash flows from operating activities		46.2	90.6
<b>INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment	6	(16.8)	(11.7)
Proceeds from disposal of property, plant and equipment		0.4	0.5
Cash flows used in investing activities		(16.4)	(11.2)
<b>FINANCING ACTIVITIES</b>			
Net repayment of revolving term bank credits and other debt		–	(123.6)
Repayment of finance lease obligations		(4.7)	(3.9)
Redemption of 5.75% convertible debentures		–	(50.0)
Proceeds from issuance of common shares		–	143.9
Issuance costs for common shares		–	(6.1)
Proceeds from the Dividend Reinvestment Plan		–	3.6
Dividends paid to shareholders		(18.9)	(16.9)
Cash flows used in financing activities		(23.6)	(53.0)
<b>Net increase in cash and cash equivalents</b>		<b>6.2</b>	<b>26.4</b>
Cash and cash equivalents, beginning of period		8.3	7.6
Effect of translation of foreign currency-denominated cash and cash equivalents		0.1	(0.1)
<b>Cash and cash equivalents, end of period</b>		<b>14.6</b>	<b>33.9</b>

See accompanying Notes to the Condensed Consolidated Financial Statements.

## Notes to the Unaudited Condensed Consolidated Financial Statements

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

### 1. Organization

Superior Plus Corp. (Superior) is a diversified business corporation, incorporated under the Canada Business Corporations Act. The registered office is at suite 1400, 840 – 7<sup>th</sup> Avenue S.W., Calgary, Alberta. Superior holds 100% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. as general partner and Superior as limited partner. Superior holds 100% of the interest of Superior General Partner Inc. Superior does not conduct active business operations but rather distributes to shareholders 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 March 31, 2014 and the three months ended March 31, 2014 and 2013 were authorized for issuance by the Board of Directors on May 7, 2014.

### Reportable Operating Segments

Superior operates three distinct reportable operating segments: Energy Services, Specialty Chemicals and Construction Products Distribution. Superior's Energy Services' operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. refined fuels division. Energy Services also provides fixed-price natural gas and electricity supply services under Superior Energy Management. Specialty Chemicals' is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chloralkali products in the U.S. Midwest. Construction Products Distribution is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada (See Note 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, 2013 other than the standards adopted as at January 1, 2014. 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, Superior's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest hundred-thousand. These consolidated financial statements should be read in conjunction with Superior's 2013 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 2013 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 on consolidation. Superior's subsidiaries are all wholly owned directly or indirectly by Superior Plus Corp.

## **Significant Accounting Policies**

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

The preparation of Superior's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings 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 2013 annual consolidated financial statements.

### **(b) Recent Accounting Pronouncements**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning January 1, 2014 or later periods. The affected standards are consistent with those disclosed in Superior's 2013 annual consolidated financial statements.

### **Superior adopted the following standards on January 1, 2014:**

#### *IAS 36 – Impairment of Assets*

The IASB issued *Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36)* on May 29, 2013. The overall effect of the amendments is to reduce the circumstances in which the recoverable amount of cash-generating units ("CGUs") is required to be disclosed and to clarify the disclosures required when an impairment loss has been recognized or reversed in the period. The amendments are required to be adopted retrospectively for fiscal years beginning January 1, 2014, with earlier adoption permitted. Superior adopted the amendments on January 1, 2014, with no impact to Superior.

#### *IFRIC 21 – Levies*

The interpretation was issued on May 20, 2013 provides guidance on when to recognize a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets* and those where the timing and amount of the levy is certain. The Interpretation covers the accounting for outflows imposed on entities by governments (including government agencies and similar bodies) in accordance with laws and/or regulations. However, it does not include income taxes (see IAS 12 – *Income Taxes*), fines and other penalties, liabilities arising from emissions trading schemes and outflows within the scope of other Standards. It also provides the following guidance on recognition of a liability to pay levies: The liability is recognized progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognized when that minimum threshold is reached. This standard must be applied for accounting periods beginning on or after January 1, 2014, with retrospective application from December 31, 2012. Superior adopted the interpretation on January 1, 2014, with no impact to Superior.

IFRS 10 – *Consolidated Financial Statements*, IFRS 12 – *Disclosure of Interests in Other Entities* and IAS 27 – *Separate Financial Statements*

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements. Consequently, IFRS 12 and IAS 27 were amended to introduce new disclosure requirements for investment entities. Superior adopted the amendments on January 1, 2014, with no impact to Superior.

### **New and revised IFRS standards issued but not yet effective**

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. This standard must be applied for accounting periods beginning on or after January 1, 2018, with earlier adoption permitted. Superior is assessing the effect of IFRS 9 on its financial results and financial position; changes, if any, are not expected to be material.

### **3. Seasonality of Operations**

#### **Energy Services**

Sales typically peak in the first quarter when approximately one-third of annual propane and other refined fuels sales volumes and gross profits are generated due to the demand from heating end-use customers. They then decline through the second and third quarters, rising seasonally again in the fourth quarter with heating demand. Similarly, net working capital 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. Trade and Other Receivables**

A summary of trade and other receivables is as follows:

	<b>Note</b>	<b>March 31, 2014</b>	December 31, 2013
Trade receivables, net of allowances	<b>13</b>	<b>502.8</b>	443.2
Accounts receivable – other		<b>31.0</b>	35.7
Finance lease receivable		<b>1.0</b>	0.9
<b>Trade and other receivables</b>		<b>534.8</b>	479.8

## 5. Inventories

The cost of inventories recognized as an expense during the three months ended March 31, 2014 was \$909.2 million (March 31, 2013 - \$744.5 million). Superior recorded an inventory write down during the three months ended March 31, 2014 of \$nil (March 31, 2013 - \$nil). No write-down reversals were recorded during the three months ended March 31, 2014 and 2013.

## 6. Property, Plant and Equipment

	Land	Buildings	Specialty Chemicals Plant & Equipment	Energy Services Retailing Equipment	Construction Products Distribution Equipment	Leasehold Improvements	Total
<b>Cost</b>							
Balance at December 31, 2013	29.5	154.8	816.2	629.4	48.1	11.2	1,689.2
<b>Balance at March 31, 2014</b>	<b>29.8</b>	<b>158.1</b>	<b>839.7</b>	<b>639.9</b>	<b>49.5</b>	<b>11.4</b>	<b>1,728.4</b>
<b>Accumulated Depreciation</b>							
Balance at December 31, 2013	–	50.0	389.1	334.7	29.4	8.1	811.3
<b>Balance at March 31, 2014</b>	<b>–</b>	<b>52.2</b>	<b>404.5</b>	<b>344.4</b>	<b>31.0</b>	<b>8.3</b>	<b>840.4</b>
<b>Carrying Amount</b>							
Balance at December 31, 2013	29.5	104.8	427.1	294.7	18.7	3.1	877.9
<b>Balance at March 31, 2014</b>	<b>29.8</b>	<b>105.9</b>	<b>435.2</b>	<b>295.5</b>	<b>18.5</b>	<b>3.1</b>	<b>888.0</b>

Depreciation per cost category:

	March 31, 2014	March 31, 2013
Cost of sales	11.9	10.3
Selling, distribution and administrative costs	11.4	10.3
Total	23.3	20.6

The carrying amount of Superior's property, plant, and equipment includes \$67.4 million of leased assets as at March 31, 2014 (December 31, 2013 – \$68.9 million).

On October 20, 2012, a kerosene leak was discovered in the bottom of a storage tank at U.S. refined fuels Marcy terminal location. The leak was investigated and contained. U.S. refined fuels then notified the Department of Environmental Conservation (DEC) which performed an independent review of the leak and other tanks at this location. On December 27, 2012, the DEC issued a notice of violation based on its inspections and subsequent to discussions between management and the DEC, a consent order was issued to U.S. refined fuels on February 4, 2013. The consent order stated that the secondary containment system and storage tanks were not in compliance with DEC design requirements and needed to be rebuilt to specific standards by September 1, 2013 in order to remain operational. The consent order was modified October 2013 to extend the requirement to rebuild to specific standards by September 1, 2014. Repair of the facility has been suspended pending the outcome of a dispute between Superior and the previous owner and operator of the facility as to responsibility for the repair. This decision is not expected to have any material impact on the operations of U.S. refined fuels or operating results going forward.

## 7. Provisions

	Restructuring	Decommissioning	Environmental	Total
<b>Balance at December 31, 2013</b>	<b>12.2</b>	<b>14.3</b>	<b>1.3</b>	<b>27.8</b>
Additions	0.2	–	0.1	0.3
Utilization	(1.2)	–	(0.2)	(1.4)
Unwinding of discount	–	0.1	–	0.1
Impact of change in discount rate	–	0.7	–	0.7
Net foreign currency exchange difference	0.1	0.3	0.1	0.5
<b>Balance at March 31, 2014</b>	<b>11.3</b>	<b>15.4</b>	<b>1.3</b>	<b>28.0</b>

	March 31, 2014	December 31, 2013
<b>Current</b>	<b>7.4</b>	8.3
<b>Non-current</b>	<b>20.6</b>	19.5
	<b>28.0</b>	27.8

### *Restructuring*

Restructuring costs are recorded in selling, distribution, and administrative costs. For the three months ended March 31, 2014 restructuring expense was \$1.8 million (March 31, 2013 – \$0.2 million). Provisions for restructuring are recorded in provisions, except for the current portion, which is recorded in trade and other payables. As at March 31, 2014, the current portion of restructuring costs was \$7.4 million (December 31, 2013 – \$8.3 million). As at March 31, 2014, the long term portion of restructuring costs was \$3.9 million (December 31, 2013 – \$3.9 million). The provision is primarily for severance, lease costs and consulting fees.

### *Decommissioning*

#### *Specialty Chemicals*

Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. The provision is on a discounted basis and is based on existing technologies at current prices or long-term price assumptions, depending on the activity's expected timing. As at March 31, 2014, the discount rate used in Superior's calculation was 2.95% (December 31, 2013 – 3.14%). Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately \$20.9 million (December 31, 2013 – \$20.6 million) which will be paid over the next 18 to 26 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 Services*

Superior makes full provision for the future costs of decommissioning certain assets associated with the Energy Services segment. Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately \$9.8 million at March 31, 2014 (December 31, 2013 – \$9.5 million) which will be paid over the next 18 years. The discount rate of 2.95% at March 31, 2014 (December 31, 2013 – 3.14%) 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 \$1.4 million at March 31, 2014 (December 31, 2013 – \$1.3 million) which will be paid over the next two years. The provision for environmental expenditures has been estimated using existing technology, at current prices and discounted using a discount rate of 2.95% at March 31, 2014 (December 31, 2013 – 3.14%). The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and Superior's share of the liability.

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

A summary of trade and other payables is as follows:

	Notes	March 31, 2014	December 31, 2013
Trade payables		284.7	300.7
Other payables		62.4	63.2
Net benefit obligation		4.2	3.8
Restructuring provision	7	7.4	8.3
Amounts due to customers under construction contracts		2.6	1.3
Share-based payments		20.1	18.9
<b>Trade and other payables</b>		<b>381.4</b>	<b>396.2</b>

### **9. Deferred Revenue**

	March 31, 2014	December 31, 2013
<b>Balance at the beginning of the period</b>	<b>24.8</b>	19.2
Deferred during the period	4.4	32.8
Released to net earnings	(9.0)	(28.5)
Foreign exchange impact	0.5	1.3
<b>Balance at the end of the period</b>	<b>20.7</b>	<b>24.8</b>

The deferred revenue relates to Energy Services' unearned service revenue and Specialty Chemicals' unearned product-related revenues.

### **10. Other Liabilities**

	March 31, 2014	December 31, 2013
Supply agreement	0.8	0.4
	<b>0.8</b>	<b>0.4</b>

The supply agreement above relates to the Specialty Chemicals supply agreement with Tronox LLC ("Tronox") to purchase up to 130,000 MT of sodium chlorate per year from Tronox's Hamilton, Mississippi facility as nominated annually by Specialty Chemicals. As part of the agreement, the parties have entered into a strategic long-term agreement for the supply of chloralalkali product by Specialty Chemicals to service Tronox's requirements in North America.

## 11. Borrowing

	Year of Maturity	Effective Interest Rate	March 31, 2014	December 31, 2013
<b>Revolving Term Bank Credit Facilities<sup>(1)</sup></b>				
Bankers' Acceptances (BA)	2016	Floating BA rate plus applicable credit spread	276.5	246.5
Short-Term Credit Facility <sup>(4)</sup>	2014	Floating BA rate plus applicable credit spread	25.0	–
Canadian Prime Rate Loan	2016	Prime rate plus credit spread	–	26.3
LIBOR Loans (US \$108.0 million; 2013 US \$129.0 million)	2016	Floating LIBOR rate plus applicable credit spread	119.4	137.3
US Base Rate Loan (US \$3.0; 2013– US\$11.5 million)	2016	US Prime rate plus credit spread	3.3	12.2
			<b>424.2</b>	<b>422.3</b>
<b>Other Debt</b>				
Accounts receivable factoring program <sup>(2)</sup>	–	Floating BA Plus	13.4	9.3
Deferred consideration	2014-2018	Non-interest-bearing	4.0	4.0
			<b>17.4</b>	<b>13.3</b>
<b>Senior Secured Notes<sup>(3)</sup></b>				
Senior secured notes subject to fixed interest rates (US\$60.0 million; 2013 – US\$60.0 million)	2014-2015	7.62%	66.3	63.8
<b>Finance Lease Obligations</b>				
Finance lease obligations			76.4	79.3
Total borrowing before deferred financing fees			<b>584.3</b>	578.7
Deferred financing fees			<b>(2.4)</b>	(2.6)
Borrowing			<b>581.9</b>	576.1
Current maturities			<b>(98.1)</b>	(67.0)
Borrowing			<b>483.8</b>	509.1

<sup>(1)</sup> On June 10, 2013, Superior and its wholly-owned subsidiaries, Superior Plus Financing Inc. and Commercial E Industrial (Chile) Limitada, extended their \$570.0 million credit facility which can be expanded up to \$750.0 million. The credit facility matures on June 27, 2016 and is secured by a general charge over the assets of Superior and certain of its subsidiaries. As at March 31, 2014, Superior had \$32.8 million of outstanding letters of credit (December 31, 2013 – \$27.9 million) and approximately \$118.2 million of outstanding financial guarantees (December 31, 2013 – \$115.3 million). The fair value of Superior's revolving term bank credit facilities, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market-based-interest rates, the short-term nature of the underlying debt instruments and other related factors.

<sup>(2)</sup> Superior has entered into a Master Receivables Purchase Agreement (MRPA) 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 March 31, 2014, the accounts receivable factoring program totalled CDN \$13.4 million (December 31, 2013 – CDN \$9.3 million).

<sup>(3)</sup> Senior secured notes (the Notes) totalling US \$60.0 million and US \$60.0 million (respectively, CDN \$66.3 million at March 31, 2014 and CDN \$63.8 million at December 31, 2013) are secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments began in the fourth quarter of 2009. Management has estimated the fair value of the Notes based on comparisons to Treasury instruments with similar maturities, interest rates and credit risk profiles. The estimated fair value of the Notes as at March 31, 2014 was CDN \$71.7 million (December 31, 2013 – CDN \$68.5 million).

<sup>(4)</sup> On February 14, 2014, Superior closed a \$125.0 million term loan facility which matures on August 14, 2014. The term loan facility provides additional liquidity to ensure Superior has sufficient financial flexibility to manage short term fluctuations in working capital requirements. Throughout the end of 2013 and the beginning of 2014, Superior's working capital requirements increased due to a rise in the wholesale cost of propane. Superior anticipates that the wholesale cost of propane and the related working capital will continue to normalize throughout the remainder of the 2014 heating season. Superior repaid the short-term credit facility on April 25, 2014.



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

Current maturities	98.1
Due in 2015	58.1
Due in 2016	415.2
Due in 2017	6.5
Due in 2018	4.6
Due in 2019	1.8
Subsequent to 2019	–
<b>Total</b>	<b>584.3</b>

## 12. Convertible Unsecured Subordinated Debentures

Superior's debentures are as follows:

Maturity	June 2017	June 2018	October 2016	June 2019	<b>Total Carrying Value</b>
Interest rate	5.75%	6.00%	7.50%	6.00%	
Conversion price per share	\$19.00	\$15.10	\$11.35	\$16.75	
<b>Debentures outstanding as at March 31, 2014</b>	<b>168.9</b>	<b>145.2</b>	<b>72.7</b>	<b>83.7</b>	<b>470.5</b>
Debentures outstanding as at December 31, 2013	168.6	144.9	72.7	83.2	469.4
<b>Quoted market value as at March 31, 2014</b>	<b>176.8</b>	<b>157.5</b>	<b>86.2</b>	<b>100.9</b>	<b>521.4</b>
Quoted market value as at December 31, 2013	174.4	156.8	86.3	99.5	517.0

The debentures may be converted into shares at the option of the holder at any time prior to maturity and may be redeemed by Superior in certain circumstances. Superior may elect to pay interest and principal upon maturity or redemption by issuing shares to a trustee in the case of interest payments, and to the debenture holders in the case of payment of principal. The number of any shares issued will be determined based on market prices for the shares at the time of issuance. Superior also has a cash conversion put option which allows Superior to settle any conversion of debentures in cash, in lieu of delivering common shares to the debenture holders of the October 2016, June 2018 and June 2019 convertible debentures. The cash conversion put option has been classified as an embedded derivative and measured at fair value through net earnings (FVTNE) (see Note 13 for further details).

## 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 consideration estimated to be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for

that instrument to which Superior has immediate access (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 \$0.8 million, with a corresponding impact to net earnings before income taxes.

No changes in valuation techniques were made by Superior during the period ended March 31, 2014 and no financial instruments have been reclassified between the different fair value input levels.

Description	Notional <sup>(1)</sup>	Term	Effective Rate	Fair Value Input Level	Asset (Liability)	
					March 31, 2014	December 31, 2013
Natural gas financial swaps–AECO	22.26 GJ <sup>(2)</sup>	2014-2018	CDN \$4.13 GJ	Level 1	(2.3)	(12.7)
Foreign currency forward contracts, net sale	US\$515.0 <sup>(3)</sup>	2014-2017	1.02	Level 1	(46.3)	(29.2)
Foreign currency forward contracts, balance sheet-related	US\$27.0 <sup>(3)</sup>	2014	1.01	Level 1	2.7	1.6
Interest rate swaps – CDN\$	\$200.0 <sup>(3)</sup>	2014-2017	Six-month BA rate plus 2.65%	Level 2	7.4	6.2
Equity derivative contracts	\$14.0 <sup>(3)</sup>	2014-2017	\$11.81 /share	Level 2	0.9	1.5
Debenture-embedded derivative	\$322.0 <sup>(3)</sup>	2014-2019	–	Level 3	(24.5)	(26.9)
Energy Services’ propane wholesale purchase and sale contracts, net sale	1.54 USG <sup>(4)</sup>	2014	\$1.20 /USG	Level 2	(1.5)	1.9
Energy Services’ electricity swaps	0.88 MWh <sup>(5)</sup>	2014-2018	\$39.55 /MWh	Level 2	(0.9)	(6.1)
Energy Services’ heating oil purchase and sale contracts	4.83 Gallons <sup>(4)</sup>	2014	US \$3.20 /Gallon	Level 2	(0.1)	0.2
Specialty Chemicals’ fixed-price electricity purchase agreements	34-45 MW <sup>(6)</sup>	2014-2017	\$37-\$59 /MWh	Level 3	1.4	1.9

<sup>(1)</sup> Notional values as at March 31, 2014.

<sup>(2)</sup> Millions of gigajoules (GJ) purchased.

<sup>(3)</sup> Millions of dollars.

<sup>(4)</sup> Millions of United States gallons purchased.

<sup>(5)</sup> Millions of megawatt hours (MWh).

<sup>(6)</sup> Megawatts (MW) on a 24/7 continual basis per year purchased.

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

Description	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas financial swaps –AECO	4.0	0.4	3.8	2.9
Energy Services' electricity swaps	1.1	–	0.6	1.4
Foreign currency forward contracts, net sale	–	–	18.1	28.2
Foreign currency forward contracts, balance sheet-related	2.7	–	–	–
Interest rate swaps	2.7	4.9	0.1	0.1
Equity derivative contracts	0.9	–	–	–
Debenture-embedded derivative	–	–	–	24.5
Energy Services' propane wholesale purchase and sale contracts	0.7	–	2.2	–
Energy Services' heating oil purchase and sale contracts	–	–	0.1	–
Specialty Chemicals' fixed-price electricity purchase agreements	0.7	0.7	–	–
<b>As at March 31, 2014</b>	<b>12.8</b>	<b>6.0</b>	<b>24.9</b>	<b>57.1</b>
As at December 31, 2013	13.7	4.6	25.1	54.8

Description	For the three months ended March 31, 2014		For the three months ended March 31, 2013	
	Realized Gain (Loss)	Unrealized Gain (Loss)	Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – AECO	(0.4)	10.4	(7.7)	14.5
Energy Services electricity swaps	8.7	5.2	(1.6)	3.6
Foreign currency forward contracts, net sale	(3.5)	(17.1)	0.1	(13.6)
Foreign currency forward contracts, balance sheet-related	–	1.1	–	1.0
Interest rate swaps	–	1.2	–	0.3
Equity derivative contracts	–	(0.4)	–	1.0
Energy Services' propane wholesale purchase and sale contracts	–	(3.4)	–	(0.6)
Energy Services' butane wholesale purchase and sale contracts	–	–	–	0.2
Energy Services' heating oil purchase and sale contracts	0.6	(0.3)	0.7	0.2
Energy Services' diesel purchase and sale contracts	–	–	–	0.1
Specialty Chemicals' fixed-price electricity purchase agreements	0.7	(0.5)	–	0.1
<b>Total gains (losses) on financial and non-financial derivatives</b>	<b>6.1</b>	<b>(3.8)</b>	<b>(8.5)</b>	<b>6.8</b>
Foreign currency translation of senior secured notes	–	(2.6)	–	(1.8)
Unrealized change in fair value of debenture-embedded derivative	–	2.3	–	(13.3)
<b>Total gains (losses)</b>	<b>6.1</b>	<b>(4.1)</b>	<b>(8.5)</b>	<b>(8.3)</b>

Realized gains or losses on financial and non-financial derivatives and foreign currency translation gains or losses on the revaluation of Canadian domiciled US-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 where 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, however, although 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			Amounts not offset		
	Gross Assets	Gross Liabilities Offset	Net Amounts Presented	Financial Instruments	Cash Collateral Pledged	Net
<b>March 31, 2014</b>						
Natural gas financial swaps – AECO <sup>(1)</sup>	5.6	(1.2)	4.4	–	–	4.4
Energy Services’ electricity swaps <sup>(1)</sup>	1.6	(0.5)	1.1	–	–	1.1
Energy Services’ propane wholesale purchase and sale contracts <sup>(4)</sup>	0.1	–	0.1	0.6	–	0.7
Energy Services’ heating oil purchase and sale contracts <sup>(2)</sup>	–	–	–	–	0.6	0.6
Specialty Chemicals’ fixed-price electricity purchase agreements <sup>(3)</sup>	53.8	(52.4)	1.4	–	–	1.4
<b>Total</b>	<b>61.1</b>	<b>(54.1)</b>	<b>7.0</b>	<b>0.6</b>	<b>0.6</b>	<b>8.2</b>

<sup>(1)</sup> Subject to an enforceable master netting agreement in the form of an International Swaps and Derivatives Association agreement (“ISDA”).

<sup>(2)</sup> Regularly settled net in the normal course of business and is considered standardized brokerage accounts. As at March 31, 2014, Energy Services has pledged cash of \$0.6 million under a standardized agreement with respect to open derivative contracts.

<sup>(3)</sup> Standard terms of the Power Purchase Agreement (“PPA”) allowing net settlement of payments in the normal course of business.

<sup>(4)</sup> Regularly settled gross in the normal course of business.

Derivative Liabilities	Amounts Offset			Amounts not offset		
	Gross Liabilities	Gross Assets Offset	Net Amounts Presented	Financial Instruments	Cash Collateral Pledged	Net
<b>March 31, 2014</b>						
Natural gas financial swaps – AECO <sup>(1)</sup>	7.6	(0.9)	6.7	–	–	6.7
Energy Services’ electricity swaps <sup>(1)</sup>	3.2	(1.2)	2.0	–	–	2.0
Energy Services’ heating oil purchase and sale contracts <sup>(2)</sup>	0.1	–	0.1	–	–	0.1
<b>Total</b>	<b>10.9</b>	<b>(2.1)</b>	<b>8.8</b>	<b>–</b>	<b>–</b>	<b>8.8</b>

<sup>(1)</sup> Subject to an enforceable master netting agreement in the form of an International Swaps and Derivatives Association agreement (“ISDA”).

<sup>(2)</sup> Regularly settled net in the normal course of business and are considered standardized brokerage accounts.

Derivative Assets	Amounts Offset			Amounts not offset		
	Gross Assets	Gross Liabilities Offset	Net Amounts Presented	Financial Instruments	Cash Collateral Pledged	Net
<b>December 31, 2013</b>						
Natural gas financial swaps – AECO <sup>(1)</sup>	1.2	(0.1)	1.1	–	–	1.1
Energy Services electricity swaps <sup>(1)</sup>	0.7	(0.3)	0.4	–	–	0.4
Energy Services propane wholesale purchase and sale contracts <sup>(2)(4)</sup>	1.1	(0.2)	0.9	3.9	–	4.8
Energy Services heating oil purchase and sale contracts <sup>(2)</sup>	0.3	–	0.3	–	0.4	0.7
Specialty Chemicals fixed-price electricity purchase agreements <sup>(3)</sup>	56.1	(54.2)	1.9	–	–	1.9
<b>Total</b>	<b>59.4</b>	<b>(54.8)</b>	<b>4.6</b>	<b>3.9</b>	<b>0.4</b>	<b>8.9</b>

<sup>(1)</sup> Subject to an enforceable master netting agreement in the form of an International Swaps and Derivatives Association agreement (“ISDA”).

<sup>(2)</sup> Regularly settled net in the normal course of business and is considered standardized brokerage accounts. As at December 31, 2013, Energy Services has pledged cash of \$0.4 million under a standardized agreement with respect to open derivative contracts.

<sup>(3)</sup> Standard terms of the Power Purchase Agreement (“PPA”) allowing net settlement of payments in the normal course of business.

<sup>(4)</sup> Regularly settled gross in the normal course of business.

Derivative Liabilities	Amounts Offset			Amounts not offset		
	Gross Liabilities	Gross Assets Offset	Net Amounts Presented	Financial Instruments	Cash Collateral Pledged	Net
<b>December 31, 2013</b>						
Natural gas financial swaps – AECO <sup>(1)</sup>	14.9	(1.1)	13.8	–	–	13.8
Energy Services electricity swaps <sup>(1)</sup>	6.9	(0.4)	6.5	–	–	6.5
Energy Services propane wholesale purchase and sale contracts <sup>(3)</sup>	–	–	–	2.9	–	2.9
Energy Services heating oil purchase and sale contracts <sup>(2)</sup>	0.2	(0.1)	0.1	–	–	0.1
<b>Total</b>	<b>22.0</b>	<b>(1.6)</b>	<b>20.4</b>	<b>2.9</b>	<b>–</b>	<b>23.3</b>

<sup>(1)</sup> Subject to an enforceable master netting agreement in the form of an International Swaps and Derivatives Association agreement (“ISDA”).

<sup>(2)</sup> Regularly settled net in the normal course of business and are considered standardized brokerage accounts.

<sup>(3)</sup> Regularly settled gross in the normal course of business.

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

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

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

### Non-Derivative Financial Instruments

The fair value of Superior’s cash and cash equivalents, trade and other receivables, notes and finance lease receivables, trade and other payables, and dividends and interest payable approximates their carrying value due to

the short-term nature of these amounts. The carrying value and the fair value of Superior's borrowing and convertible unsecured subordinated debentures are provided in Notes 11 and 12.

## **Financial Instruments – Risk Management**

### ***Market Risk***

Financial derivatives and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices. Superior assesses the inherent risks of these instruments by grouping derivative and non-financial derivatives related to the exposures these instruments mitigate. Superior's policy is not to use financial derivative or non-financial derivative instruments for speculative purposes. Superior does not formally designate its derivatives as hedges and, as a result, Superior does not apply hedge accounting and is required to designate its financial derivatives and non-financial derivatives as fair value through net earnings. Details on Superior's market risk policies are consistent with those disclosed in Superior's 2013 annual consolidated financial statements.

### ***Credit Risk***

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

Allowances for doubtful accounts 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 not collectible.

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

	<b>March 31, 2014</b>	December 31, 2013
Current	<b>310.3</b>	317.8
Past due less than 90 days	<b>181.5</b>	118.0
Past due over 90 days	<b>20.4</b>	14.7
Trade receivables	<b>512.2</b>	450.5

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 \$9.4 million as at March 31, 2014 (December 31, 2013 – \$7.3 million). The movement in the provision for doubtful accounts was as follows:

	<b>March 31, 2014</b>	December 31, 2013
Allowance for doubtful accounts, at the beginning of the period	<b>(7.3)</b>	(7.2)
Impairment losses recognized on receivables	<b>(2.9)</b>	(3.6)
Amounts written off during the period as uncollectible	<b>0.1</b>	3.0
Amounts recovered	<b>0.7</b>	0.5
<b>Allowance for doubtful accounts at the end of the period</b>	<b>(9.4)</b>	(7.3)

### ***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:

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019 and Thereafter</b>	<b>Total</b>
Borrowing	98.1	58.1	415.2	6.5	4.6	1.8	584.3
Convertible unsecured subordinated debentures	–	–	72.8	168.8	145.2	83.7	470.5
US\$ foreign currency forward sales contracts	164.4	186.0	113.4	51.0	–	–	514.8
US\$ foreign currency forward purchases contracts	(27.0)	–	–	–	–	–	(27.0)
CDN\$ natural gas purchases	21.0	2.9	0.4	0.2	–	–	24.5
CDN\$ propane purchases	6.1	0.2	–	–	–	–	6.3
US\$ propane purchases	1.5	–	–	–	–	–	1.5
Fixed-price electricity purchase commitments	27.5	17.7	17.7	17.7	–	–	80.6

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 March 31, 2014 are consistent with those disclosed in Superior's 2013 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 and Chilean income tax.

Total income tax expense, comprised of current taxes and deferred taxes for the three months ended March 31, 2014 was \$16.8 million, compared to \$15.8 million in the comparative period. For the three months ended March 31, 2014, deferred income tax expense from operations in Canada, the United States and Chile was \$16.4 million which resulted in a corresponding total net deferred income tax asset of \$272.4 million at March 31, 2014.



As previously disclosed, 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, in addition to the general anti-avoidance rules in the Income Tax Act (Canada).

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 Notices of Reassessment, must be remitted to the CRA.

<b>Taxation Year</b>	<b>Taxes Payable <sup>(1)(2)</sup></b>	<b>50% of the Taxes Payable <sup>(1)(2)</sup></b>	<b>Payment Dates</b>
2009/2010	\$13.0	\$6.5	Paid in April 2013
2011	\$10.0 <sup>(3)</sup>	\$5.0	2015
2012	\$10.0 <sup>(3)</sup>	\$5.0	2015
2013	\$10.0 <sup>(3)</sup>	\$5.0	2015
2014	\$20.0 <sup>(3)</sup>	\$10.0	2015
<b>Total</b>	<b>\$63.0</b>	<b>\$31.5</b>	

<sup>(1)</sup> In millions of dollars.

<sup>(2)</sup> Includes estimated interest and penalties.

<sup>(3)</sup> Estimated based on Superior's previously filed tax returns, Superior's 2013 results and the midpoint of Superior's 2014 outlook.

During 2013, Superior filed a Notice of Objection and a Notice of Appeal with respect to the Notice of Reassessments received on May 8, 2013. Superior anticipates the case could be heard in the Tax Court of Canada, in the first quarter of 2015, with a decision rendered by the end of fiscal 2015. If a decision of the Tax Court of Canada were to be appealed, the appeal process could reasonably be expected to take an additional 2 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.

Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such position and intends 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
<b>Total Equity, December 31, 2013</b>	<b>126.2</b>	<b>540.2</b>
Net earnings	–	40.6
Other comprehensive income	–	14.8
Dividends declared to shareholders <sup>(1)</sup>	–	(18.9)
<b>Total Equity, March 31, 2014</b>	<b>126.2</b>	<b>576.7</b>

<sup>(1)</sup> Dividends to shareholders are declared at the discretion of Superior. During the three months ended March 31, 2014, Superior paid dividends of \$18.9 million or \$0.15 per share (March 31, 2013 – \$16.9 million or \$0.13 per share).

	March 31, 2014	December 31, 2013 <sup>(2)</sup>
<b>Accumulated other comprehensive loss before reclassification</b>		
<b>Currency translation adjustment</b>		
Balance at the beginning of the period	4.3	(22.6)
Unrealized foreign currency gains on translation of foreign operations	14.8	26.9
Balance at the end of the period	19.1	4.3
<b>Actuarial defined benefits</b>		
Balance at the beginning of the period	(5.8)	(25.3)
Actuarial defined benefit (loss) gain	(0.1)	26.3
Income tax recovery (expense) on actuarial (loss) gain	0.1	(6.8)
Balance at the end of the period	(5.8)	(5.8)
<b>Total accumulated other comprehensive gain (loss) before reclassification</b>	<b>13.3</b>	<b>(1.5)</b>
<b>Amounts reclassified from accumulated other comprehensive loss</b>		
<b>Accumulated derivative losses</b>		
Balance at the beginning of the period	(6.4)	(6.0)
Reclassification of derivative losses previously deferred <sup>(1)</sup>	–	(0.4)
Balance at the end of the period	(6.4)	(6.4)
<b>Total amounts reclassified from accumulated other comprehensive loss</b>	<b>(6.4)</b>	<b>(6.4)</b>
<b>Accumulated other comprehensive gain (loss) at the end of the period</b>	<b>6.9</b>	<b>(7.9)</b>

<sup>(1)</sup> 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 March 31, 2014 and December 31, 2013 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.

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

	<b>March 31,</b>	December 31,
As at	<b>2014</b>	2013
Total shareholders' equity	<b>576.7</b>	540.2
Exclude accumulated other comprehensive (gain) loss	<b>(6.9)</b>	7.9
Shareholders' equity excluding accumulated other comprehensive (gain) loss	<b>569.8</b>	548.1
Current borrowing <sup>(1)</sup>	<b>98.1</b>	67.0
Borrowing <sup>(1)</sup>	<b>486.2</b>	511.7
Consolidated debt	<b>584.3</b>	578.7
Convertible unsecured subordinated debentures <sup>(1)</sup>	<b>494.4</b>	494.5
Total debt	<b>1,078.7</b>	1,073.2
Total capital	<b>1,648.5</b>	1,621.3

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

<b>Twelve months ended</b>	<b>March 31, 2014</b>	December 31, 2013
Net earnings	<b>61.9</b>	52.7
Adjusted for:		
Finance expense	<b>67.7</b>	71.8
Realized gains on derivative financial instruments included in finance expense	<b>3.9</b>	3.9
Depreciation included in selling, distribution and administrative costs	<b>43.3</b>	42.2
Depreciation included in cost of sales	<b>42.9</b>	41.3
Gains on disposal of assets	<b>(3.3)</b>	(2.9)
Amortization of intangible assets	<b>16.4</b>	19.4
Impairment of property, plant and equipment	<b>15.5</b>	15.5
Income tax expense	<b>6.7</b>	5.7
Unrealized losses on derivative financial instruments	<b>0.9</b>	5.1
Pro-forma impact of acquisitions	<b>5.1</b>	8.5
<b>Compliance EBITDA<sup>(1)</sup></b>	<b>261.0</b>	263.2

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

	<b>March 31, 2014</b>	December 31, 2013
Consolidated secured debt to compliance EBITDA	<b>2.2:1</b>	2.2:1
Consolidated debt to compliance EBITDA	<b>2.2:1</b>	2.2:1
Total debt to compliance EBITDA	<b>4.1:1</b>	4.1:1

## 16. Net Earnings per Share

	<b>Three months ended March 31, 2014</b>	Three months ended March 31, 2013
Net earnings per share computation, basic		
Net earnings for the period	<b>40.6</b>	31.4
Weighted average shares outstanding (millions)	<b>126.2</b>	113.7
Net earnings per share, basic	<b>\$0.32</b>	\$0.28

	<b>Three months ended March 31, 2014<sup>(1)</sup></b>	Three months ended March 31, 2013 <sup>(2)</sup>
Net earnings per share computation, diluted		
Net earnings for the period	<b>44.3</b>	34.1
Weighted average shares outstanding (millions)	<b>157.6</b>	128.0
Net earnings per share, diluted	<b>\$0.28</b>	\$0.27

<sup>(1)</sup> For the three months ended March 31, 2014, all outstanding convertible debentures have been included in the dilutive net earnings per share calculation.

<sup>(2)</sup> The following outstanding convertible debentures have been excluded from the calculation for the three months ended March 31, 2013 as they were anti-dilutive: 5.75% convertible debentures due June 2017, 5.85% convertible debentures due October 2015, 6.00% convertible debentures due June 2018, and 7.50% convertible debentures due October 2016.

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Changes in non-cash working capital</b>		
Trade receivables and other	(53.0)	(26.1)
Inventories	21.1	40.1
Trade and other payables	(19.0)	(19.8)
Other	2.3	1.7
	<b>(48.6)</b>	<b>(4.1)</b>

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

Revenue is recognized at the fair value of consideration received or receivable when the significant risks and rewards of ownership have been transferred.

	Three months ended March 31, 2014	Three months ended March 31, 2013
<b>Revenues</b>		
Revenue from products	1,261.9	1,028.2
Revenue from the rendering of services	16.9	15.2
Rental revenue	5.2	5.5
Construction contract revenue	0.3	(0.5)
Realized (losses) gains on derivative financial instruments	(1.9)	1.5
	<b>1,282.4</b>	<b>1,049.9</b>
<b>Cost of sales (includes products and services)</b>		
Cost of products and services	(1,001.8)	(778.0)
Depreciation included in cost of sales	(11.9)	(10.3)
Realized gains (losses) on derivative financial instruments	7.9	(8.5)
	<b>(1,005.8)</b>	<b>(796.8)</b>
<b>Selling, distribution and administrative costs</b>		
Other selling, distribution and administrative costs	(81.3)	(67.6)
Restructuring costs	(1.8)	(0.2)
Employee costs	(106.5)	(95.5)
Employee future benefit expense	(0.9)	(1.5)
Depreciation included in selling, distribution and administrative costs	(11.4)	(10.3)
Amortization of intangible assets	(0.9)	(4.5)
Losses on disposal of assets	–	(0.4)
Realized gains on the translation of U.S. denominated net working capital	2.1	0.9
	<b>(200.7)</b>	<b>(179.1)</b>
<b>Finance expense</b>		
Interest on borrowing	(4.3)	(8.2)
Interest on convertible unsecured subordinated debentures	(7.5)	(7.9)
Interest on obligations under finance leases	(1.1)	(0.9)
Gain on debenture redemptions	–	0.2
Unwinding of discount on debentures, borrowing and decommissioning liabilities	(1.5)	(1.7)
	<b>(14.4)</b>	<b>(18.5)</b>

## 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 months ended March 31, 2014, Superior incurred \$0.2 million (March 31, 2013 – \$0.1 million) in legal fees respectively, 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 Services, Specialty Chemicals and Construction Products Distribution. Superior's Energy Services' operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. refined fuels division. Energy Services also provides fixed-price natural gas and electricity supply services under Superior Energy Management. Specialty Chemicals' is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chloralkali products in the U.S. Midwest. Construction Products Distribution is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada.

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 March 31, 2014	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>Revenue</b>	<b>939.6</b>	<b>157.0</b>	<b>185.8</b>	–	<b>1,282.4</b>
Cost of sales (includes products & services)	(764.5)	(103.0)	(138.3)	–	(1,005.8)
<b>Gross Profit</b>	<b>175.1</b>	<b>54.0</b>	<b>47.5</b>	–	<b>276.6</b>
<b>Expenses</b>					
Selling, distribution and administrative costs	(114.9)	(36.3)	(44.6)	(4.9)	(200.7)
Finance expense	(0.7)	(0.3)	(0.2)	(13.2)	(14.4)
Unrealized gains (losses) on derivative financial instruments	11.8	(0.5)	–	(15.4)	(4.1)
	(103.8)	(37.1)	(44.8)	(33.5)	(219.2)
Net earnings (loss) before income taxes	71.3	16.9	2.7	(33.5)	57.4
Income tax expense	–	–	–	(16.8)	(16.8)
<b>Net Earnings (Loss)</b>	<b>71.3</b>	<b>16.9</b>	<b>2.7</b>	<b>(50.3)</b>	<b>40.6</b>

For the three months ended March 31, 2013	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>Revenue</b>	719.7	143.7	186.5	–	1,049.9
Cost of sales (includes products & services)	(566.2)	(89.2)	(141.4)	–	(796.8)
<b>Gross Profit</b>	153.5	54.5	45.1	–	253.1
<b>Expenses</b>					
Selling, distribution and administrative costs	(99.3)	(31.9)	(41.7)	(6.2)	(179.1)
Finance expense	(0.8)	(0.1)	(0.1)	(17.5)	(18.5)
Unrealized gains (losses) on derivative financial instruments	17.9	0.1	–	(26.3)	(8.3)
	(82.2)	(31.9)	(41.8)	(50.0)	(205.9)
Net earnings (loss) before income taxes	71.3	22.6	3.3	(50.0)	47.2
Income tax expense	–	–	–	(15.8)	(15.8)
<b>Net Earnings (Loss)</b>	71.3	22.6	3.3	(65.8)	31.4

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

	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
<b>As at March 31, 2014</b>					
Net working capital <sup>(1)</sup>	223.9	28.7	108.0	(24.3)	336.3
Total assets	825.3	611.5	211.7	526.5	2,175.0
Total liabilities	294.6	172.8	90.2	1,040.7	1,598.3
<b>As at December 31, 2013</b>					
Net working capital <sup>(1)</sup>	178.7	28.5	103.1	(17.2)	293.1
Total assets	779.3	651.3	209.6	500.9	2,141.1
Total liabilities	317.9	178.0	96.4	1,008.6	1,600.9
<b>For the three months ended March 31, 2014</b>					
Purchase of property, plant and equipment	5.3	11.0	0.5	–	16.8
<b>For the three months ended March 31, 2013</b>					
Purchase of property, plant and equipment	5.8	5.6	0.3	–	11.7

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

### 21. Geographical Information

	Canada	United States	Other	Total Consolidated
<b>Revenues for the three months ended March 31, 2014</b>	557.9	710.6	13.9	1,282.4
<b>Property, plant and equipment as at March 31, 2014</b>	459.1	383.9	45.0	888.0
<b>Intangible assets as at March 31, 2014</b>	15.7	4.0	–	19.7
<b>Goodwill as at March 31, 2014</b>	188.2	5.7	–	193.9
<b>Total assets as at March 31, 2014</b>	1,430.4	681.3	63.3	2,175.0
Revenues for the three months ended March 31, 2013	391.6	641.2	17.1	1,049.9
Property, plant and equipment as at December 31, 2013	458.9	374.6	44.4	877.9
Intangible assets as at December 31, 2013	15.2	3.8	–	19.0
Goodwill as at December 31, 2013	188.2	5.5	–	193.7
Total assets as at December 31, 2013	1,388.1	691.4	61.6	2,141.1



## **22. Subsequent Events**

On May 1, 2014, Superior closed the sale of its U.S. based residential and commercial electricity customer base to Crius Energy. Superior has decided to exit both the residential and commercial Northeast U.S. based electricity markets in order to focus on the Canadian market and reduce the future risk of future losses associated with the volatility in electricity prices. Superior received proceeds of \$3.1 million from the sale on May 1, 2014 and expects to receive deferred consideration of approximately \$1.9 million during the next nine months if certain conditions are met.

On May 7, 2014, Superior's Board of Directors has authorized the commencement of a formal process to solicit and assess offers for the potential divestiture of Superior's Construction Products Distribution segment. Superior has retained BMO Capital Markets as a financial advisor for the process.