TSX: SPB

Superior Plus

**November 1, 2012**

# Superior Plus Corp. Announces Strong Third Quarter Results, an Expansion of its Saskatoon Hydrochloric Acid Capacity and its 2013 Financial Outlook

## Third Quarter Highlights

- For the quarter ended September 30, 2012, Superior generated adjusted operating cash flow (AOCF) per share of $0.31 compared to $0.21 per share in the comparative period. The current quarter's results include a one-time payment from TransCanada of $12.5 million or $0.11 per share which is included in Superior's Specialty Chemicals business results. Excluding the one-time payment, Superior's results were consistent with management's expectations and with the prior year quarter, as improved results at the Energy Services business were offset by reduced results within the Construction Products Distribution business and higher corporate costs.
- Energy Services results benefited from improved margins in the Canadian propane and U.S. refined fuels businesses.
- Specialty Chemicals results, excluding the one-time $12.5 million TransCanada payment noted below, were modestly lower than the prior year period. Results were impacted by higher sodium chlorate gross profits due to higher realized selling prices and lower electrical rates, which more than offset the impact of reduced chloralkali gross profits due to product sales mix and lower chlorine pricing. Specialty Chemicals results in the third quarter were also impacted by the timing of foreign currency revaluations on US-denominated working capital.
- During the third quarter, Superior received a payment of $15.8 million from TransCanada Energy Ltd., a subsidiary of TransCanada, in connection with the arbitration ruling related to the Sundance Power Purchase Agreement (PPA) between TransAlta Corporation and TransCanada. As a result, Superior has included in its third quarter results as a reduction of cost of goods sold, a one-time gain of $12.5 million, representing the gross settlement net of certain settlement costs.
- Superior's Board of Directors has approved a $25 million expansion of the hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The existing capacity of this facility is currently 70,000 wet metric tonnes (WMT) or 24,500 dry metric tonnes. The capacity will increase to 140,000 WMT upon completion of the expansion. The Saskatoon facility is strategically positioned to service customers in Western Canada oil and gas industry.
- The Construction Products Distribution business results were impacted by restructuring charges of $2.7 million recognized in the third quarter related to announced branch closures ($4.2 million in restructuring charges incurred year-to-date).
- Based on year-to-date results, Superior anticipates its 2012 financial results will be at the high end of its previously disclosed 2012 financial outlook of AOCF per share of $1.45 to $1.80. Superior's 2012 financial outlook of AOCF per share is unchanged from the financial outlook provided at the end of the first quarter of 2012.
- Superior is introducing its 2013 financial outlook of AOCF per share of $1.65 to $1.95. See "2013 Financial Outlook" for additional details. Superior anticipates that its total debt to EBTIDA ratio as at December 31, 2013 will be in the range of 3.8X to 4.0X. See "Debt Management Update" for

additional details on the forecasted December 31, 2013 debt to EBITDA ratio. Superior's targeted total debt to EBITDA remains unchanged at 3.5X to 4.0X.

- Superior anticipates that one-time costs of approximately $0.08 to $0.10 per share will be incurred in fiscal 2012 ($0.05 per share incurred year-to-date), the impact of which is included in Superior's 2012 financial outlook.
- As disclosed by Superior on September 20, 2012, Superior has received indications from the Canada Revenue Agency ("CRA") that the CRA will be reassessing Superior's corporate conversion transaction. See "CRA Income Tax Update" for additional details.
- Superior's total debt to EBITDA ratio improved to 4.1X as at September 30, 2012, compared to 5.2X at September 30, 2011 and 5.1X at December 31, 2011. Superior continues to make excellent progress on its debt reduction. As a result, Superior has reduced its anticipated total debt to EBITDA ratio from its previous range of 4.4X to 4.6X, to 4.2X to 4.4X as at December 31, 2012. The seasonality of Superior's business impacts Superior's debt to EBITDA ratios due to changes in working capital requirements which are typically at a seasonal low at the end of the second quarter, rising throughout the heating season.

## Third Quarter Financial Summary

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars except per share amounts)* | **2012** | 2011 | **2012** | 2011 |
| Revenue | **790.1** | 845.0 | **2,690.3** | 2,882.2 |
| Gross profit | **195.9** | 178.5 | **618.1** | 592.9 |
| EBITDA from operations [(1)] | **58.4** | 45.4 | **199.5** | 185.1 |
| Interest | **(18.3)** | (20.5) | **(55.1)** | (59.8) |
| Cash income tax recovery (expense) | **(0.3)** | 0.1 | **(0.8)** | (0.1) |
| Corporate costs | **(5.3)** | (1.5) | **(12.7)** | (8.6) |
| Adjusted operating cash flow [(1)] | **34.5** | 23.5 | **130.9** | 116.6 |
| Adjusted operating cash flow per share, basic and diluted [(1)(2)(3)] | **$0.31** | $0.21 | **$1.17** | $1.07 |
| Dividends paid per share | **$0.15** | $0.30 | **$0.45** | $0.97 |

(1) EBITDA from operations and adjusted operating cash flow are key performance measures used by management to evaluate the performance of Superior. These measures are defined under "Non-IFRS Financial Measures" in Superior's 2012 Third Quarter Management's Discussion and Analysis.

(2) The weighted average number of shares outstanding for the three months ended September 30, 2012 is 112.2 million (2011 – 109.5 million) and for the nine months ended September 30, 2012 is 111.6 million (2011 – 108.8 million).

(3) For the three and nine months ended September 30, 2012 and 2011, there were no dilutive instruments.

## Segmented Information

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2012** | 2011 | **2012** | 2011 |
| EBITDA from operations: | | | | |
| Energy Services | **13.3** | 8.1 | **88.1** | 87.1 |
| Specialty Chemicals | **41.5** | 30.2 | **98.4** | 80.7 |
| Construction Products Distribution | **3.6** | 7.1 | **13.0** | 17.3 |
| | **58.4** | 45.4 | **199.5** | 185.1 |

## Energy Services

- Energy Services EBITDA from operations for the third quarter was $13.3 million compared to $8.1 million in the prior year quarter. The increase is due to improved results from all businesses except for the fixed-price energy services business.
- The Canadian propane business generated gross profit of $47.3 million in the third quarter compared to $45.4 million in the prior year quarter due to improved average sales margins.
- Canadian propane average sales margins were 19.7 cents per litre in the third quarter compared to 19.0 cents per litre in the prior year quarter. The increase in the average sales margin was due to improved pricing on industrial and commercial contracts, benefits associated with a reduction in the wholesale cost of propane, and improvements to overall pricing management. These improvements were partially offset by a higher proportion of lower margin industrial volumes.
- Canadian propane distribution sales volumes were 1 million litres higher than the prior year quarter due to improved industrial volumes. Non-heating based industrial volumes continued to benefit from strong demand from the oil and gas sector.
- Although weather does not typically have a material impact on third quarter total sales volumes, heating related volumes, in particular, residential and commercial volumes within the Canadian propane business, were negatively impacted by warmer than average weather throughout most of Canada in the third quarter. Average weather across Canada, as measured by degree days, for the third quarter was 6% warmer than the prior year and 12% warmer than the 5-year average.
- The U.S. refined fuels business generated gross profits of $16.5 million in the third quarter compared to $15.7 million in the prior year quarter. Gross profits were modestly higher than the prior year period as a 7% improvement in gross margins more than offset a 3% reduction in sales volumes.
- U.S. refined fuels average sales margins were 4.9 cents per litre in the quarter, compared to 4.6 cents per litre in the prior year quarter. Sales margins benefited from a reduction in the wholesale cost of propane and heating oil.
- Sales volumes within the U.S. refined fuels business were 3% lower than the prior year. Sales volumes of residential heating oil and propane relative to the prior year quarter were impacted by higher in-tank customer volumes due to the unseasonably warm weather experienced in the first and second quarters of 2012 which has impacted the timing of residential customers first tank fill of the upcoming heating season. Weather within the quarter does not typically have a material impact on sales volumes due to the seasonality of heating related volumes.
- The fixed-price energy services business generated gross profits of $8.0 million compared to $9.5 million in the prior year quarter as reduced natural gas profits more than offset improved electricity gross profits. Lower natural gas gross profits were due to a reduction in sales volumes as a result of a reduced contribution from the residential segment due to a change in strategy in prior years to focus on small commercial and industrial accounts. Additionally, gross profits relative to the prior year were impacted by the timing of risk reserve adjustments which positively impacted the prior quarter's results. Improved electricity gross profits were due to the aggregation of new customers compared to the prior year quarter.
- The supply portfolio management business generated gross profits of $3.9 million in the third quarter compared to $1.9 million in the comparative period. The increase in gross profit is due to improved market trading opportunities throughout the quarter relative to the prior year quarter.
- Superior's supply portfolio management business is currently exploring opportunities to enhance its physical storage and transportation capabilities in the Saskatoon region in order to maximize its supply flexibility while minimizing its procurement costs. The capital cost of potential project is estimated at $4 million, the impact of which is included in Superior's updated debt management summary.
- Operating expenses were $72.1 million in the third quarter compared to $74.2 million in the prior year quarter. The decrease in operating expenses is due to the impact of cost reduction initiatives

implemented earlier in the year, particularly within the Canadian propane and U.S. refined fuels businesses.

- On November 1, 2012, Superior finalized a management reorganization of its Energy Services business. Greg McCamus who had previously been named acting President of the Canadian propane operations has assumed the role of President, Energy Services. Mr. McCamus's responsibilities as President, Energy Services include overall responsibility of Superior's Energy Services distribution businesses, including day-to-day management of the Canadian propane business. Keith Wrisley, who had been acting President of the U.S. refined fuels business, will continue in this capacity as full-time President. Dave Tims who was Senior Vice-President of Superior's wholesale supply business will assume additional responsibilities for Superior's oil field customers and will assume the role of President, Energy Supply and Oilfield. These new roles will help ensure the success of Superior's Energy Services business by improving Superior's focus on its oil field accounts and its comprehensive energy services offerings.
- Initiatives to improve results in the Energy Services business continued during the third quarter in conjunction with Superior's goal for each of its businesses to become best in class. Business improvement projects for 2012/2013 will be focused on: a) improving customer service levels, b) improving overall logistics and procurement functions, c) enhancing the management of margins through intelligent pricing, d) working capital management, and e) improving existing and implementing new technologies to facilitate improvements to the business.
- Superior expects business conditions in 2013 and for the last quarter of 2012 for its Energy Services business will be similar to year-to-date 2012. EBITDA from operations is anticipated to be higher in 2013 than in 2012 due in part to the assumption that weather will be consistent with the 5-year average in 2013. Superior's 2012 results were negatively impacted by warm weather, as average weather in the first quarter of 2012, as measured by degree days, across Canada and the Northeastern U.S. was at record or near record levels. Additionally, Superior expects to realize ongoing improvements in its financial results as a result of the business initiative activities noted above.

## Specialty Chemicals

- EBITDA from operations for the third quarter was $41.5 million, or $29.0 million excluding the $12.5 million payment from TransCanada, compared to $30.2 million in the prior year quarter, as higher average realized selling prices more than offset a reduction in chemical sales volumes.
- Sodium chlorate gross profits were higher than the prior year quarter due to higher average realized selling prices and lower average electricity costs which more than offset a modest reduction in sales volumes.
- Sodium chlorate sales volumes were 4% lower than the prior year quarter as a result of reduced demand from international customers due in part to pulp mill maintenance and a softer global market for pulp. Sales volumes to North American customers were consistent with the prior year.
- Chloralkali gross profits were modestly lower than the prior year as weaker average prices, particularly for chlorine, more than offset an increase in sales volumes.
- Operating expenses were $0.7 million higher than the prior year due to higher employee costs and general inflationary increases.
- Superior's Board of Directors has approved a $25 million expansion of the hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The existing capacity of 70,000 wet metric tonnes (WMT), or 24,500 dry metric tonnes, will increase to approximately 140,000 WMT upon completion of the expansion. The project will be completed through 2013 and 2014 with commercial production expected in the fourth quarter of 2014.
- As previously announced in the first quarter of 2012, Superior has also approved an $18 million expansion of the hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The existing capacity of 110,000 wet metric tonnes (WMT), or 36,000 dry metric tonnes, will

increase to approximately 220,000 WMT upon completion of the expansion. The project will be completed through 2012 and 2013 with commercial production expected in the second quarter of 2014. Upon completion of both projects, Superior will have total hydrochloric acid production capacity of 360,000 WMT. 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.

- Superior expects business conditions in 2013 and for the last quarter of 2012 for its Specialty Chemicals business will be similar to year-to-date 2012. EBITDA from operations, excluding the impact of the $12.5 million one-time payment from TransCanada, is anticipated to be modestly higher in 2013 due to improved performance of the chloralkali product segment due to higher gross profits from hydrochloric acid and modestly higher selling prices for caustic soda, which will more than offset reduced pricing for chlorine. Superior continues to see a stable market for sodium chlorate as a result of the current market for pulp. Superior also expects a stable market for chloralkali sales volumes and pricing as North American supply demand fundamentals continue to be balanced. The market for chloralkali continues to be supported by low natural gas prices.

## Construction Products Distribution

- EBITDA from operations for the third quarter was $3.6 million, including one-time restructuring charges of $2.7 million, compared to $7.1 million in the prior year quarter. Excluding the impact of the restructuring costs noted above, results in the third quarter were lower than the prior year quarter due to higher operating costs partially offset by improved gross profits.
- Gross profit was $2.0 million higher than the prior year quarter as a result of improved sales volumes. Gross profit and sales volumes within the commercial and industrial insulation segment benefitted from improved demand due in part to increased sales and marketing efforts, offset by delays in Gulf Coast and international project activity. In addition, gypsum sales volumes increased over the prior year due to improved U.S. demand and the introduction of the full interiors product line into select U.S. markets that were previously acoustical ceiling focused. Gross margins as a percentage of sales were modestly lower than the prior year due to ongoing competitive pressures and manufacturer price increases.
- Operating expenses, including $2.7 million in one-time restructuring costs ($4.2 million year-to-date) were $5.5 million higher than the prior year. The increase in operating expenses excluding the impact of restructuring costs is due to higher sales volumes and inflationary increases on wages and other operating costs. Operating expenses as a percentage of sales, excluding restructuring costs, were consistent with the prior year quarter.
- The Construction Products Distribution business continues to review all aspects of operations to optimize its cost structure and improve gross margins. Superior anticipates that an additional $2.5 to $3.0 million in restructuring costs will be incurred in 2012 due principally to the ongoing reorganization or closure of additional branches. A total of 15 branches will have been closed or restructured during 2012 at an anticipated cost of $6.5 to $7.0 million. Restructuring activities are being actively managed to minimize costs and the impact on customers.
- Initiatives to improve results in the Construction Products Distribution business continued during the third quarter. Business improvement projects for 2012/2013 will be focused on: a) assessment of overall logistics and existing branch network, b) review of supply chain management including procurement and transportation, c) review of product pricing, and d) working capital management.
- Superior expects business conditions in 2013 and for the remainder of 2012 for its Construction Products Distribution business to be similar to year-to-date 2012 with slightly improving conditions in the U.S. EBITDA from operations is anticipated to be higher in 2013 than 2012 due in part to the absence of restructuring costs incurred in 2012. In addition, results will benefit from the business initiative activities noted above. Superior continues to see difficult market conditions in both the

residential and commercial segments in both Canada and the U.S. Superior does not anticipate significant improvements in the end-use markets in the near term.

## Corporate Related

- Total interest expense for the third quarter was $18.3 million compared to $20.5 million in the prior year quarter. Interest expense was lower than the prior year quarter as a result of lower average debt levels due to Superior's ongoing focus to reduce its total debt levels.
- Corporate costs were $5.3 million in the current quarter, a $3.8 million increase over the prior year quarter due to higher costs associated with Superior's long-term incentive plans as a result of the appreciation in Superior's share price during the third quarter of 2012.
- Superior's dividend re-investment program (DRIP) generated proceeds of $3.6 million during the third quarter ($10.6 million year-to-date). Proceeds from the DRIP will be used to reduce existing debt levels. The DRIP provides Superior's shareholders with the opportunity to reinvest their cash dividends in the future growth of the business at a 5% discount to the market price of Superior's common shares.
- Superior's total debt (including convertible debentures) to Compliance EBITDA improved to 4.1X as at September 30, 2012, compared to 5.2X as at September 30, 2011, and 5.1X as at December 31, 2011. Superior continues to make progress on reducing its total leverage by focusing on debt reduction, including reducing working capital requirements and improving business operations.
- On August 1, 2012, Superior redeemed its remaining $49.94 million, 5.75% 2012 convertible debenture obligation.

## CRA Income Tax Update

As disclosed by Superior on September 20, 2012, Superior has received indications from the Canada Revenue Agency ("CRA") that the CRA will be reassessing Superior's corporate conversion transaction. As of November 1, 2012, Superior has not received a proposal letter from the CRA challenging the tax consequences of Superior's corporate conversion transaction which occurred on December 31, 2008.

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 if and when a proposal letter or notice of reassessment is received from the CRA. Superior strongly believes 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. See press release "Superior Plus Corp. Provides Update on Review of Conversion Transaction and Settlement Related to Power Purchase Agreement with TransCanada" dated September 20, 2012, for additional details on this matter including the potential financial implications of a potential reassessment.

## 2012 Financial Outlook

Based on year-to-date results, Superior anticipates its 2012 financial results will be at the high end of its previously disclosed 2012 financial outlook of AOCF per share of $1.45 to $1.80. Superior's 2012 financial outlook of AOCF per share is unchanged from the financial outlook provided at the end of the first quarter of 2012.

## 2013 Financial Outlook

Superior expects 2013 AOCF per share of $1.65 to $1.95. The increase in the 2013 financial outlook relative to the 2012 financial outlook is due to ongoing improvements in the businesses as a result of Superior's business initiative projects, average weather, as measured by degree days being consistent with the five year average, the absence of one-time restructuring costs which are offset in part by the absence of the one-time TransCanada payment received in 2012.

Luc Desjardins, Superior's President and Chief Executive Officer stated "I am pleased with the results for the third quarter and we are encouraged that our businesses continue to perform strongly. During 2012 we launched a number of business initiatives and established the required talent necessary to execute on these initiatives. As we move towards 2013, our goal is simple, continue to improve the businesses by executing on our initiatives. Superior remains committed to transforming into a best in class organization, and while much work remains to achieve this goal, I want to ensure our customers, employees and shareholders that we remain committed and focused on meeting our goals.

I am pleased to confirm that Superior is on track to meet its 2012 financial outlook of $1.45 to $1.80 of AOCF per share, we are currently tracking towards the high end of this range based on year-to-date results, the current state of the North American economy and the assumption average temperatures for the last quarter of 2012 are consistent with historical levels. I am also pleased to introduce Superior's financial outlook for 2013 of $1.65 to $1.95 of AOCF per share. Based on the mid-point of Superior's 2013 financial outlook this represents an approximate increase of 10% compared to the mid-point of Superior's 2012 financial outlook, excluding the impact of the one-time $12.5 million TransCanada payment. The improvement in our 2013 financial outlook over 2012 reflects the confidence we have in the execution of our business plans."

For additional details on the assumptions underlying the 2012 and 2013 financial outlooks, see Superior's 2012 Third Quarter Management's Discussion and Analysis.

## Debt Management Update

Superior remains committed to reducing its total debt and its total debt leverage ratios. Superior anticipates its total debt to EBITDA ratio as at December 31, 2012 will be in the range of 4.2X to 4.4X.

Superior's anticipated total debt and total debt to EBITDA leverage ratio as at December 31, 2013, based on Superior's 2012 and 2013 financial outlooks and Superior's 2012 year-to-date results, is detailed in the chart below.

| | (Dollar Per Share) | (Millions of Dollars) |
|---|---|---|
| 2013 financial outlook AOCF per share – mid-point [1] | 1.80 | 204.1 |
| Maintenance capital expenditures, net | (0.21) | (24.0) |
| Capital lease obligation repayments | (0.15) | (16.6) |
| Cash flow available for dividends and debt repayment before growth capital | 1.44 | 163.5 |
| Expansion of Port Edward's and Saskatoon facilities and one-time environmental costs | (0.30) | (34.0) |
| Other growth capital expenditures | (0.19) | (21.0) |
| Proceeds from dividend reinvestment program | 0.12 | 13.6 |
| Estimated 2013 free cash flow available for dividend and debt repayment | 1.07 | 122.1 |
| Dividends (annualized) | (0.60) | (68.1) |
| Total estimated debt repayment (including Q3 2012 Actuals) | 0.47 | 54.0 |
| Estimated total debt to EBTIDA as at December 31, 2013 | 3.8X – 4.0X | 3.8X – 4.0X |
| Dividends (annualized) | 0.60 | 68.1 |
| Calculated payout ratio after all capital expenditures | 56% | 56% |

(1) See "Financial Outlooks" in Superior's 2012 Third Quarter Management's Discussion and Analysis for additional details including assumptions, definitions and risk factors.

## 2012 Detailed Third Quarter Results

Superior's 2012 Third Quarter Management's Discussion and Analysis is attached and is also available on Superior's website at: www.superiorplus.com under the Investor Relations section.

## Third Quarter Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2012 Third Quarter Results at 8:30 a.m. MDT on Friday, November 2, 2012. To participate in the call, dial: 1-877-240-9772. An archived recording of the call will be available for replay until midnight, January 2, 2013. To access the recording, dial: 1-800-408-3053 and enter pass code 5330418 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.

## Superior Plus 2012 Annual Investor Day

Superior is pleased to announce its upcoming Annual Investor Day on Friday, November 30, 2012 at the King Edward Hotel in Toronto. A detailed update on Superior's current operations, short and long-term growth opportunities and financial position will be presented. The formal presentation will commence at 9:00AM EST, a light breakfast and lunch will be served. Members of the professional investment community are invited to attend. To confirm your participation, please rsvp by e-mailing your contact information to rsvpinvestorday@superiorplus.com. Details of the event can also be found on Superior's website at www.superiorplus.com.

## Forward Looking Information

Certain information included herein is forward-looking, within the meaning of applicable Canadian securities laws. Forward-looking information includes, statements regarding business strategy, market conditions, expenditures, results, plans and objectives of or involving Superior and Superior Plus LP. Forward-looking information is often, but not always, identified by the use of words such as "anticipate", "believe", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "guidance", "may", "predict", "project", "should", "strategy", "target", "will" or similar words suggesting future outcomes or language suggesting an outlook. Forward-looking information in this press release, including the attached 2012 Third Quarter Management's Discussion and Analysis, includes consolidated and business segment outlooks, product production, expected EBITDA from operations, expected AOCF, expected AOCF per share, expected leverage ratios and debt repayment, debt management summary, future capital expenditures, future economic conditions, future DRIP proceeds, dividend strategy and future payments, payout ratio, future cash flows, anticipated taxes, future tax horizon, expected tax consequences of the Conversion, the expected challenge by the CRA of the tax consequences of the Conversion (and the expected timing and financial impact of such process), exchange rates, commodity prices and costs, development plans and programs, business expansion and improvement projects, effects of operational and technological improvements, restructuring costs, demand for chemicals including sodium chlorate and chloralkali, business strategy and objectives, benefits and synergies resulting from acquisitions, expected life of facilities and statements regarding the future financial position of Superior and Superior Plus LP. Superior believes the expectations reflected in such forward-looking information are reasonable but no assurance can be given that these expectations will prove to be correct and such forward-looking statements should not be unduly relied upon.

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

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

Factors”. Superior’s 2011 Annual Information Form is available at www.sedar.com and from Superior’s website at www.superiorplus.com.

Readers are cautioned that the foregoing list of factors that may affect future results is not exhaustive. Forward-looking information is provided for the purpose of providing information about management’s expectations and plans about the future. When relying on our forward-looking information to make decisions with respect to Superior, investors and others should carefully consider the foregoing factors and other uncertainties and potential events. Any forward-looking information is made as of the date hereof and, except as required by law, Superior does not undertake any obligation to publicly update or revise such information to reflect new information, subsequent or otherwise. For more information about Superior, visit our website at www.superiorplus.com or contact:

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## Management's Discussion and Analysis of 2012 Third Quarter Results

**November 1, 2012**

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Superior Plus Corp. (Superior) as at September 30, 2012 and for the three and nine months ended September 30, 2012 and 2011. The information in this MD&A is current to November 1, 2012. This MD&A should be read in conjunction with Superior's audited consolidated financial statements and notes to those statements as at and for the twelve months ended December 31, 2011 and its December 31, 2011 MD&A.

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

### Overview of Superior

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

# Third Quarter Results

### Summary of Adjusted Operating Cash Flow

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars except per share amounts)* | **2012** | 2011 | **2012** | 2011 |
| EBITDA from operations: [1] | | | | |
| Energy Services | **13.3** | 8.1 | **88.1** | 87.1 |
| Specialty Chemicals | **41.5** | 30.2 | **98.4** | 80.7 |
| Construction Products Distribution | **3.6** | 7.1 | **13.0** | 17.3 |
| | **58.4** | 45.4 | **199.5** | 185.1 |
| Interest | **(18.3)** | (20.5) | **(55.1)** | (59.8) |
| Cash income tax expense | **(0.3)** | 0.1 | **(0.8)** | (0.1) |
| Corporate costs | **(5.3)** | (1.5) | **(12.7)** | (8.6) |
| Adjusted operating cash flow[1] | **34.5** | 23.5 | **130.9** | 116.6 |
| | | | | |
| Adjusted operating cash flow per share [2], basic [2][3] | **$0.31** | $0.21 | **$1.17** | $1.07 |

(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 September 30, 2012, is 112.2 million (2011 – 109.5 million) and for the nine months ended September 30, 2012, is 111.6 million (2011 – 108.8 million).

(3) Superior did not provide its adjusted operating cash flow per share on a fully diluted basis as Superior's share price is below the current exercise price of Superior's Debentures, it is therefore unlikely that any material conversions will occur.

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

| *(millions of dollars)* | Three months ended September 30, **2012** | 2011 | Nine months ended September 30, **2012** | 2011 |
|---|---|---|---|---|
| **Net cash flow from operating activities** | **64.4** | 113.2 | **326.3** | 275.3 |
| Add: Non cash interest expense | **1.0** | 1.7 | **4.3** | 5.0 |
| Less: Decrease in non-cash working capital | **(11.3)** | (69.3) | **(139.5)** | (98.8) |
| Income tax (expense) recovery | **(0.3)** | 0.1 | **(0.8)** | (0.1) |
| Finance costs recognized in net earnings | **(19.3)** | (22.2) | **(59.4)** | (64.8) |
| **Adjusted operating cash flow** | **34.5** | 23.5 | **130.9** | 116.6 |

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

Third quarter adjusted operating cash flow was $34.5 million, an increase of $11.0 million or 47% from the prior year quarter. The increase in adjusted operating cash flow was primarily due to higher operating results at Energy Services and Specialty Chemicals offset in part by lower Construction Products Distribution results and higher corporate costs. Adjusted operating cash flow of $0.31 per share, increased by $0.10 per share as compared to the prior year quarter due to a 47% increase in adjusted operating cash flow as noted above offset in part by a 2% increase in the weighted average number of shares outstanding. The average number of shares outstanding increased in 2012 as a result of shares issued from Superior's Dividend Reinvestment Program and Optional Share Purchase Plan (DRIP).

Adjusted operating cash flow for the nine months ended September 30, 2012 was $130.9 million, an increase of $14.3 million or 12% compared to the prior year period. The increase in adjusted operating cash flow was due to increased EBITDA from operations of Specialty Chemicals offset in part by lower Construction Products Distribution results. Adjusted operating cash flow per share was $1.17 per share for the nine months ended September 30, 2012, an increase of $0.10 per share or 9% due to the increase in adjusted operating cash flow as noted above offset in part by a 3% increase in the weighted average number of shares outstanding. The average number of shares outstanding increased in 2012 as a result of shares issued from the DRIP.

The net earnings for the third quarter were $36.7 million, compared to a net loss of $113.4 million in the prior year quarter. Net earnings were primarily impacted by higher gross profits, reduction in impairments as the prior year quarter included an impairment charge of $78.0 million and unrealized gains on financial instruments in the current quarter as compared to unrealized financial instrument losses in the prior year quarter. The change in the unrealized gains on financial instruments was due principally to gains in the current quarter on Superior's natural gas financial derivatives compared to the prior year quarter as a result of an increase in the spot price of natural gas. Revenues of $790.1 million were $54.9 million lower than the prior year quarter due to lower Energy Services revenue as a result of lower propane prices offset in part by higher revenue at Specialty Chemicals due to increased pricing and higher revenue at Construction Products Distribution as a result of increased demand. Gross profit of $195.9 million was $17.4 million higher than the prior year quarter primarily due to increased Specialty Chemical gross profits due to lower electricity costs and the one-time net benefit from the TransCanada settlement of $12.5 million (see "Settlement" below for further details) which has been included with cost of goods sold. Operating expenses of $171.1 million in the third quarter were $1.6 million lower than in the prior year quarter due to reduced amortization expense offset in part by restructuring costs and higher corporate costs. Total income tax expense for the third quarter was $7.6 million compared to income tax recovery of $19.7 million in the prior year quarter. The increased in income tax expense was due to higher net earnings in the third quarter of 2012 as the prior year quarter included an impairment charge of $78.0 million which resulted in an income tax recovery.

Net earnings for the nine months ended September 30, 2012 were $78.9 million, compared to a net loss of $71.2 million in the prior year period. Net earnings were impacted by $46.2 million in unrealized gains on financial instruments in the current period, compared to unrealized losses of $10.0 million in the prior year period. The change in the unrealized gains and losses on financial instruments was due principally to gains on Energy Services natural gas financial derivatives compared to the prior year as a result of an increase in the spot price for natural gas. Revenues of $2,690.3 million were $191.9 million lower than the prior year period principally due to reduced Energy Services revenue as a result of lower commodity prices and sales volumes offset in part by higher Specialty Chemicals and Construction Products Distribution revenues due to increased sales volumes and demand. Gross profit of $618.1 million was $25.2 million higher than the prior year period due to improved gross profit at Specialty Chemicals primarily due to the one-time net benefit from the TransCanada settlement of $12.5 million (see “Settlement” below for further details) and higher revenues at Construction Products Distribution offset in by lower Energy Services gross profits due to lower sales volumes. Operating expenses of $516.1 million were $1.9 million lower than in the prior year period due to reduced amortization expense offset in part by restructuring costs and higher corporate costs. Total income tax expense for the nine months ended September 30, 2012 was $9.9 million compared to an income tax recovery of $6.7 million in the prior year period. The increased in income tax expense in 2012 was due higher net earnings in 2012 as the prior year period included an impairment charge of $78.0 million which resulted in an income tax recovery.

**Energy Services**

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

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2012** | 2011 | **2012** | 2011 |
| Revenue(1) | **453.8** | 522.6 | **1,699.4** | 1,958.5 |
| Cost of sales(1) | **(368.4)** | (440.3) | **(1,381.6)** | (1,633.1) |
| Gross profit | **85.4** | 82.3 | **317.8** | 325.4 |
| Less: Cash operating and administration costs(1) | **(72.1)** | (74.2) | **(229.7)** | (238.3) |
| EBITDA from operations | **13.3** | 8.1 | **88.1** | 87.1 |

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

Revenues for the third quarter of 2012 were $453.8 million, a decrease of $68.8 million from revenues of $522.6 million in 2011. The decrease in revenues is primarily due to lower commodity prices and sales volumes as compared to the prior year quarter. Total gross profit for the third quarter of 2012 was $85.4 million, an increase of $3.1 million or 4% over the prior year quarter. The increase in gross profit is primarily due to higher gross margins within the Canadian propane segment and gross profits in the Supply portfolio management segment 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**

| *(millions of dollars)* | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Canadian propane distribution | **47.3** | 45.4 | **167.6** | 160.7 |
| U.S. refined fuels distribution | **16.5** | 15.7 | **85.8** | 99.8 |
| Other services | **9.7** | 9.8 | **28.2** | 29.4 |
| Supply portfolio management | **3.9** | 1.9 | **11.8** | 8.7 |
| Fixed-price energy services | **8.0** | 9.5 | **24.4** | 26.8 |
| Total gross profit | **85.4** | 82.3 | **317.8** | 325.4 |

***Canadian Propane Distribution***

Canadian propane distribution gross profit for the third quarter was $47.3 million, an increase of $1.9 million or 4% from 2011, due to higher gross margins and slightly higher sales volumes. Residential and commercial sales volumes decreased by 2 million litres or 4%, due to fewer active customers, warm weather and the ongoing impact of record or near record temperatures during the first quarter which has negatively impacted fill rates in the third quarter. Average weather across Canada for the third quarter, as measured by degree days, was 6% warmer than the prior year and 12% warmer than the five-year average. However, heating related volumes in the second and third quarters are generally not materially impacted by average weather due to the seasonality of Canadian propane distributions operations. Industrial volumes increased by 5 million litres or 3%, due to increased oilfield sales volumes as a result of continued strength in the energy sector offset in part by lower mining demand. Automotive propane volumes declined by 2 million litres or 8%, due to the continued structural decline in this end-use market although the decline was lower than expected due to favourable price spread between propane and gasoline.

Average propane sales margins for the third quarter increased to 19.7 cents per litre from 19.0 cents per litre in the prior year quarter. The increase in average margins compared to the prior year quarter is principally due to the implementation of price increases to industrial and commercial sales contracts during the first quarter of 2012 and improved pricing management offset in part by sales mix as the current quarter included a higher proportion of lower margin sales volumes.

**Canadian Propane Distribution Sales Volumes**

***Volumes by End-Use Application*** [(1)]

| *(millions of litres)* | Three months ended September 30, 2012 | 2011 |
|---|---|---|
| Residential | **15** | 16 |
| Commercial | **36** | 37 |
| Agricultural | **7** | 7 |
| Industrial | **159** | 154 |
| Automotive | **23** | 25 |
| | **240** | 239 |

***Volumes by Region*** [(2)]

| *(millions of litres)* | Three months ended September 30, 2012 | 2011 |
|---|---|---|
| Western Canada | **138** | 130 |
| Eastern Canada | **83** | 87 |
| Atlantic Canada | **19** | 22 |
| | **240** | 239 |

***Volumes by End-Use Application*** [(1)]

| *(millions of litres)* | Nine months ended September 30, 2012 | 2011 |
|---|---|---|
| Residential | **79** | 88 |
| Commercial | **176** | 190 |
| Agricultural | **30** | 36 |
| Industrial | **566** | 560 |
| Automotive | **58** | 63 |
| | **909** | 937 |

***Volumes by Region*** [(2)]

| *(millions of litres)* | Nine months ended September 30, 2012 | 2011 |
|---|---|---|
| Western Canada | **524** | 520 |
| Eastern Canada | **311** | 337 |
| Atlantic Canada | **74** | 80 |
| | **909** | 937 |

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

## ***U.S. Refined Fuels Distribution***

U.S. refined fuels distribution gross profit for the third quarter was $16.5 million, an increase of $0.8 million from the prior year quarter. The increase in gross profit is due to higher gross margins offset in part by lower sales volumes. Sales volumes of 335 million litres, decreased by 9 million litres or 3% as compared to the prior year quarter. The decrease in sales volumes was primarily due to higher in-tank customer volumes due to the unseasonably warm weather experienced in the first and second quarters of 2012 which has impacted the timing of residential customers first tank fill of the upcoming heating season, lower customer aggregation and lower demand from the drilling sector. Weather as measured by heating degree days for the third quarter was modestly warmer than the prior year quarter, however heating related volumes in the second and third quarters are generally not materially impacted by average weather due to the seasonality of U.S. refined fuels distributions operations. Average U.S. refined fuels sales margins of 4.9 cents per litre increased from 4.6 cents per litre in the prior year quarter. The increase in sales margins is primarily due to maintaining pricing levels during a decreasing supply cost environment, favourable sales mix and the impact of discontinuing lower margins sales contracts.

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

| *Volumes by End-Use Application* (1) | | | *Volumes by Region* (2) | | |
|---|---|---|---|---|---|
| | **Three months ended September 30,** | | | **Three months ended September 30,** | |
| *(millions of litres)* | **2012** | 2011 | *(millions of litres)* | **2012** | 2011 |
| Residential | **23** | 27 | Northeast United States | **335** | 344 |
| Commercial | **164** | 183 | | | |
| Automotive | **148** | 134 | | | |
| | **335** | 344 | | **335** | 344 |

| *Volumes by End-Use Application* (1) | | | *Volumes by Region* (2) | | |
|---|---|---|---|---|---|
| | **Nine months ended September 30,** | | | **Nine months ended September 30,** | |
| *(millions of litres)* | **2012** | 2011 | *(millions of litres)* | **2012** | 2011 |
| Residential | **186** | 246 | Northeast United States | **1,170** | 1,300 |
| Commercial | **564** | 662 | | | |
| Automotive | **420** | 393 | | | |
| | **1,170** | 1,300 | | **1,170** | 1,300 |

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

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

***Other Services***

Other services gross profit was $9.7 million in the third quarter and consistent with the prior year quarter.

***Supply Portfolio Management***

Supply portfolio management gross profits were $3.9 million in the third quarter, an increase of $2.0 million from the prior year quarter due to increased market opportunities and favourable settlements on fixed priced sales.

***Fixed-Price Energy Services***

**Fixed-Price Energy Services Gross Profit**

| | **Three months ended September 30, 2012** | | | Three months ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| *(millions of dollars except volume and per unit amounts)* | **Gross Profit** | **Volume** | **Per Unit** | Gross Profit | Volume | Per Unit |
| Natural Gas (1) | **5.8** | **4.6 GJ** | **126.1 ¢/GJ** | 7.8 | 5.1 GJ | 152.9 ¢/GJ |
| Electricity (2) | **2.2** | **244.9 KWh** | **0.90 ¢/KWh** | 1.7 | 176.5 KWh | 1.00 ¢/KWh |
| Total | **8.0** | | | 9.5 | | |

| | **Nine months ended September 30, 2012** | | | Nine months ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| *(millions of dollars except volume and per unit amounts)* | **Gross Profit** | **Volume** | **Per Unit** | Gross Profit | Volume | Per Unit |
| Natural Gas (1) | **17.6** | **14.0 GJ** | **125.7 ¢/GJ** | 22.3 | 16.2 GJ | 137.7 ¢/GJ |
| Electricity (2) | **6.8** | **616.8 KWh** | **1.10 ¢/KWh** | 4.5 | 439.7 KWh | 1.02 ¢/KWh |
| Total | **24.4** | | | 26.8 | | |

(1) Natural gas volumes and per unit amounts are expressed in millions of gigajoules (GJ).
(2) Electricity volumes and per unit amounts are expressed in millions of kilowatt hours (KWh).

Fixed-price energy services gross profit was $8.0 million in the third quarter, a decrease of $1.5 million (16%) from $9.5 million in the prior year quarter. Natural gas gross profit was $5.8 million, a decrease of $2.0 million from the prior year quarter due to lower gross margins and sales volumes. Gross profit per unit was 126.1 cents per gigajoule (GJ), a decrease of 26.8 cents per GJ (18%) from the prior year quarter. The decrease in natural gas gross margin was due to sales mix as the existing customer base contains a lower proportion of higher margin residential customers. Sales volumes of natural gas were 4.6 million GJ, 0.5 million GJ (10%) lower than the prior year quarter due to a continued decline in residential volumes and slower customer aggregation as a result of continued historically low system price for natural gas. Electricity gross profit in the third quarter of 2012 was $2.2 million, an increase of $0.5 million or 29% from the prior year quarter due to the aggregation of additional commercial customers in the Ontario market, aggregation of additional residential customers in Pennsylvania and increased customer electricity usage.

***Operating costs***
Cash operating and administrative costs were $72.1 million in third quarter of 2012, a decrease of $2.1 million or 3% from the prior year quarter. The decrease in expenses was primarily due to cost reduction programs at Canadian Propane Distribution and U.S. Refined Fuels.

**Outlook**
Superior expects business conditions in 2013 and the last quarter of 2012 for its Energy Services segment to be similar to year-to-date 2012. EBITDA from operations is anticipated to be higher in 2013 than in 2012 due in part to the assumption that weather will be consistent with the 5-year average in 2013. Superior's 2012 results were negatively impacted by warm weather, as average weather in the first quarter of 2012, as measured by degree days, across Canada and the Northeastern U.S. was at record or near record levels. Additionally, Superior expects to realize ongoing improvements in its financial results as a result of the business initiative activities noted below.

Initiatives to improve results in the Energy Services business continued during the third quarter in conjunction with Superior's goal for each of its businesses to become best in class. Business improvement projects for 2012/2013 will be focused on: a) improving customer service levels, b) improving overall logistics and procurement functions, c) enhancing the management of margins through intelligent pricing, d) working capital management, and e) improving existing and implementing new technologies to facilitate improvements to the business.

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

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

| *(millions of dollars except per metric tonne (MT) amounts)* | **Three months ended September 30,** | | | | **Nine months ended September 30,** | | | |
|---|---|---|---|---|---|---|---|---|
| | **2012** | | 2011 | | **2012** | | 2011 | |
| | | **$ per MT** | | $ per MT | | **$ per MT** | | $ per MT |
| Chemical Revenue[1] | **132.6** | **686** | 134.2 | 681 | **403.1** | **706** | 390.7 | 668 |
| Chemical Cost of Sales [1] | **(59.8)** | **(309)** | (73.4) | (372) | **(207.8)** | **(364)** | (219.0) | (374) |
| Chemical Gross Profit | **72.8** | **377** | 60.8 | 309 | **195.3** | **342** | 171.7 | 294 |
| Less: Cash operating and administrative costs[1] | **(31.3)** | **(162)** | (30.6) | (155) | **(96.9)** | **(170)** | (91.0) | (156) |
| EBITDA from operations | **41.5** | **215** | 30.2 | 154 | **98.4** | **172** | 80.7 | 138 |
| Chemical volumes sold (thousands of MTs) | **193** | | 197 | | **571** | | 585 | |

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

Chemical revenue for the third quarter of $132.6 million was $1.6 million or 1% lower than the prior year quarter primarily due to foreign exchange losses on the translation of U.S. denominated net working capital offset in part by slightly higher sales volumes for Chloralkali/potassium products. Third quarter gross profit of $72.8 million was $12.0 million higher than the prior year quarter due to increased sodium chlorate gross profits and the one-time favourable net contribution from the settlement payment received from TransCanada during August of 2012 (see ‘Settlement” below for further details). Sodium chlorate gross profits (excluding the Settlement) were higher than the prior year quarter due to increased realized pricing on contract renewals and lower electrical power costs at some production facilities offset in part by lower sales volumes. Sodium chlorate sales volumes decreased by 4,000 tonnes or 4% compared to the prior year quarter due to lower offshore customer demand. Chloralkali/potassium products gross profits were modestly lower than the prior year quarter as weaker average prices, particularly for chlorine, more than offset a slight increase in sales volumes.

Cash operating and administrative costs of $31.3 million were $0.7 million or 2% higher than the prior year quarter due to increased employee costs and general inflationary increases.

**Settlement**

During August 2012, Specialty Chemicals received a payment of $15.8 million from TransCanada Energy Ltd., a subsidiary of TransCanada, in connection with the arbitration ruling related to the Sundance Power Purchase Agreement (PPA) between TransAlta Corporation and TransCanada. The payment resulted from the Electrical Sales Agreement (ESA) between TransCanada and Superior whereby TransCanada supplies Superior with fixed-priced energy from the PPA. A one-time gain of $12.5 million, representing the payment net of certain settlement costs, is recorded in cost of goods sold.

**Major Capital Projects**

As previously announced in the first quarter of 2012, Superior has approved an $18 million expansion of the hydrochloric acid production capacity of the Port Edwards, Wisconsin chloralkali facility. The existing capacity of 110,000 wet metric tonnes (WMT), or 36,000 dry metric tonnes, will increase to approximately 220,000 WMT upon completion of the expansion. The project will be completed through 2012 and 2013 with commercial production expected in the second quarter of 2014, a total of $1.8 million has been spent on the expansion project. Upon completion of both projects, Superior will have total hydrochloric acid production capacity of 360,000 WMT. 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.

Superior’s Board of Directors has approved a $25 million expansion of the hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The existing capacity of 70,000 wet metric tonnes (WMT), or 24,500 dry metric tonnes, will increase to approximately 140,000 WMT upon completion of the expansion. The project will be completed through 2013 and 2014 with commercial production expected in the fourth quarter of 2014.

**Outlook**

Superior expects business conditions in 2013 and for the last quarter of 2012 for its Specialty Chemicals business will be similar to year-to-date 2012. EBITDA from operations, excluding the impact of the $12.5 million one-time payment from TransCanada, is anticipated to be modestly higher in 2013 due to improved performance of the chloralkali product segment due to higher gross profits from hydrochloric acid and modestly higher selling prices for caustic soda, which will more than offset reduced pricing for chlorine. Superior continues to see a stable market for sodium chlorate as a result of the current market for pulp. Superior also expects a stable market for chloralkali sales volumes and pricing as North American supply demand fundamentals continue to be balanced. The market for chloralkali continues to be supported by low natural gas prices.

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

**Construction Products Distribution**

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| *(millions of dollars)* | **2012** | 2011 | **2012** | 2011 |
| Revenue | | | | |
| Gypsum Specialty Distribution (GSD) revenue | **141.0** | 131.2 | **395.5** | 364.3 |
| Commercial and Industrial Insulation (C&I) revenue | **60.8** | 58.1 | **190.2** | 169.4 |
| Cost of sales | | | | |
| GSD cost of sales | **(110.2)** | (101.4) | **(309.1)** | (282.5) |
| C&I cost of sales | **(44.9)** | (43.2) | **(140.3)** | (124.2) |
| Gross profit | **46.7** | 44.7 | **136.3** | 127.0 |
| Less: Cash operating and administrative costs | **(43.1)** | (37.6) | **(123.3)** | (109.7) |
| EBITDA from operations | **3.6** | 7.1 | **13.0** | 17.3 |

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

GSD and C&I revenues of $201.8 million for the third quarter of 2012 were $12.5 million (7%) higher than the prior year quarter. GSD revenue increased due to higher demand and sales volumes in some Canadian and U.S. based regions and from the expansion of the GSD product line into existing U.S. based branches. C&I revenues increased slightly from the prior year quarter due to targeted sale efforts and higher demand offset in part by delays in Gulf Coast and international project activity.

Gross profits of $46.7 million in the third quarter were $2.0 million higher than the prior year quarter primarily due to the impact of higher revenues and higher C&I gross margins offset in part by lower GSD gross margins in Canada. The increase in revenue was due to sales volumes and price increases. C&I sales margins increased due to a more favourable sales mix. GSD gross margins decreased due to manufacturer price increases and difficulty passing those on to customers.

Cash operating and administration costs were $43.1 million in the third quarter, an increase of $5.5 million or 15% from the prior year quarter. The increase in operating costs was primarily due to higher costs associated with increased sales volumes, higher fuel costs and restructuring charges of $2.7 million related to the closing of Ontario based branches and consolidation of several British Columbia based branches. These were partially offset by savings resulting from branches that were closed earlier in the year.

**Outlook**

Superior expects business conditions in 2013 and for the remainder of 2012 for its Construction Products Distribution business to be similar to year-to-date 2012 with slightly improving conditions in the U.S. EBITDA from operations is anticipated to be higher in 2013 than 2012 due in part to the absence of restructuring costs incurred in 2012 and the benefit from the business initiative activities noted below. Superior continues to see difficult market conditions in both the residential and commercial segments in both Canada and the U.S. Superior does not anticipate significant improvements in the end-use markets in the near term.

The Construction Products Distribution business continues to review all aspects of operations to optimize its cost structure and improve gross margins. Superior anticipates that an additional $2.5 to $3.0 million in restructuring costs will be incurred in 2012 due to the ongoing reorganization or closure of additional branches. A total of 15 branches will have been closed or restructured during 2011 and 2012 in total at an anticipated cost of $6.5 to $7.0 million. Restructuring activities are being actively managed to minimize costs and the impact on customers.

Initiatives to improve results in the Construction Products Distribution business continued during the third quarter. Business improvement projects for 2012/2013 will be focused on: a) assessment of overall logistics and existing branch network, b) review of supply chain management including procurement and transportation, c) review of product pricing, and d) working capital management.

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.

See press release "Superior Plus Corp. Provides Update on Review of Conversion Transaction and Settlement Related to Power Purchase Agreement with TransCanada" dated September 20, 2012, for additional details on this matter including the potential financial implications of a potential reassessment.

**Consolidated Capital Expenditure Summary**

| | **Three months ended September 30,** | | **Nine months ended September 30,** | |
|---|---|---|---|---|
| *(millions of dollars)* | **2012** | 2011 | **2012** | 2011 |
| Efficiency, process improvement and growth related | **4.4** | 3.5 | **6.7** | 10.9 |
| Other capital | **4.1** | 5.5 | **15.0** | 12.7 |
| | **8.5** | 9.0 | **21.7** | 23.6 |
| Other acquisitions | **5.5** | 8.8 | **5.5** | 13.7 |
| Proceeds on disposition of capital | **(0.4)** | (0.6) | **(4.1)** | (2.2) |
| Total net capital expenditures | **13.6** | 17.2 | **23.1** | 35.1 |
| Investment in finance leases | **1.5** | 3.9 | **5.3** | 8.1 |
| Total expenditures | **15.1** | 21.1 | **28.4** | 43.2 |

Efficiency, process improvement and growth related expenditures were $4.4 million in the third quarter compared to $3.5 million in the prior year quarter. These were incurred primarily in relation to Energy Services' purchases of rental assets and truck related expenditures. Other capital expenditures were $4.1 million in the third quarter compared to $5.5 million in the prior year quarter, consisting primarily of required maintenance and general capital across all of Superior's segments. Proceeds on the disposal of capital were $0.4 million in the third quarter and consisted of Superior's disposition of surplus tanks, cylinders and other assets. The Energy Services segment completed the acquisition of the assets of a small regional propane distribution business during July for $5.5 million excluding $1.0 million in net working capital. During the third quarter Superior entered into new leases with capital equivalent value of $1.5 million primarily related to delivery vehicles for the Energy Services and Construction Products Distribution segments.

**Corporate and Interest Costs**

Corporate costs for the third quarter were $5.3 million, compared to $1.5 million in the prior year quarter. The increase in corporate costs was primarily due to higher long term incentive costs as a result of an increase in Superior's share price and the year over year impact of the long term incentive cost recovery recorded in the prior year quarter and higher employee costs and professional fees.

Interest expense on borrowings and finance lease obligations for the third quarter was $9.5 million compared to $10.6 million in the prior year quarter. The decrease of $1.1 million in interest expense was due to a lower average debt levels as a result of lower commodity prices which reduced the net working capital requirements of the Energy Services segment and reduction in accounts receivable balances within the Canadian propane business. See “Liquidity and Capital Resources” discussion for further details on the change in average debt levels.

Interest on Superior’s convertible unsecured subordinated debentures (“Debentures” which includes all series of convertible unsecured subordinated debentures) for the third quarter was $8.8 million and lower than the prior year quarter of $9.8 million. The decrease in debenture interest costs was due to the redemptions of Superior’s 5.75% convertible subordinated debentures due December 31, 2012 on December 12, 2011 and August 1, 2012.

**Taxation**

Total income tax expense for the third quarter was $7.6 million and consists of $0.3 million in cash income tax expense and $7.3 million in deferred income tax expense, compared to a total income tax recovery of $19.7 million in the prior year quarter, which consisted of $0.1 million in cash income tax recovery and a $19.6 million deferred income tax recovery.

Cash income tax expense for the third quarter was $0.3 million and consisted of income tax expense in the U.S. of $0.3 million (2011 Q3 - $0.1 million of U.S. cash tax recovery). Deferred income tax expense for the third quarter was $7.3 million (2011 Q3 - $19.6 million deferred income tax recovery), resulting in a corresponding net deferred income tax asset of $303.2 million as at September 30, 2012. Deferred income tax expense for the third quarter due to higher net earnings in the third quarter of 2012 as the prior year quarter included an impairment charge of $78.0 million which resulted in an income tax recovery.

**Update on Review of Conversion Transaction**

Since the beginning of 2010, the Canada Revenue Agency ("CRA") has requested information relating to Superior's conversion transaction which occurred on December 31, 2008 (the "Conversion") and Superior has responded to such requests and engaged in extensive discussions, including detailed settlement discussions, with representatives of the CRA. The CRA has now advised Superior that the CRA believes it does not have authority to settle the matter in this context. If the CRA does not change its current position, the CRA has advised Superior that it should expect that the matter will be directed back to the local tax office which is expected, in the normal course, to issue a proposal letter challenging the tax consequences of the Conversion. During the discussions, the CRA indicated that the general anti-avoidance rule of the Income Tax Act (Canada) is available to the CRA as a basis upon which to challenge the tax consequences of the Conversion.

Based on these developments, unless the CRA subsequently determines it has the authority to settle this matter, Superior expects to receive a proposal letter and thereafter a notice of reassessment challenging the tax consequences of the Conversion. 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 if and when a proposal letter or notice of reassessment is received from the CRA. Superior strongly believes 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.

If Superior receives such a reassessment, in order to appeal it, Superior will be required to make a payment of 50% of the taxes the CRA claims are owed for such years. Based on Superior's 2009, 2010 and 2011 taxation years, that 50% amount is approximately $15 million. 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 issues a similar notice of reassessment for such years and Superior appeals it. If Superior is ultimately successful in defending its position, such payments plus applicable interest, will be refunded to Superior. If the CRA is successful, Superior will be required to pay the balance of the taxes claimed plus applicable interest and penalties.

Superior's 2012 and 2013 financial outlooks as provided this MD&A does not include the impact of a potential reassessment as any interim tax payments made by Superior will be recorded to the balance sheet and will not impact either AOCF or net earnings.

If the tax pools from the Conversion were not available to Superior, the estimated impact would be an increase to cash income taxes of approximately $0.14 per share in fiscal 2012. Based on the midpoint of Superior's current 2013 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. As previously stated, Superior intends to file its future income tax returns on a basis consistent with the assumption that any Conversion related tax basis is fully deductible.

**Financial Outlooks**

Superior’s outlook for cash flow from operations for 2012 is expected to be between $1.45 and $1.80 per share, consistent with Superior’s financial outlook as provided in the 2012 second quarter Management’s Discussion and Analysis. Based on year-to-date results, Superior anticipates its 2012 results will be at the high end of this guidance range. Superior’s outlook for cash flow from operations for 2013 is expected to be between $1.65 and $1.95 per share, previously Superior had not disclosed its expectations for 2013. Superior’s consolidated adjusted operating cash flow outlook is dependent on the operating results of its three operating segments.

In addition to the operating results of Superior’s three operating segments, significant assumptions underlying Superior’s current 2012 and 2013 outlooks are:

- Current economic growth rates in Canada and the U.S. are expected to prevail for the remainder of 2012 and 2013;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- The foreign currency exchange rate between the Canadian and U.S. dollar is expected to average par for the remainder of 2012 and 2013 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 current average interest rates on floating-rate debt is expected to remain consistent for the remainder of 2012 and 2013; and
- Canadian and U.S. based cash taxes are expected to be minimal for the remainder of 2012 and 2013 based on existing statutory income tax rates.

***Energy Services***

- Average temperatures across Canada and the Northeast U.S. are expected to be consistent with the recent five-year average for the remainder of 2012 and 2013;
- Total propane and U.S. refined fuels-related sales volumes for the remainder of 2012 are anticipated to increase due to marketing initiatives and colder weather as compared to the prior year quarter. Total annual sales volumes are expected to increase in 2013 due to the assumption that weather will be consistent with the 5-year average;
- Wholesale propane, and U.S. refined fuels-related prices are not anticipated to significantly impact demand for propane, refined fuels and related services;
- Supply portfolio management market opportunities are expected to remain strong for the remainder of 2012 although growth is expected to be moderate. Results in 2013 are expected to increase as

compared to fiscal 2012 due to capital expenditures which will enable management to further leverage market opportunities and higher sales volumes; and

- Fixed price energy services is expected to be able to access sales channel agents on acceptable contract terms and expects gross profit are expected to moderately decrease during the remainder of 2012 and 2013. The decrease in gross profit is primarily related to lower natural gas gross margins as transportation related gross profits and contribution from residential customer renewals continue to decrease. Total new customer aggregation volumes are expected to continue declining as the system price for natural gas remains low.

***Specialty Chemicals***

- Supply and demand fundamentals for sodium chlorate are expected to remain balanced for the remainder of 2012. Pricing is expected to remain consistent or slightly improve due to contract renewals completed during the first half of 2012. Sales volumes, pricing and margins in 2013 are expected to be consistent with 2012; and
- Chloralkali revenues, gross profits and sales volumes for the remainder of 2012 are expected to decline as market conditions are expected to remain challenging for the remainder of the year. Sales volumes, pricing and margins are expected to increase in 2013 due to improved contribution from both hydrochloric acid and caustic soda.

***Construction Products Distribution***

- GSD sales revenue from Canada is expected to increase during the remainder of 2012 and 2013 due to continued success from the introduction of new products and modest market improvements in some regions. GSD sales revenue from the United States is expected to increase during the remainder of 2012 and 2013 due to continued expansion of existing product lines into U.S. branches, emphasis on specific product opportunities, pricing initiatives and market improvements in some regions. C&I sales revenue is expected to increase in both the remainder of 2012 and 2013 due to emphasis on specific product opportunities, pricing initiatives and market improvements in some regions. C&I sales revenue is expected to increase in both the remainder of 2012 and 2013 due to emphasis on specific product opportunities, pricing initiatives and commencement of major Gulf Coast and international projects that have been delayed;
- Sales margins for both GSD and C&I are expected to decrease slightly during the remainder of 2012 due to sales mix, competitive pressures, market pricing dynamics and general market conditions. Sales margins for 2013 are expected to be comparable to 2012; and
- Construction Products Distribution has performed a detailed review of its existing operations and expects to reorganize 15 branches before the end of fiscal 2012 as part of its restructuring efforts. Benefits from these restructurings have already reduced operating costs and Superior expects to further benefit from the operational restructuring and business initiatives in 2013.

**Debt Management Update**

Superior remains committed to reducing its total debt and its total debt leverage ratios. Superior anticipates its total debt to EBITDA ratio as at December 31, 2012 will be in the range of 4.2X to 4.4X, slightly lower than the range provided in Superior's second quarter MD&A.

Superior's anticipated total debt and total debt to EBITDA leverage ratio as at December 31, 2013, based on Superior's 2013 financial outlook and Superior's 2012 third quarter year-to-date results, is detailed in the chart below.

**Debt Management Summary**

| | (Per Share) | (Millions of dollars) |
|---|---|---|
| 2013 financial outlook AOCF per share – mid-point [(1)] | $1.80 | 204.1 |
| Maintenance capital expenditures, net | (0.21) | (24.0) |
| Capital lease obligation repayments | (0.15) | (16.6) |
| Cash flow available for dividends and debt repayment before growth capital | $1.44 | 163.5 |
| Expansion of Port Edward's and Saskatoon facilities and one-time environmental costs | (0.30) | (34.0) |
| Other growth capital expenditures | (0.19) | (21.0) |
| Proceeds from dividend reinvestment program | 0.12 | 13.6 |
| Estimated 2013 free cash flow available for dividend and debt repayment | $1.07 | 122.1 |
| Dividends (annualized) | $(0.60) | (68.1) |
| Total estimated debt repayment (including year to date actual | $0.47 | 54.0 |
| Estimated total debt to EBITDA as at December 31, 2013 | 3.8X – 4.0X | 3.8X – 4.0X |
| Dividend per share (annualized) | $0.60 | 68.1 |
| Calculated payout ratio after all capital expenditures | 56% | 56% |

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

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

**Liquidity and Capital Resources**

Superior's revolving syndicated bank facility (Credit Facility), term loans and finance lease obligations (collectively "Borrowings") before deferred financing fees totaled $590.3 million as at September 30, 2012, a decrease of $171.8 million from December 31, 2011. The decrease in Borrowings was primarily due to lower net working capital funding requirements as a result of the seasonality of the Energy Services segment and proceeds from the DRIP offset in part by the $49.9 million redemption of 5.75% convertible unsecured subordinated debentures, finance lease repayments, dividends payments and net capital expenditures.

On March 28, 2012, Superior completed an extension of its Credit Facility with eight lenders and reduced the size of the facility from $615 million to $570 million. The Credit Facility matures on June 27, 2015 and can be expanded up to $750 million. The Credit Facility was reduced to reflect Superior's anticipated credit requirements as a result of Superior's ongoing debt reduction plan. Financial covenant ratios were unchanged with Consolidated Secured Debt to Consolidated EBITDA ratio and Consolidated Debt to Consolidated EBITDA ratio of 3.0x and 5.0x, respectively. See "Summary of Cash Flows" for details on Superior's sources and uses of cash.

As at September 30, 2012, Debentures (before deferred issue costs) issued by Superior totaled $541.5 million which was $49.9 million lower than the balance outstanding as at December 31, 2011 due to the redemption of the 5.75% convertible unsecured subordinated debentures during the third quarter, see Redemption below for further details. See Note 12 to the Unaudited Condensed Consolidated Financial Statements for additional details on Superior's Debentures.

**Redemption**
On August 1, 2012, Superior completed the previously announced redemption of the remaining $49.9 million principal amount of its previously issued 5.75% convertible subordinated debentures (2012 Debentures) due December 31, 2012. Superior used funds from its credit facility to fund the redemption of the 2012 Debentures. The 5.75% convertible subordinated debentures were, in accordance with their terms, redeemed at the redemption price of $1,000 in cash per $1,000 principal amount of 2012 Debentures plus accrued and unpaid interest thereon up to the redemption date of August 1, 2012, being $1,005.0411 per $1,000 principal amount of 2012 Debentures.

As at September 30, 2012, approximately $287.7 million was available under the Credit Facility which Superior considers sufficient to meet its net working capital funding requirements, expected capital expenditures and refinancing requirements.

Consolidated net working capital was $218.3 million as at September 30, 2012, a decrease of $182.6 million from net working capital of $400.9 million as at December 31, 2011. The decrease in net working capital was primarily due to increased cash collections of accounts receivable within the Canadian propane distribution segment and the impact of lower inventory levels and commodity prices on the Energy Services segment. Also contributing to the decrease in net working capital was higher accounts payable with the Construction Products Distribution segment due to payment term initiatives and higher accruals at corporate due to the timing of interest payments. Superior's net working capital requirements are financed from revolving term bank credit facilities.

Proceeds received from the DRIP were $3.6 million for the three months ended September 30, 2012 (three months ended September 30, 2011 $7.0 million), a decrease of $3.4 million from the year prior quarter due to a reduction in Superior's dividend rate during 2011. Proceeds received from the DRIP were $10.6 million for the nine months ended September 30, 2012 as compared to 23.4 million during the nine months ended September 30, 2011.

As at September 30, 2012, when calculated in accordance with the Credit Facility, the Consolidated Secured Debt to Compliance EBITDA ratio was 1.6 to 1.0 (December 31, 2011 – 2.3 to 1.0) and the Consolidated Debt to Compliance EBITDA ratio was 2.2 to 1.0 (December 31, 2011 – 2.9 to 1.0). For both of these covenants all outstanding Debentures are not included. These ratios are within the requirements contained in Superior's debt covenants. In accordance with the Credit Facility, Superior must maintain a Consolidated Secured Debt to Compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a Consolidated Debt to Compliance EBITDA ratio of not more than 5.0 to 1.0, excluding Debentures. 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 twelve month rolling basis. On a twelve month rolling basis as at September 30, 2012, Superior's available distribution amount was $65.0 million under the above noted distribution test.

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

As at September 30, 2012, Superior had an estimated defined benefit pension solvency deficiency of approximately $38.7 million (December 31, 2011 - $36.3 million) and a going concern solvency deficiency of approximately $13.2 million (December 31, 2011 - $16.6 million). Funding requirements required by applicable pension legislation are based upon going concern and solvency actuarial assumptions. These assumptions differ from the going concern actuarial assumptions used in Superior's financial statements. Superior has sufficient liquidity through existing revolving term bank credits and anticipated future operating cash flow to fund this deficiency over the prescribed funding period.

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

**Shareholders' Capital**

The weighted average number of shares outstanding during the third quarter was 112.2 million shares, an increase of 2.7 million shares compared to the prior year quarter due to the issuance of 2,453,345 common shares over the past twelve months and the resulting impact on weighted average number of shares outstanding. The following table provides a detailed breakdown of the common shares issued over the last twelve months:

| | Closing Date | Average Issuance Price per Share | Issued Number of Common Shares (Millions) |
|---|---|---|---|
| **As at September 30, 2011** | | | **109.9** |
| Issuance of common shares under Superior's DRIP | October 15, 2011 through September 15, 2012 | $6.72 | 2.5 |
| **As at September 30, 2012** | | | **112.4** |

As at November 1, 2012, September 30, 2012 and December 31, 2011, the following common shares and securities convertible into common shares were outstanding:

| | **November 1, 2012** | | **September 30, 2012** | | December 31, 2011 | |
|---|---|---|---|---|---|---|
| (millions) | **Convertible Securities** | **Shares** | **Convertible Securities** | **Shares** | Convertible Securities | Shares |
| Common shares outstanding (1) | | **112.0** | | **111.9** | | 110.8 |
| 5.75% Debentures (2) | – | – | – | – | $49.9 | 1.4 |
| 5.85% Debentures (3) | **$75.0** | **2.4** | **$75.0** | **2.4** | $75.0 | 2.4 |
| 7.50% Debentures (4) | **$69.0** | **5.3** | **$69.0** | **5.3** | $69.0 | 5.3 |
| 5.75% Debentures (5) | **$172.5** | **9.1** | **$172.5** | **9.1** | $172.5 | 9.1 |
| 6.00% Debentures (6) | **$150.0** | **9.9** | **$150.0** | **9.9** | $150.0 | 9.9 |
| 7.50% Debentures (7) | **$75.0** | **6.6** | **$75.0** | **6.6** | $75.0 | 6.6 |
| Shares outstanding and issuable upon conversion of Debentures | | **146.7** | | **146.6** | | 145.5 |

(1) Common shares outstanding as at November 1, 2012, includes 140,455 common shares issued under Superior's DRIP program during the month of October.
(2) Convertible at $36.00 per share.
(3) Convertible at $31.25 per share.
(4) Convertible at $13.10 per share.
(5) Convertible at $19.00 per share.
(6) Convertible at $15.10 per share.
(7) Convertible at $11.35 per share.

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

Dividends paid to shareholders in the third quarter were $16.8 million (before DRIP proceeds of $3.6 million) or $0.15 per share, a decrease of $16.0 million as compared to the third quarter of 2011 due to the revision of Superior's dividend rate to $0.05 per share per month effective with the November 2011 dividend. On November 2, 2011, Superior announced that the monthly dividend has been reduced to $0.05 per share or $0.60 per share on an annualized basis which decreased from the prior level of $0.10 per share per month or $1.20 per share on an annualized basis. Superior has made the determination that it is prudent to accelerate its debt reduction plan by reducing its monthly dividend. See Superior's "Debt Management and Dividend Payout Ratio" section for further details. Dividends to shareholders are declared at the discretion of the board of directors of Superior.

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

**Summary of Cash Flows** [(1)]

| *(millions of dollars)* | **Three months ended September 30, 2012** | 2011 | **Nine months ended September 30, 2012** | 2011 |
|---|---|---|---|---|
| **Cash flows from operating activities** | **43.8** | 109.2 | **281.4** | 230.9 |
| Investing activities: | | | | |
| Purchase of property, plant and equipment [(2)] | **(8.5)** | (9.0) | **(21.7)** | (23.6) |
| Proceeds on disposal of property, plant and equipment | **0.4** | 0.6 | **4.1** | 2.2 |
| Other acquisitions | **(5.5)** | (8.8) | **(5.5)** | (13.7) |
| **Cash flows used in investing activities** | **(13.6)** | (17.2) | **(23.1)** | (35.1) |
| Financing activities: | | | | |
| Net proceeds (repayment) of borrowings | **33.3** | (61.9) | **(153.3)** | 6.9 |
| Repayment of finance lease obligation | **(4.7)** | (2.9) | **(12.3)** | (10.8) |
| Net proceeds (repayment) of accounts receivable securitization program | – | – | – | (90.1) |
| Redemption of the 5.75% convertible debentures | **(49.9)** | – | **(49.9)** | – |
| Proceeds from the dividend reinvestment plan | **3.6** | 7.0 | **10.6** | 23.4 |
| Dividends paid to shareholders | **(16.8)** | (32.8) | **(50.2)** | (109.1) |
| **Cash flows used in financing activities** | **(34.5)** | (90.6) | **(255.1)** | (179.7) |
| Net (decrease) increase in cash and cash equivalents | **(4.3)** | 1.4 | **3.2** | 16.1 |
| Cash and cash equivalents, beginning of period | **12.5** | 23.2 | **5.2** | 8.9 |
| Effect of translation of foreign denominated cash and cash equivalents | **(0.5)** | 1.4 | **(0.7)** | 1.0 |
| **Cash and cash equivalents, end of period** | **7.7** | 26.0 | **7.7** | 26.0 |

(1) See the Consolidated Statement of Cash Flows for additional details.
(2) See "Consolidated Capital Expenditure Summary" for additional details.

## Financial Instruments – Risk Management

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

Overall Superior has hedged approximately 100% of its estimated US dollar exposure for the remainder of 2012 and approximately 90% for 2013. The estimated sensitivity on adjusted operating cash flow for Superior, including divisional US exposures and the impact on US-denominated debt with respect to a $0.01 change in the Canadian to United States exchange rate for 2012 is $nil million and 2013 is $0.2 million after giving effect to United States forward contracts for 2012 and 2013, as shown in the table below. Superior's sensitivities and guidance are based on an anticipated average Canadian to US dollar foreign currency exchange rate for 2012 and 2013 at par with the US dollar.

| *(US$ millions except exchange rates)* | **2012** | **2013** | **2014** | **2015** | **2016** | **2017 and Thereafter** | **Total** |
|---|---|---|---|---|---|---|---|
| Energy Services – US$ forward sales | 15.4 | 44.0 | 26.0 | 26.0 | – | – | 111.4 |
| Construction Products Distribution – US$ forward sales | 6.0 | 24.0 | 12.0 | 12.0 | – | – | 54.0 |
| Specialty Chemicals – US$ forward sales | 47.0 | 150.0 | 118.0 | 106.0 | 56.4 | – | 477.4 |
| Corporate – US$ forward purchases | (36.7) | (39.0) | (27.0) | – | – | – | (102.7) |
| Net US $ forward sales | 31.7 | 179.0 | 129.0 | 144.0 | 56.4 | – | 540.1 |
| | | | | | | | |
| Energy Services – Average US$ forward sales rate | 1.05 | 1.06 | 1.01 | 1.01 | – | – | 1.03 |
| Construction Products Distribution – Average US$ forward sales rate | 1.06 | 1.07 | 1.00 | 1.00 | – | – | 1.04 |
| Specialty Chemicals – US$ forward sales rate | 1.03 | 1.04 | 1.03 | 1.00 | 1.04 | – | 1.03 |
| Corporate – US$ forward purchases | 1.01 | 1.01 | 1.01 | – | – | – | 1.01 |
| Net average external US$/Cdn$ exchange rate | 1.04 | 1.05 | 1.03 | 1.00 | 1.04 | – | 1.03 |

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's first quarter Condensed Consolidated Financial Statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see Note 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 September 30, 2012.

## Critical Accounting Policies and Estimates

Superior's Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with IFRS. The significant accounting policies are described in the unaudited Condensed Consolidated Financial Statements for the period ended September 30, 2012. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Our critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, future income tax assets and liabilities, the valuation of derivatives and non-financial derivatives and asset impairments and the assessment of potential asset retirement obligations.

**Quarterly Financial and Operating Information**

| (millions of dollars except per share amounts) | 2012 Quarters | | | 2011 Quarters | | | | 2010 Quarters |
|---|---|---|---|---|---|---|---|---|
| | Third | Second | First | Fourth | Third | Second | First | Fourth |
| Canadian propane sales volumes (millions of litres) | **240** | 255 | 413 | 368 | 239 | 260 | 439 | 372 |
| U.S. refined fuels sales volumes (millions of litres) | **335** | 363 | 473 | 440 | 344 | 405 | 552 | 499 |
| Natural gas sales volumes (millions of GJs) | **5** | 5 | 5 | 5 | 5 | 6 | 6 | 6 |
| Electricity sales volumes (millions of KwH) | **245** | 187 | 185 | 167 | 176 | 146 | 117 | 133 |
| Chemical sales volumes (thousands of metric tonnes) | **193** | 190 | 188 | 187 | 197 | 192 | 196 | 193 |
| Revenues | **790.1** | 834.3 | 1,065.9 | 1,043.4 | 845.0 | 898.4 | 1,138.8 | 1,011.2 |
| Gross profit | **195.9** | 184.8 | 238.1 | 234.6 | 178.5 | 176.0 | 238.4 | 224.7 |
| Net earnings (loss) | **36.7** | 13.5 | 28.7 | (231.4) | (113.4) | 1.1 | 41.1 | (56.0) |
| Per share, basic | **$0.33** | $0.12 | $0.26 | ($2.10) | ($1.04) | $0.01 | $0.38 | ($0.53) |
| Per share, diluted | **$0.31** | $0.12 | $0.24 | ($2.10) | ($1.04) | $0.01 | $0.34 | ($0.53) |
| Adjusted operating cash flow | **34.5** | 29.0 | 67.4 | 63.8 | 23.5 | 19.8 | 73.3 | 62.5 |
| Per share, basic and diluted | **$0.31** | $0.26 | $0.61 | $0.58 | $0.21 | $0.18 | $0.68 | $0.58 |
| Net working capital (1) (millions of dollars) | **218.3** | 234.4 | 325.3 | 377.3 | 295.0 | 365.3 | 416.1 | 400.9 |

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

## Non-IFRS Financial Measures

### *Adjusted Operating Cash Flow*

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

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized adjusted operating cash flow. Adjustments recorded by Superior as part of its calculation of adjusted operating cash flow include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Energy Services segment, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expense, which can differ significantly from quarter to quarter. Adjustments are also made to reclassify the cash flows related to natural gas and electricity customer contract related costs in a manner consistent with the income statement recognition of these costs. Adjusted operating cash flow is reconciled to cash flow from operating activities on page 13.

***EBITDA***

EBITDA represents earnings before taxes, depreciation, amortization, finance expense and other non-cash expenses, and is used by Superior to assess its consolidated results and the results of its operating segments. EBITDA is not a defined performance measure under IFRS. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities. EBITDA of Superior's operating segments may be referred to as EBITDA from operations. Net earnings are reconciled to EBITDA from operations on page 32.

***Compliance EBITDA***

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and other non-cash expenses calculated on a 12 month trailing basis giving pro forma effect to acquisitions and divestitures and is used by Superior to calculate its debt covenants and other credit information. Compliance EBITDA is not a defined performance measure under IFRS. Superior's calculation of Compliance EBITDA may differ from similar calculations used by comparable entities. See Note 15 to the Unaudited Condensed Consolidated Financial Statements for a reconciliation of net earnings (loss) to Compliance EBITDA.

***Payout Ratio***

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

**Reconciliation of Net Earnings (Loss) to EBITDA from Operations** [(1) (2)]

| **For the three months ended September 30, 2012** | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** |
|---|---|---|---|
| Net earnings | **25.8** | **28.8** | **1.7** |
| Add: Amortization of property, plant and equipment and intangible assets | **13.1** | **1.7** | **1.7** |
| Amortization included in cost of sales | **–** | **10.9** | **–** |
| Losses on the disposition of property, plant and equipment | **0.3** | **–** | **–** |
| Amortization of customer contract costs | **0.9** | **–** | **–** |
| Customer contract related costs | **(0.3)** | **–** | **–** |
| Finance costs | **1.3** | **0.1** | **0.2** |
| Unrealized gains on derivative financial instruments | **(27.8)** | **–** | **–** |
| **EBITDA from operations** | **13.3** | **41.5** | **3.6** |

| For the three months ended September 30, 2011 | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** |
|---|---|---|---|
| Net earnings (loss) | (3.1) | 17.3 | (73.5) |
| Add: Amortization of property, plant and equipment and intangible assets | 19.1 | 1.6 | 2.2 |
| Amortization included in cost of sales | – | 11.2 | – |
| Losses on the disposition of property, plant and equipment | 0.1 | – | – |
| Amortization of customer contract costs | 1.3 | – | – |
| Customer contract related costs | (0.8) | – | – |
| Impairment of property, plant and equipment | 3.4 | – | – |
| Impairment of intangible assets and goodwill | – | – | 78.0 |
| Finance costs | 0.9 | 0.1 | 0.4 |
| Unrealized gains on derivative financial instruments | (12.8) | – | – |
| EBITDA from operations | 8.1 | 30.2 | 7.1 |

| **For the nine months ended September 30, 2012** | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** |
|---|---|---|---|
| Net earnings | **85.3** | **59.8** | **7.7** |
| Add: Amortization of property, plant and equipment, intangible assets and accretion | **40.7** | **5.0** | **4.7** |
| Amortization included in cost of sales | **–** | **33.4** | **–** |
| (Gains) losses on the disposition of property, plant and equipment | **(0.8)** | **–** | **0.1** |
| Amortization of customer contract costs | **2.6** | **–** | **–** |
| Customer contract related costs | **(0.9)** | **–** | **–** |
| Finance costs | **3.3** | **0.2** | **0.5** |
| Unrealized gains on derivative financial instruments | **(42.1)** | **–** | **–** |
| **EBITDA from operations** | **88.1** | **98.4** | **13.0** |

| For the nine months ended September 30, 2011 | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** |
|---|---|---|---|
| Net earnings (loss) | 63.7 | 36.7 | (68.5) |
| Add: Amortization of property, plant and equipment, intangible assets and accretion | 49.5 | 4.9 | 7.0 |
| Amortization included in cost of sales | – | 33.5 | – |
| Losses (gains) on the disposition of property, plant and equipment | 1.5 | – | (0.1) |
| Amortization of customer contract costs | 3.7 | – | – |
| Customer contract related costs | (1.8) | – | – |
| Impairment of property, plant and equipment | 3.4 | – | – |
| Impairment of intangible assets and goodwill | – | – | 78.0 |
| Finance costs | 2.9 | 0.2 | 0.9 |
| Unrealized (gains) losses on derivative financial instruments | (35.8) | 5.4 | – |
| EBITDA from operations | 87.1 | 80.7 | 17.3 |

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

(2) See "Non-IFRS Financial Measures" for additional details.

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

| | For the three months ended September 30, 2012 | | | For the three months ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** | Energy Services | Specialty Chemicals | Construction Products Distribution |
| **Revenue per Financial Statements** | **453.8** | **134.5** | **201.8** | 522.6 | 133.1 | 189.3 |
| Foreign currency gains (losses) related to working capital | – | **0.2** | – | – | 1.1 | – |
| **Revenue per the MD&A** | **453.8** | **134.7** | **201.8** | 522.6 | 134.2 | 189.3 |
| **Cost of products sold per Financial Statements** | **(368.4)** | **(70.7)** | **(155.1)** | (437.3) | (84.6) | (144.6) |
| Risk reserve recovery reclassification | – | – | – | (3.0) | – | – |
| Non-cash amortization | – | **10.9** | – | – | 11.2 | – |
| **Cost of products sold per the MD&A** | **(368.4)** | **(59.8)** | **(155.1)** | (440.3) | (73.4) | (144.6) |
| **Gross profit** | **85.4** | **74.9** | **46.7** | 82.3 | 60.8 | 44.7 |
| **Cash operating and administrative costs per Financial Statements** | **(86.1)** | **(34.9)** | **(44.8)** | (100.3) | (31.1) | (39.8) |
| Amortization and depreciation expenses | **13.1** | **1.7** | **1.7** | 19.1 | 1.6 | 2.2 |
| Losses on the disposition of property, plant and equipment | **0.3** | – | – | 0.1 | – | – |
| Amortization of customer contract related costs | **0.9** | – | – | 1.3 | – | – |
| Customer contract related costs | **(0.3)** | – | – | (0.8) | – | – |
| Impairment of property, plant and equipment, intangible assets and goodwill | – | – | – | 3.4 | – | – |
| Risk reserve recovery reclassification | – | – | – | 3.0 | – | – |
| Reclassification of foreign currency (gains) and losses related to working capital | – | **(0.2)** | – | – | (1.1) | – |
| **Cash operating and administrative costs per the MD&A** | **(72.1)** | **(33.4)** | **(43.1)** | (74.2) | (30.6) | (37.6) |

| | For the nine months ended September 30, 2012 | | | For the nine months ended September 30, 2011 | | |
|---|---|---|---|---|---|---|
| | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** | Energy Services | Specialty Chemicals | Construction Products Distribution |
| **Revenue per Financial Statements** | **1,699.4** | **405.2** | **585.7** | 1,958.5 | 390.0 | 533.7 |
| Foreign currency gains (losses) related to working capital | **–** | **–** | – | – | 0.7 | – |
| **Revenue per the MD&A** | **1,699.4** | **405.2** | **585.7** | 1,958.5 | 390.7 | 533.7 |
| **Cost of products sold per Financial Statements** | **(1,381.6)** | **(241.2)** | **(449.4)** | (1,630.1) | (252.5) | (406.7) |
| Risk reserve recovery reclassification | – | – | – | (3.0) | – | – |
| Non-cash amortization | **–** | **33.4** | **–** | – | 33.5 | – |
| **Cost of products sold per the MD&A** | **(1,381.6)** | **(207.8)** | **(449.4)** | (1,633.1) | (219.0) | (406.7) |
| **Gross profit** | **317.8** | **197.4** | **136.3** | 325.4 | 171.7 | 127.0 |
| **Cash operating and administrative costs per Financial Statements** | **(271.3)** | **(104.0)** | **(128.1)** | (297.6) | (95.2) | (116.6) |
| Amortization and depreciation expenses | **40.7** | **5.0** | **4.7** | 49.5 | 4.9 | 7.0 |
| (Gains) losses on disposition of property, plant and equipment | **(0.8)** | – | **0.1** | 1.5 | – | (0.1) |
| Amortization of customer contract related costs | **2.6** | **–** | **–** | 3.7 | – | – |
| Customer contract related costs | **(0.9)** | **–** | **–** | (1.8) | – | – |
| Impairment of property, plant and equipment, intangible assets and goodwill | – | – | – | 3.4 | – | – |
| Risk reserve recovery reclassification | – | – | – | 3.0 | – | – |
| Reclassification of foreign currency (gains) and losses related to working capital | – | – | – | – | (0.7) | – |
| **Cash operating and administrative costs per the MD&A** | **(229.7)** | **(99.0)** | **(123.3)** | (238.3) | (91.0) | (109.7) |

## Risk Factors to Superior

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

## Risks to Superior

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

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

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

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

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

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

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

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

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

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

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

Without limiting the generality of the foregoing, since the beginning of 2010, the Canada Revenue Agency has requested and reviewed information from Superior relating to the plan of arrangement (Arrangement) involving the Fund and Ballard Power Systems Inc. and the conversion of the Fund to a corporation (Conversion). As disclosed by Superior on September 20, 2012, Superior has received indications from the Canada Revenue Agency that the Canada Revenue Agency will be reassessing Superior's corporate conversion transaction. As of November 1, 2012, Superior has not received a proposal letter from the Canada Revenue Agency challenging the tax consequences of Superior's corporate conversion transaction which occurred on December 31, 2008. 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 if and when a proposal letter or notice of reassessment is received from the Canada Revenue Agency. Superior strongly believes 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.

**Risks to Superior's segments**

**Energy Services**

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

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

Competition in the U.S. Refined Fuels business markets generally occurs on a local basis between large full service, multi-state marketers and smaller local independent marketers. Although the industry has seen a continued trend of consolidation over the past several years, the top ten multi-state marketers still generate only one-third of total retail sales in the United States. Marketers primarily compete based upon price and service and tend to operate in close proximity to customers, typically within a 35-mile marketing radius from a central depot, to lower delivery costs and provide prompt service.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Construction Products Distribution**

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

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

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

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

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

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

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

| (unaudited, millions of Canadian dollars) | Notes | September 30, 2012 | December 31, 2011 |
|---|---|---|---|
| **Assets** | | | |
| ***Current Assets*** | | | |
| Cash and cash equivalents | | **7.7** | 5.2 |
| Trade and other receivables | 5 & 13 | **347.3** | 472.9 |
| Prepaid expenses | | **15.4** | 20.7 |
| Inventories | | **193.3** | 203.1 |
| Unrealized gains on derivative financial instruments | 13 | **21.7** | 13.3 |
| Total current assets | | **585.4** | 715.2 |
| ***Non-Current Assets*** | | | |
| Property, plant and equipment | 7 | **831.8** | 885.0 |
| Intangible assets | | **43.6** | 65.6 |
| Goodwill | | **189.1** | 186.1 |
| Notes and finance lease receivables | | **9.9** | 10.0 |
| Deferred tax | 14 | **304.8** | 315.5 |
| Unrealized gains on derivative financial instruments | 13 | **17.0** | 16.0 |
| Total non-current assets | | **1,396.2** | 1,478.2 |
| **Total assets** | | **1,981.6** | 2,193.4 |
| **Liabilities and Equity** | | | |
| ***Current Liabilities*** | | | |
| Trade and other payables | 9 | **299.7** | 297.6 |
| Deferred revenue | 10 | **22.1** | 14.2 |
| Borrowings | 11 | **47.4** | 54.3 |
| Convertible unsecured subordinated debentures | 12 | **–** | 49.3 |
| Dividends and interest payable | | **15.9** | 7.6 |
| Unrealized losses on derivative financial instruments | 13 | **39.7** | 61.7 |
| Total current liabilities | | **424.8** | 484.7 |
| ***Non-Current Liabilities*** | | | |
| Borrowings | 11 | **537.2** | 701.4 |
| Convertible unsecured subordinated debentures | 12 | **524.3** | 521.7 |
| Other liabilities | | **0.6** | – |
| Provisions | 8 | **18.3** | 17.2 |
| Employee future benefits | | **70.8** | 65.3 |
| Deferred tax | 14 | **1.6** | 5.9 |
| Unrealized losses on derivative financial instruments | 13 | **36.9** | 47.6 |
| Total non-current liabilities | | **1,189.7** | 1,359.1 |
| **Total liabilities** | | **1,614.5** | 1,843.8 |
| **Equity** | | | |
| Capital | | **1,642.9** | 1,633.1 |
| Deficit | | **(1,199.6)** | (1,228.2) |
| Accumulated other comprehensive loss | | **(76.2)** | (55.3) |
| **Total equity** | 15 | **367.1** | 349.6 |
| **Total liabilities and equity** | | **1,981.6** | 2,193.4 |

(See Notes to the Condensed Consolidated Financial Statements)

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

| (unaudited millions of Canadian dollars) | Share Capital | Contributed Surplus[1] | **Total Capital** | **Deficit** | **Accumulated other comprehensive loss** | **Total** |
|---|---|---|---|---|---|---|
| **January 1, 2011** | 1,600.9 | 5.5 | **1,606.4** | **(797.9)** | **(54.1)** | **754.4** |
| Net loss | – | – | **–** | **(71.2)** | **–** | **(71.2)** |
| Share issued under Dividend Reinvestment Plan | 23.4 | – | **23.4** | **–** | **–** | **23.4** |
| Dividends declared to shareholders | – | – | | **(105.6)** | **–** | **(105.6)** |
| Unrealized foreign currency gains on translation of foreign operations | – | – | **–** | **–** | **24.6** | **24.6** |
| Actuarial defined benefit losses | – | – | **–** | **–** | **(20.1)** | **(20.1)** |
| Reclassification of derivative losses previously deferred | – | – | **–** | **–** | **5.3** | **5.3** |
| Income tax on other comprehensive loss | – | – | **–** | **–** | **3.5** | **3.5** |
| **September 30, 2011** | 1,624.3 | 5.5 | **1,629.8** | **(974.7)** | **(40.8)** | **614.3** |
| Net loss | – | – | **–** | **(231.4)** | **–** | **(231.4)** |
| Option value associated with redemption of convertible debentures | – | (2.2) | **(2.2)** | – | – | **(2.2)** |
| Shares issued under Dividend Reinvestment Plan | 5.5 | – | **5.5** | **–** | **–** | **5.5** |
| Dividends declared to shareholders | – | – | – | **(22.1)** | **–** | **(22.1)** |
| Unrealized foreign currency losses on translation of foreign operations | – | – | **–** | **–** | **(11.0)** | **(11.0)** |
| Actuarial defined benefit losses | – | – | **–** | **–** | **(5.4)** | **(5.4)** |
| Reclassification of derivative losses previously deferred | – | – | **–** | **–** | **0.6** | **0.6** |
| Income tax on other comprehensive loss | – | – | **–** | **–** | **1.3** | **1.3** |
| **December 31, 2011** | 1,629.8 | 3.3 | **1,633.1** | **(1,228.2)** | **(55.3)** | **349.6** |
| Net earnings | – | – | **–** | **78.9** | **–** | **78.9** |
| Option value associated with redemption of convertible debentures | **–** | (0.8) | **(0.8)** | **–** | **–** | **(0.8)** |
| Shares issued under Dividend Reinvestment Plan | 10.6 | – | **10.6** | **–** | **–** | **10.6** |
| Dividends declared to shareholders | – | – | – | **(50.3)** | **–** | **(50.3)** |
| Unrealized foreign currency losses on translation of foreign operations | – | – | **–** | **–** | **(13.5)** | **(13.5)** |
| Actuarial defined benefit losses | – | – | **–** | **–** | **(10.1)** | **(10.1)** |
| Income tax on other comprehensive loss | – | – | **–** | **–** | **2.7** | **2.7** |
| **September 30, 2012** | 1,640.4 | 2.5 | **1,642.9** | **(1,199.6)** | **(76.2)** | **367.1** |

(See Notes to the Condensed Consolidated Financial Statements)

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

**SUPERIOR PLUS CORP.**
**Condensed Consolidated Statement of Net Earnings (Loss) and Total Comprehensive Income (Loss)**

| (unaudited, millions of Canadian dollars except per share amounts) | Notes | Three months ended September 30, 2012 | Three months ended September 30, 2011 | Nine Months Ended September 30, 2012 | Nine Months Ended September 30, 2011 |
|---|---|---|---|---|---|
| **REVENUES** | 18 | **790.1** | 845.0 | **2,690.3** | 2,882.2 |
| Cost of sales (includes products & services) | 18 | **(594.2)** | (666.5) | **(2,072.2)** | (2,289.3) |
| Gross profit | | **195.9** | 178.5 | **618.1** | 592.9 |
| **EXPENSES** | | | | | |
| Selling, distribution and administrative costs | 18 | **171.1** | 172.7 | **516.1** | 518.0 |
| Finance expense | 18 | **19.3** | 22.2 | **59.4** | 64.8 |
| Impairment of intangible assets and goodwill | | **–** | 78.0 | **–** | 78.0 |
| Unrealized (gains) losses on derivative financial instruments | 13 | **(38.8)** | 38.7 | **(46.2)** | 10.0 |
| | | **151.6** | 311.6 | **529.3** | 670.8 |
| **Net earnings (loss) before income taxes** | | **44.3** | (133.1) | **88.8** | (77.9) |
| Income tax (expense) recovery | 14 | **(7.6)** | 19.7 | **(9.9)** | 6.7 |
| **Net earnings (loss)** | | **36.7** | (113.4) | **78.9** | (71.2) |
| **Net earnings (loss)** | | **36.7** | (113.4) | **78.9** | (71.2) |
| Other comprehensive income: | | | | | |
| Unrealized foreign currency (losses) gains on translation of foreign operations | | **(15.1)** | 43.0 | **(13.5)** | 24.6 |
| Actuarial defined benefit losses | | **(4.9)** | (14.5) | **(10.1)** | (20.1) |
| Reclassification of derivative losses previously deferred | | **–** | 1.8 | – | 5.3 |
| Income tax expense on other comprehensive loss | | **1.3** | 3.1 | **2.7** | 3.5 |
| **Total comprehensive income (loss) for the period** | | **18.0** | (80.0) | **58.0** | (57.9) |
| **Net Earnings (loss) per Share** | | | | | |
| From operations: | | | | | |
| Basic | 16 | **$0.33** | $(1.04) | **$0.71** | $(0.65) |
| Diluted | 16 | **$0.31** | $(1.04) | **$0.70** | $(0.65) |

(See Notes to the Condensed Consolidated Financial Statements)

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

| (unaudited, millions of Canadian dollars) | Notes | Three months ended September 30, 2012 | 2011 | Nine Months Ended September 30, 2012 | 2011 |
|---|---|---|---|---|---|
| **OPERATING ACTIVITIES** | | | | | |
| Net earnings (loss) for the period | | **36.7** | (113.4) | **78.9** | (71.2) |
| Adjustments for: | | | | | |
| Depreciation included in selling, distribution and administrative costs | 7 | **10.5** | 9.5 | **31.7** | 32.7 |
| Amortization of intangible assets | | **6.0** | 16.8 | **18.7** | 32.1 |
| Depreciation included in cost of sales | 7 | **10.9** | 11.2 | **33.4** | 33.5 |
| Amortization of customer related costs | | **0.9** | 1.3 | **2.6** | 3.7 |
| Losses (gains) on disposal of assets | | **0.3** | 0.1 | **(0.7)** | 1.4 |
| Impairment of intangible assets and goodwill | | **–** | 78.0 | **–** | 78.0 |
| Unrealized (gains) losses on derivative financial instruments | 13 | **(38.8)** | 38.7 | **(46.2)** | 10.0 |
| Customer contract related costs | | **(0.3)** | (0.8) | **(0.9)** | (1.8) |
| Finance costs recognized in net earnings (loss) | | **19.3** | 22.2 | **59.4** | 64.8 |
| Income tax expense (recovery) recognized in net earnings | | **7.6** | (19.7) | **9.9** | (6.7) |
| Decrease in non-cash operating working capital items | 17 | **11.3** | 69.3 | **139.5** | 98.8 |
| Net cash flows from operating activities | | **64.4** | 113.2 | **326.3** | 275.3 |
| Income taxes received (paid) | | – | – | **0.4** | (0.4) |
| Interest paid | | **(20.6)** | (4.0) | **(45.3)** | (44.0) |
| Cash flows from operating activities | | **43.8** | 109.2 | **281.4** | 230.9 |
| | | | | | |
| **INVESTING ACTIVITIES** | | | | | |
| Purchase of property, plant and equipment | | **(8.5)** | (9.0) | **(21.7)** | (23.6) |
| Proceeds from disposal of property, plant and equipment | | **0.4** | 0.6 | **4.1** | 2.2 |
| Acquisitions | 4 | **(5.5)** | (8.8) | **(5.5)** | (13.7) |
| Cash flows used in investing activities | | **(13.6)** | (17.2) | **(23.1)** | (35.1) |
| | | | | | |
| **FINANCING ACTIVITIES** | | | | | |
| Net proceeds (repayment) of borrowings and loans | | **33.3** | (61.9) | **(153.3)** | 6.9 |
| Repayment of finance lease obligations | | **(4.7)** | (2.9) | **(12.3)** | (10.8) |
| Net repayment of the accounts receivable sales program | | **–** | – | **–** | (90.1) |
| Redemption of 5.75% convertible debentures | | **(49.9)** | – | **(49.9)** | – |
| Proceeds from the dividend reinvestment program | | **3.6** | 7.0 | **10.6** | 23.4 |
| Dividends paid to shareholders | | **(16.8)** | (32.8) | **(50.2)** | (109.1) |
| Cash flows used in from financing activities | | **(34.5)** | (90.6) | **(255.1)** | (179.7) |
| | | | | | |
| **Net (decrease) increase in cash and cash equivalents** | | **(4.3)** | 1.4 | **3.2** | 16.1 |
| Cash and cash equivalents, beginning of period | | **12.5** | 23.2 | **5.2** | 8.9 |
| Effect of translation of foreign denominated cash and cash equivalents | | **(0.5)** | 1.4 | **(0.7)** | 1.0 |
| **Cash and cash equivalents, end of period** | | **7.7** | 26.0 | **7.7** | 26.0 |

(See Notes to the Condensed Consolidated Financial Statements)

## Notes to the Unaudited Condensed Consolidated Financial Statements

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

### 1. Organization

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

The accompanying Unaudited Condensed Consolidated Financial Statements (Consolidated Financial Statements) of Superior as at September 30, 2012 and the three and nine months ended September 30, 2012 and 2011 were authorized for issue by the Board of Directors on November 1, 2012.

**Reportable Operating Segments**

Superior operates three distinct reportable operating segments: Energy Services, Specialty Chemicals and Construction Products Distribution. Superior's Energy Services operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels. Energy Services also provides fixed-price natural gas and electricity supply services. Superior's Specialty Chemicals operating segment is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chloralkali products to the U.S. Midwest. Superior's Construction Products Distribution operating segment is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada (See Note 20).

### 2. Basis of Presentation

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

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

The Consolidated Financial Statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value as explained in Superior's 2011 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 income statement from date of acquisition, or in the case of disposals, up to the date of disposal. All transactions and balances between Superior and Superior's subsidiaries have been eliminated on consolidation. Superior's subsidiaries are all wholly owned directly or indirectly by Superior Plus Corp.

**Significant Accounting Policies**

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

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

**(b) Recent Accounting Pronouncements**

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

Superior adopted the following standard on January 1, 2012:

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

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

**3. Seasonality of Operations**

**Energy Services**

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

**Construction Products Distribution**

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

**4. Acquisitions**

On July 17, 2012, Superior completed the acquisition of certain assets which constitute a propane distribution business for an aggregate purchase price of $5.5 million including adjustments for net working capital. The primary purposes of the acquisition is to expand Energy Services business in British Columbia and benefit from synergies. The below noted fair values have been prepared on a provisional basis pending finalization of net working capital adjustments.

| **Propane Acquisition** | Fair Value Recognized on Acquisition |
|---|---|
| Trade and other receivables[(1)] | 0.9 |
| Inventories | 0.1 |
| Property, plant and equipment | 1.9 |
| | 2.9 |
| | |
| Net identifiable assets and liabilities | 2.9 |
| Goodwill arising on acquisition | 2.6 |
| **Total consideration** | **5.5** |

| | |
|---|---|
| The components of the purchase consideration are as follows: | |
| Cash (paid on August 2, 2012) | 5.5 |
| **Total purchase consideration** | **5.5** |

(1) The gross amount of trade and other receivables is $0.9 million, of which $nil is expected to be uncollectible.

Revenue and net earnings for the nine months ended September 30, 2012 would have been $5.3 million and $1.0 million, respectively, if the acquisition had occurred on January 1, 2012. Subsequent to the acquisition date of July 17, 2012, the acquisition contributed revenue and net earnings of $1.4 million and $0.6 million to Energy Services, respectively for the nine months ended September 30, 2012.

## 5. Trade and Other Receivables

A summary of trade and other receivables are as follows:

| | Notes | **September 30, 2012** | December 31, 2011 |
|---|---|---|---|
| Trade receivables, net of allowances | 13 | **322.7** | 427.1 |
| Accounts receivable – other | | **23.8** | 45.1 |
| Finance lease receivable | | **0.8** | 0.7 |
| Trade and other receivables | | **347.3** | 472.9 |

## 6. Inventories

The cost of inventories recognized as an expense during the three and nine months ended September 30, 2012 was $541.7 million (September 30, 2011 - $584.3 million) and $1,879.9 million (September 30, 2011 - $2,026.7 million). Superior recorded an inventory write down during the three and nine months ended September 30, 2012 of $3.6 million (September 30, 2011 - $nil million) and $2.9 million (September 30, 2011 - $nil million), respectively. Superior recorded no reversals of inventory write downs during the three and nine months ended September 30, 2012 and 2011.

## 7. Property, Plant and Equipment

| | Land | Buildings | Specialty Chemicals Plant & Equipment | Energy Services Retailing Equipment | Construction Products Distribution Equipment | Leasehold Improvements | Total |
|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | |
| Balance at December 31, 2011 | 29.7 | 147.3 | 728.4 | 591.5 | 41.2 | 9.6 | 1,547.7 |
| **Balance at September 30, 2012** | **29.6** | **145.6** | **730.0** | **585.1** | **42.2** | **10.0** | **1,542.5** |
| | | | | | | | |
| **Accumulated Depreciation and Impairment** | | | | | | | |
| Balance at December 31, 2011 | – | 38.8 | 308.2 | 285.8 | 22.4 | 7.5 | 662.7 |
| **Balance at September 30, 2012** | **–** | **41.8** | **336.3** | **300.8** | **24.5** | **7.3** | **710.7** |
| | | | | | | | |
| **Carrying Amount** | | | | | | | |
| Balance at December 31, 2011 | 29.7 | 108.5 | 420.2 | 305.7 | 18.8 | 2.1 | 885.0 |
| **Balance at September 30, 2012** | **29.6** | **103.8** | **393.7** | **284.3** | **17.7** | **2.7** | **831.8** |

Depreciation per cost category:

| | **Three months ended September 30,** | | **Nine Months Ended September 30,** | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Cost of sales | **10.9** | 11.2 | **33.4** | 33.5 |
| Selling, distribution and administrative costs | **10.5** | 9.5 | **31.7** | 32.7 |
| Total | **21.4** | 20.7 | **65.1** | 66.2 |

The carrying amount of Superior's property, plant, and equipment includes $69.7 million as at September 30, 2012 (December 31, 2011 – $74.2 million) of leased assets.

## 8. Provisions

| | Decommissioning Costs | Environmental Expenditures | Total |
|---|---|---|---|
| Balance at December 31, 2011 | 15.5 | 1.7 | 17.2 |
| Additions | 0.6 | – | 0.6 |
| Utilization | – | (0.2) | (0.2) |
| Unwinding of discount | 0.2 | – | 0.2 |
| Impact of change in discount rate | 0.5 | – | 0.5 |
| **Balance at September 30, 2012** | **16.8** | **1.5** | **18.3** |

*Decommissioning costs*
*Specialty Chemicals*
Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. The provision for decommissioning costs is on a discounted basis and is based on existing technologies at current prices or long-term price assumptions, depending on the expected timing of the activity. As at September 30, 2012, the discount rate used in Superior's calculation was 2.3% (December 31, 2011 – 2.5%). Superior estimates the total undiscounted amount of expenditures required to settle its decommissioning liabilities is approximately $20.0

million (December 31, 2011 - $20.3 million) which will be paid out over the next twenty to twenty eight years. While Superior's provision for decommissioning costs is based on the best estimate of future costs and the economic lives of the chemical facilities, there is uncertainty regarding both the amount and timing of incurring these costs.

*Energy Services*
Superior makes full provision for the future costs of decommissioning certain assets associated with Superior's Energy Services operating segment. Superior estimates the total undiscounted amount of expenditures required to settle its decommissioning liabilities is approximately $8.8 million (December 31, 2011 – $9.2 million) which will be paid out over the next twenty to twenty five years. The risk-free rate of 2.3% (December 31, 2011 – 2.5%) was used to calculate the present value of the estimated cash flows.

*Environmental Expenditures*
Provisions for environmental remediation are made when a clean-up is probable and the amount of the obligation can be reliably estimated. Generally, this coincides with commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The provision for environmental liabilities has been estimated using existing technology, at current prices and discounted using a risk-free discount rate of 2.3% (December 31, 2011 – 2.5%). The majority of these costs are expected to be incurred over the next 2 years. The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also Superior's share of the liability.

### 9. Trade and Other Payables

A summary of trade and other payables is as follows:

| | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Trade payables | **230.3** | 243.9 |
| Other payables | **56.1** | 47.8 |
| Amounts due to customers under construction contracts | **1.9** | 2.2 |
| Share based payments | **11.4** | 3.7 |
| Trade and other payables | **299.7** | 297.6 |

### 10. Deferred Revenue

| | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Balance at beginning of the period | **14.2** | 6.8 |
| Deferred during the period | **24.7** | 21.4 |
| Released to net earnings | **(16.4)** | (14.5) |
| Foreign exchange impact | **(0.4)** | 0.5 |
| Balance at end of period | **22.1** | 14.2 |

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

## 11. Borrowings

| | Year of Maturity | Effective Interest Rate | **September 30, 2012** | December 31, 2011 |
|---|---|---|---|---|
| **Revolving term bank credits** [1] | | | | |
| Bankers Acceptances (BA) | 2015 | Floating BA rate plus applicable credit spread | **159.7** | 219.5 |
| Canadian Prime Rate Loan | 2015 | Prime rate plus credit spread | **8.0** | 19.8 |
| LIBOR Loans (US$71.4 million; 2011– US$138.9 million) | 2015 | Floating LIBOR rate plus applicable credit spread | **70.2** | 141.3 |
| US Base Rate Loan (US$14.0 million; 2011– US$29.2 million) | 2015 | US Prime rate plus credit spread | **13.8** | 29.7 |
| | | | **251.7** | 410.3 |
| **Other Debt** | | | | |
| Deferred consideration | 2012-2016 | Non-interest bearing | **2.9** | 4.0 |
| | | | **2.9** | 4.0 |
| **Senior Secured Notes** [2] | | | | |
| Senior secured notes subject to fixed interest rates (US$124.0 million; 2011 – US$124.0 million) | 2012-2015 | 7.65% | **122.0** | 126.1 |
| **Senior Unsecured Debentures** | | | | |
| Senior unsecured debentures | 2016 | 8.25% | **150.0** | 150.0 |
| **Finance Lease Obligations** | | | | |
| Finance lease obligations | | | **63.7** | 71.7 |
| Total Borrowings before deferred financing fees | | | **590.3** | 762.1 |
| Deferred financing fees | | | **(5.7)** | (6.4) |
| Borrowings | | | **584.6** | 755.7 |
| Current maturities | | | **(47.4)** | (54.3) |
| Borrowings | | | **537.2** | 701.4 |

(1) Superior and its wholly-owned subsidiaries, Superior Plus Financing Inc. and Commercial E Industrial (Chile) Limitada, reduced the revolving term bank credit borrowing capacity to $570 million from $615 million on March 28, 2012. The credit facilities mature on June 27, 2015 and are secured by a general charge over the assets of Superior and certain of its subsidiaries. As at September 30, 2012, Superior had $30.5 million of outstanding letters of credit (December 31, 2011 – $34.8 million) and approximately $106.0 million of outstanding financial guarantees (December 31, 2011 – $84.2 million). The fair value of Superior's revolving term bank credits, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market based interest rates, the short-term nature of the underlying debt instruments and other related factors.

(2) Senior secured notes (the Notes) totaling US$124.0 million and US$124.0 million (respectively, Cdn$122.0 million at September 30, 2012 and Cdn$126.1 million at December 31, 2011) secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments began in the fourth quarter of 2009. Management has estimated the fair value of the Notes based on comparisons to treasury instruments with similar maturities, interest rates and credit risk profiles. The estimated fair value of the Notes as at September 30, 2012 was Cdn$130.8 million (December 31, 2011 – Cdn$121.1 million).

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

| | |
|---|---|
| Current maturities | 47.5 |
| Due in 2013 | 49.9 |
| Due in 2014 | 45.2 |
| Due in 2015 | 289.7 |
| Due in 2016 | 154.8 |
| Due in 2017 | 3.2 |
| Subsequent to 2017 | – |
| Total | 590.3 |

## 12. Convertible Unsecured Subordinated Debentures

Superior's debentures are as follows:

| Maturity | December 2012 | October 2015 | December 2014 | June 2017 | June 2018 | October 2016[(1)] | Total Carrying Value |
|---|---|---|---|---|---|---|---|
| Interest rate | 5.75% | 5.85% | 7.50% | 5.75% | 6.0% | 7.5% | |
| Conversion price per share | $36.00 | $31.25 | $13.10 | $19.00 | $15.10 | $11.35 | |
| **Debentures outstanding as at September 30, 2012** | **–** | **74.1** | **67.2** | **167.3** | **143.7** | **72.0** | **524.3** |
| Debentures outstanding as at December 31, 2011 | 49.3 | 73.9 | 66.6 | 166.6 | 143.1 | 71.5 | 571.0 |
| **Quoted market value as at September 30, 2012** | **–** | **75.9** | **70.0** | **163.9** | **143.3** | **80.4** | **533.5** |
| Quoted market value as at December 31, 2011 | 50.0 | 63.0 | 65.2 | 122.5 | 105.6 | 62.3 | 468.6 |

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

(2) Superior redeemed $49.9 million being the outstanding amount on the 5.75% December 2012 convertible unsecured subordinated debentures, on August 2, 2012.

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

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

The fair value of a financial instrument is the amount of consideration that would be estimated to be agreed upon in an arm's-length transaction between knowledgeable, willing parties who are under no compulsion to act. Fair values are determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which Superior has immediate access. Where bid and ask prices are unavailable, Superior uses the closing price of the most recent transaction of the instrument. In the absence of an active market, Superior estimates fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis using, to the extent possible, observable market-based inputs.

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

During August 2012, Specialty Chemicals received a payment of $15.8 million from TransCanada Energy Ltd., a subsidiary of TransCanada Corporation, in connection with the arbitration ruling related to the Sundance Power Purchase Agreement (PPA) between TransAlta Corporation and TransCanada Corporation. The payment resulted from the Electrical Sales Agreement (ESA) between TransCanada Corporation and Superior whereby TransCanada Corporation supplies Superior with fixed-priced energy from the PPA. A one-time gain of $12.5 million, representing the payment, net of certain settlement costs, is recorded in cost of goods sold. This settlement relates to Specialty Chemicals fixed-price electricity purchase agreement which expires in 2017.

| Description | Notional[1] | Term | Effective Rate | Fair Value Input Level | Asset (Liability) September 30, 2012 | December 31, 2011 |
|---|---|---|---|---|---|---|
| Natural gas financial swaps−AECO | 26.91 GJ[2] | 2012-2017 | CDN$4.11/GJ | Level 1 | **(43.5)** | (78.9) |
| Foreign currency forward contracts, net sale | US$631.0[3] | 2012-2015 | 1.03 | Level 1 | **19.7** | 5.7 |
| Foreign currency forward contracts, balance sheet related | US$91.0 | 2012-2014 | 1.01 | Level 1 | **(1.3)** | – |
| Interest rate swaps – CDN$ | $150.0 | 2012-2017 | Six month BA rate plus 2.65% | Level 2 | **11.0** | 10.9 |
| Debenture embedded derivative | $255.0 | 2012-2018 | – | Level 3 | **(13.4)** | (0.6) |
| Energy Services Propane wholesale purchase and sale contracts, net sale | 7.61 USG[4] | 2012-2013 | $0.93/USG | Level 2 | **0.5** | (0.6) |
| Energy Services Butane wholesale purchase and sale contracts, net sale | 1.48 USG[4] | 2012-2013 | $1.48/USG | Level 2 | **0.7** | 0.2 |
| Energy Services Diesel wholesale purchase and sale contracts, net sale | 4.12 USG[4] | 2012 | $4.12/USG | Level 2 | **0.1** | – |
| Energy Services electricity swaps | 0.85MWh[5] | 2012-2016 | $39.65/MWh | Level 2 | **(11.7)** | (16.0) |
| Energy Services swaps and option purchase and sale contracts | 19.74 Gallons[4] | 2012 | $2.88 US/Gallon | Level 2 | **–** | (0.7) |

(1) Notional values as at September 30, 2012 (2) Millions of gigajoules purchased (3) Millions of dollars purchased
(4) Millions of United States gallons purchased (5) Millions of mega watt hours (MWh)

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

| Description | Current Assets | Long-term Assets | Current Liabilities | Long-term Liabilities |
|---|---|---|---|---|
| Natural gas financial swaps – NYMEX and AECO | 0.1 | 0.1 | 27.7 | 16.0 |
| Energy Services electricity swaps | – | – | 6.4 | 5.3 |
| Foreign currency forward contracts, net sale | 13.1 | 8.4 | 0.2 | 1.6 |
| Foreign currency forward contracts, balance sheet related | – | 0.1 | 0.8 | 0.6 |
| Interest rate swaps | 2.6 | 8.4 | – | – |
| Debenture embedded derivative | – | – | – | 13.4 |
| Energy Services propane wholesale purchase and sale contracts | 4.2 | – | 3.7 | – |
| Energy Services butane wholesale purchase and sale contracts | 0.7 | – | – | – |
| Energy Services heating oil purchase and sale contracts | 0.9 | – | 0.9 | – |
| Energy Services diesel purchase and sale contracts | 0.1 | – | – | – |
| **As at September 30, 2012** | **21.7** | **17.0** | **39.7** | **36.9** |
| As at December 31, 2011 | 13.3 | 16.0 | 61.7 | 47.6 |

| Description | **For the three months ended September 30, 2012** | | For the three months ended September 30, 2011 | |
|---|---|---|---|---|
| | **Realized gain (loss)** | **Unrealized gain (loss)** | Realized gain (loss) | Unrealized gain (loss) |
| Natural gas financial swaps – NYMEX and AECO | **(13.9)** | **20.0** | (14.9) | 9.8 |
| Energy Services electricity swaps | **(2.2)** | **5.7** | (1.9) | 0.6 |
| Foreign currency forward contracts, net sale | **4.1** | **19.9** | 3.6 | (46.2) |
| Foreign currency forward contracts, balance sheet related | **–** | **(2.4)** | 1.2 | 8.1 |
| Interest rate swaps | **–** | **1.6** | – | (4.4) |
| Energy Services propane wholesale purchase and sale contracts | **–** | **(0.5)** | – | (1.9) |
| Energy Services butane wholesale purchase and sale contracts | **–** | **0.9** | – | 2.9 |
| Energy Services heating oil purchase and sale contracts | **(6.1)** | **1.6** | (0.6) | 1.3 |
| Energy Services diesel purchase and sale contracts | – | **0.1** | – | – |
| Specialty Chemicals fixed-price power purchase agreements | **(0.4)** | **–** | (1.3) | – |
| Total realized and unrealized (losses) gains on financial and non-financial derivatives | **(18.5)** | **46.9** | (13.9) | (29.8) |
| Foreign currency translation of senior secured notes | **–** | **4.4** | – | (11.6) |
| Change in fair value of debenture embedded derivative | **–** | **(12.5)** | – | 2.7 |
| Total realized and unrealized (losses) gains | **(18.5)** | **38.8** | (13.9) | (38.7) |

| Description | **For the nine months ended September 30, 2012** | | For the nine months ended September 30, 2011 | |
|---|---|---|---|---|
| | **Realized gain (loss)** | **Unrealized gain (loss)** | Realized gain (loss) | Unrealized gain (loss) |
| Natural gas financial swaps – NYMEX and AECO | **(44.3)** | **35.4** | (50.3) | 32.4 |
| Energy Services electricity swaps | **(9.3)** | **4.3** | (4.9) | 1.1 |
| Foreign currency forward contracts, net sale | **6.7** | **14.0** | 15.2 | (46.2) |
| Foreign currency forward contracts, balance sheet related | **–** | **(1.3)** | 1.2 | 9.3 |
| Interest rate swaps | **1.2** | **0.1** | – | 1.6 |
| Energy Services propane wholesale purchase and sale contracts | **–** | **1.1** | – | – |
| Energy Services butane wholesale purchase and sale contracts | **–** | **0.5** | – | 3.1 |
| Energy Services heating oil purchase and sale contracts | **(5.6)** | **0.7** | (1.1) | (0.8) |
| Energy Services diesel purchase and sale contracts | – | **0.1** | – | – |
| Specialty Chemicals fixed-price power purchase agreements | **(1.8)** | **–** | (2.5) | (5.4) |
| Total realized and unrealized (losses) gains on financial and non-financial derivatives | **(53.1)** | **54.9** | (42.4) | (4.9) |
| Foreign currency translation of senior secured notes | **–** | **4.1** | – | (6.9) |
| Change in fair value of debenture embedded derivative | **–** | **(12.8)** | – | 1.8 |
| Total realized and unrealized (losses) gains | **(53.1)** | **46.2** | (42.4) | (10.0) |

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

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

| | Classification | Measurement |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | Loans and receivables | Amortized cost |
| Trade and other receivables | Loans and receivables | Amortized cost |
| Derivative assets | FVTNL | Fair Value |
| Notes and finance lease receivables | Loans and receivables | Amortized cost |
| **Financial liabilities** | | |
| Trade and other payables | Other liabilities | Amortized cost |
| Dividends and interest payable | Other liabilities | Amortized cost |
| Borrowings | Other liabilities | Amortized cost |
| Convertible unsecured subordinated debentures(1) | Other liabilities | Amortized cost |
| Derivative liabilities | FVTNL | Fair Value |

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

**Non-Derivative Financial Instruments**

The fair value of Superior's cash and cash equivalents, trade and other receivables, notes and finance lease receivables, trade and other payables, and dividends and interest payable approximates their carrying value due to the short-term nature of these amounts. The carrying value and the fair value of Superior's borrowings and debentures, 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; as a result, Superior does not apply hedge accounting and is required to designate its financial derivatives and non-financial derivatives as fair value through net earnings or loss. Details on Superior's market risk policies are consistent with those disclosed in Superior's 2011 annual consolidated financial statements.

***Credit Risk***

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

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

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

| | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Current | **229.3** | 280.3 |
| Past due less than 90 days | **88.0** | 128.1 |
| Past due over 90 days | **16.7** | 39.5 |
| Trade Receivable | **334.0** | 447.9 |

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

Superior's trade receivables are stated after deducting a provision of $11.3 million as at September 30, 2012 (December 31, 2011 − $20.8 million). The movement in the provision for doubtful accounts was as follows:

| | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Allowance for doubtful accounts, opening | **(20.8)** | (14.0) |
| Opening adjustment due to acquisitions | **–** | 0.3 |
| Impairment losses recognized on receivables | **(3.3)** | (10.8) |
| Amounts recovered | **0.3** | 3.7 |
| Amounts written off during the period as uncollectible | **12.5** | – |
| **Allowance for doubtful accounts, ending** | **(11.3)** | (20.8) |

***Liquidity Risk***

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

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

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

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

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 and Thereafter | Total |
|---|---|---|---|---|---|---|---|
| Revolving term bank credits and term loans | 47.5 | 49.9 | 45.2 | 289.7 | 154.8 | 3.2 | 590.3 |
| Convertible unsecured subordinated debentures | – | – | 69.0 | 75.0 | 75.0 | 322.5 | 541.5 |
| US$ foreign currency forward sales contracts (US$) | 68.4 | 218.0 | 156.0 | 144.0 | 56.4 | – | 642.8 |
| US$ foreign currency forward purchases contracts (US$) | (36.7) | (39.0) | (27.0) | – | – | – | (102.7) |
| CDN$ natural gas purchases | 6.7 | 11.7 | 2.9 | 0.5 | 0.4 | 0.3 | 22.5 |
| CDN$ butane purchases | 0.4 | 0.1 | – | – | – | – | 0.5 |
| CDN$ propane purchases (CDN$) | 4.3 | 4.3 | 0.1 | 0.1 | – | – | 8.8 |
| US$ propane purchases (US$) | 1.5 | 1.1 | – | – | – | – | 2.6 |
| CDN$ diesel purchases (CDN$) | 0.1 | – | – | – | – | – | 0.1 |

Superior's contractual obligations are considered to be normal course operating commitments and do not include the impact of mark-to-market fair values on financial and non-financial derivatives. Superior expects to fund these obligations through a combination of cash flow from operations, proceeds on revolving term bank credits and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities as at September 30, 2012 are consistent with those disclosed in Superior's 2011 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) recovery, comprised of current taxes and deferred taxes for the three and nine months ended September 30, 2012 was $(7.6) million and $(9.9) million, respectively, compared to $19.7 million and $6.7 million in the comparative periods. Income taxes were impacted by higher net earnings and the prior year period was impacted by the impairment charge of $78.0 million. For the three and nine months ended September 30, 2012, deferred income tax expense from operations in Canada, the United States and Chile was $7.3 million and $9.1 million, respectively, which resulted in a corresponding total net deferred income tax asset of $303.2 million. The deferred income tax recovery for the three and nine months ended September 30, 2011 was a $19.6 million and $6.8 million, respectively.

### 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 meetings of the holders of common shares; and upon liquidation, dissolution or winding up of Superior to receive pro rata the remaining property and assets of Superior, subject to the rights of any shares having priority over the common shares, of which none are outstanding.

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

| | Issued Number of Common Shares (Millions) | Total Equity |
|---|---|---|
| Total equity, December 31, 2011 | 110.8 | 349.6 |
| Net earnings for the period | – | 78.9 |
| Option value associated with the issuance of the convertible debentures | – | (0.8) |
| Other comprehensive loss | – | (20.9) |
| Issuance of common shares for the dividend reinvestment plan | 1.6 | 10.6 |
| Dividends declared to shareholders (1) | – | (50.3) |
| **Total equity, September 30, 2012** | **112.4** | **367.1** |

(1) Dividends to shareholders are declared at the discretion of Superior. During the nine months ended September 30, 2012, Superior paid dividends of $50.2 million or $0.45 per share (September 30, 2011 – $109.1 million or $0.96 per share).

**Other Capital Disclosures**

**Additional Capital Disclosures**

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

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

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

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

Superior is subject to various financial covenants in its credit facility agreements, including senior debt and total debt to EBITDA ratios, which are measured on a quarterly basis. As at September 30, 2012 and December 31, 2011 Superior was in compliance with all of its financial covenants.

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

**Financial Measures utilized for bank covenant purposes**

***Compliance EBITDA***

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

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

| As at | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Total shareholders' equity | **367.1** | 349.6 |
| Exclude accumulated other comprehensive loss | **76.2** | 55.3 |
| Shareholders' equity (excluding AOCL) | **443.3** | 404.9 |
| Current borrowings [(1)] | **47.4** | 54.3 |
| Borrowings [(1)] | **542.9** | 707.8 |
| Less: Senior unsecured notes | **(150.0)** | (150.0) |
| Consolidated secured debt | **440.3** | 612.1 |
| Add: Senior unsecured notes | **150.0** | 150.0 |
| Consolidated debt | **590.3** | 762.1 |
| Current portion of convertible unsecured subordinated debentures[(1)] | **–** | 49.9 |
| Convertible unsecured subordinated debentures [(1)] | **541.5** | 539.3 |
| Total debt | **1,131.8** | 1,351.3 |
| Total capital | **1,575.1** | 1,756.2 |

(1) Borrowings and convertible unsecured subordinated debentures are before deferred issue costs and option value.

| **Twelve months ended** | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Net loss | **(152.5)** | (302.6) |
| Adjusted for: | | |
| Finance expense | **80.1** | 85.5 |
| Realized gains on derivative financial instruments included in finance expense | **2.2** | 2.3 |
| Depreciation of property, plant and equipment | **46.9** | 47.9 |
| Depreciation and amortization included in cost of sales | **44.8** | 44.9 |
| Amortization of intangible assets | **28.5** | 41.9 |
| (Gains) losses on disposal of assets | **(1.6)** | 0.5 |
| Impairment of intangible assets and goodwill | **300.6** | 378.6 |
| Impairment of property, plant and equipment | **3.4** | 3.4 |
| Income tax recovery | **(33.8)** | (50.4) |
| Unrealized (gains) losses on derivative financial instruments | **(46.5)** | 9.7 |
| Proforma impact of acquisitions | **1.2** | 1.5 |
| Compliance EBITDA [(1)] | **273.3** | 263.2 |

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

| | **September 30, 2012** | December 31, 2011 |
|---|---|---|
| Consolidated secured debt to Compliance EBITDA | **1.6:1** | 2.3:1 |
| Consolidated debt to Compliance EBITDA | **2.2:1** | 2.9:1 |
| Total debt to Compliance EBITDA | **4.1:1** | 5.1:1 |

## 16. Net Earnings (Loss) per Share

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Net earnings (loss) per share computation, basic | | | | |
| Net earnings (loss) for the period | **36.7** | (113.4) | **78.9** | (71.2) |
| Weighted average shares outstanding | **112.2** | 109.5 | **111.6** | 108.8 |
| Net earnings (loss) per share, basic | **$0.33** | $(1.04) | **$0.71** | $(0.65) |

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| Net earnings (loss) per share computation, diluted [(1)] | | | | |
| Diluted Net earnings (loss) for the period | **39.8** | (113.4) | **88.0** | (71.2) |
| Diluted Weighted average shares outstanding | **126.5** | 109.5 | **126.0** | 108.8 |
| Net earnings (loss) per share, diluted | **$0.31** | $(1.04) | **$0.70** | $(0.65) |

[(1)] The following convertible debentures have been excluded from this calculation as they were anti-dilutive; 5.85% convertible debentures, 6.00% convertible debentures, and the 7.5% convertible debentures.

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| **Changes in non-cash working capital** | | | | |
| Trade receivable and other | **(3.7)** | 48.8 | **131.0** | 136.8 |
| Inventories | **(32.0)** | (40.7) | **9.8** | (29.7) |
| Trade and other payables | **55.0** | 45.7 | **7.6** | (12.4) |
| Purchased working capital | **1.1** | (0.5) | **1.1** | 39.5 |
| Other | **(9.1)** | 15.5 | **(10.0)** | 4.1 |
| | **11.3** | 69.3 | **139.5** | 98.8 |

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

| | Three months ended September 30, | | Nine months ended September 30, | |
|---|---|---|---|---|
| | **2012** | 2011 | **2012** | 2011 |
| **Revenues** | | | | |
| Revenue from products | **767.2** | 817.3 | **2,620.3** | 2,801.9 |
| Revenue from the rendering of services | **13.4** | 16.0 | **40.9** | 44.8 |
| Rental revenue | **7.1** | 7.1 | **18.4** | 21.5 |
| Construction contract revenue | **0.1** | (0.1) | **5.4** | 0.2 |
| Realized gains on derivative financial instruments | **2.3** | 4.7 | **5.3** | 13.8 |
| | **790.1** | 845.0 | **2,690.3** | 2,882.2 |
| **Cost of sales (includes products and services)** | | | | |
| Cost of products and services | **(562.5)** | (636.7) | **(1,979.3)** | (2,198.4) |
| Depreciation of property, plant and equipment | **(10.9)** | (11.2) | **(33.4)** | (33.5) |
| Realized losses on derivative financial instruments | **(20.8)** | (18.6) | **(59.5)** | (57.4) |
| | **(594.2)** | (666.5) | **(2,072.2)** | (2,289.3) |
| **Selling, distribution and administrative costs** | | | | |
| Other selling, distribution and administrative costs | **85.7** | 85.3 | **252.8** | 242.6 |
| Employee costs | **66.1** | 61.3 | **209.5** | 207.1 |
| Employee future benefit expense | **0.7** | 0.8 | **2.2** | 2.3 |
| Depreciation of property, plant and equipment | **11.5** | 9.5 | **31.7** | 32.7 |
| Amortization of intangible assets | **6.0** | 16.8 | **18.7** | 32.1 |
| (Gains) losses on disposal of assets | **(0.7)** | 0.1 | **(0.7)** | 1.4 |
| Realized (gains) losses on the translation of U.S. denominated net working capital | **1.8** | (1.1) | **1.9** | (0.2) |
| | **171.1** | 172.7 | **516.1** | 518.0 |
| **Finance expense** | | | | |
| Interest on borrowings | **8.0** | 9.4 | **25.2** | 28.2 |
| Interest on convertible unsecured subordinated debentures | **8.8** | 9.8 | **27.3** | 29.0 |
| Interest on obligations under finance leases | **1.5** | 1.3 | **3.7** | 3.8 |
| Gain on debenture redemption | **(0.8)** | – | **(0.8)** | – |
| Unwind of discount on debentures, borrowing and decommissioning liabilities | **1.8** | 1.7 | **5.1** | 5.0 |
| Realized gains on derivative financial instruments | **–** | – | **(1.1)** | (1.2) |
| | **19.3** | 22.2 | **59.4** | 64.8 |

## 19. Related Party Transactions

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

For the three and nine months ended September 30, 2012, Superior incurred $0.2 million (September 30, 2011 - $0.2 million) and $0.6 million (September 30, 2011- $1.3 million), respectively in legal fees respectively with Norton Rose Canada LLP. Norton Rose Canada LLP is a related party with Superior as a board member is a Partner at the law firm.

## 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. Segment revenues reported below represents revenues generated from external customers.

| **For the three months ended September 30, 2012** | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** | **Corporate** | **Total Consolidated** |
|---|---|---|---|---|---|
| **Revenues** | **453.8** | **134.5** | **201.8** | **–** | **790.1** |
| Cost of sales (includes product & services) | **(368.4)** | **(70.7)** | **(155.1)** | **–** | **(594.2)** |
| **Gross Profit** | **85.4** | **63.8** | **46.7** | **–** | **195.9** |
| **Expenses** | | | | | |
| Selling, distribution and administrative costs | **86.1** | **34.9** | **44.8** | **5.3** | **171.1** |
| Finance expense | **1.3** | **0.1** | **0.2** | **17.7** | **19.3** |
| Unrealized gains on derivative financial instruments | **(27.8)** | **–** | **–** | **(11.0)** | **(38.8)** |
| | **59.6** | **35.0** | **45.0** | **12.0** | **151.6** |
| Net earnings (loss) before income taxes | **25.8** | **28.8** | **1.7** | **(12.0)** | **44.3** |
| Income tax expense | **–** | **–** | **–** | **(7.6)** | **(7.6)** |
| **Net earnings (loss)** | **25.8** | **28.8** | **1.7** | **(19.6)** | **36.7** |

| For the three months ended September 30, 2011 | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** | **Corporate** | **Total Consolidated** |
|---|---|---|---|---|---|
| **Revenues** | 522.6 | 133.1 | 189.3 | – | 845.0 |
| Cost of sales (includes product & services) | (437.3) | (84.6) | (144.6) | – | (666.5) |
| **Gross Profit** | 85.3 | 48.5 | 44.7 | – | 178.5 |
| **Expenses** | | | | | |
| Selling, distribution and administrative costs | 100.3 | 31.1 | 39.8 | 1.5 | 172.7 |
| Finance expense | 0.9 | 0.1 | 0.4 | 20.8 | 22.2 |
| Impairment of intangible assets and goodwill | – | – | 78.0 | – | 78.0 |
| Unrealized (gains) losses on derivative financial instruments | (12.8) | – | – | 51.5 | 38.7 |
| | 88.4 | 31.2 | 118.2 | 73.8 | 311.6 |
| Net earnings (loss) before income taxes | (3.1) | 17.3 | (73.5) | (73.8) | (133.1) |
| Income tax recovery | – | – | – | 19.7 | 19.7 |
| **Net earnings (loss)** | (3.1) | 17.3 | (73.5) | (54.1) | (113.4) |

| **For the nine months ended September 30, 2012** | **Energy Services** | **Specialty Chemicals** | **Construction Products Distribution** | **Corporate** | **Total Consolidated** |
|---|---|---|---|---|---|
| **Revenues** | **1,699.4** | **405.2** | **585.7** | **–** | **2,690.3** |
| Cost of sales (includes product & services) | **(1,381.6)** | **(241.2)** | **(449.4)** | **–** | **(2,072.2)** |
| **Gross Profit** | **317.8** | **164.0** | **136.3** | **–** | **618.1** |
| **Expenses** | | | | | |
| Selling, distribution and administrative costs | **271.3** | **104.0** | **128.1** | **12.7** | **516.1** |
| Finance expense | **3.3** | **0.2** | **0.5** | **55.4** | **59.4** |
| Unrealized gains on derivative financial instruments | **(42.1)** | **–** | **–** | **(4.1)** | **(46.2)** |
| | **232.5** | **104.2** | **128.6** | **64.0** | **529.3** |
| Net earnings (loss) before income taxes | **85.3** | **59.8** | **7.7** | **(64.0)** | **88.8** |
| Income tax expense | **–** | **–** | **–** | **(9.9)** | **(9.9)** |
| **Net earnings (loss)** | **85.3** | **59.8** | **7.7** | **(73.9)** | **78.9** |

| For the nine months ended September 30, 2011 | Energy Services | Specialty Chemicals | Construction Products Distribution | Corporate | Total Consolidated |
|---|---|---|---|---|---|
| **Revenues** | 1,958.5 | 390.0 | 533.7 | – | 2,882.2 |
| Cost of sales (includes product & services) | (1,630.1) | (252.5) | (406.7) | – | (2,289.3) |
| **Gross Profit** | 328.4 | 137.5 | 127.0 | – | 592.9 |
| **Expenses** | | | | | |
| Selling, distribution and administrative costs | 297.6 | 95.2 | 116.6 | 8.6 | 518.0 |
| Finance expense | 2.9 | 0.2 | 0.9 | 60.8 | 64.8 |
| Impairment of intangible assets and goodwill | – | – | 78.0 | – | 78.0 |
| Unrealized losses (gains) on derivative financial instruments | (35.8) | 5.4 | – | 40.4 | 10.0 |
| | 264.7 | 100.8 | 195.5 | 109.8 | 670.8 |
| Net earnings (loss) before income taxes | 63.7 | 36.7 | (68.5) | (109.8) | (77.9) |
| Income tax expense | – | – | – | 6.7 | 6.7 |
| **Net earnings (loss)** | 63.7 | 36.7 | (68.5) | (103.1) | (71.2) |

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

| | Energy Services | Specialty Chemicals | Construction Products Distribution | Corporate | Total Consolidated |
|---|---|---|---|---|---|
| **As at September 30, 2012** | | | | | |
| Net working capital [(1)] | **126.5** | **15.2** | **113.4** | **(36.8)** | **218.3** |
| Total assets | **653.0** | **583.5** | **214.4** | **530.7** | **1,981.6** |
| Total liabilities | **294.7** | **180.1** | **88.3** | **1,051.4** | **1,614.5** |
| As at December 31, 2011 | | | | | |
| Net working capital [(1)] | 239.8 | 25.7 | 129.8 | (18.0) | 377.3 |
| Total assets | 1,008.3 | 618.8 | 218.8 | 347.5 | 2,193.4 |
| Total liabilities | 369.2 | 208.3 | 68.8 | 1,197.5 | 1,843.8 |
| **For the three months ended September 30, 2012** | | | | | |
| Acquisitions | **4.5** | **–** | **–** | **–** | **4.5** |
| Purchase of property, plant and equipment | **4.5** | **3.5** | **0.5** | **–** | **8.5** |
| For the three months ended September 30, 2011 | | | | | |
| Acquisitions | 9.3 | – | – | – | 9.3 |
| Purchase of property, plant and equipment | 4.3 | 4.3 | 0.4 | – | 9.0 |
| **For the nine months ended September 30, 2012** | | | | | |
| Acquisitions | **4.5** | **–** | **–** | **–** | **4.5** |
| Purchase of property, plant and equipment | **9.8** | **10.7** | **1.2** | **–** | **21.7** |
| For the nine months ended September 30, 2011 | | | | | |
| Acquisitions | 13.1 | – | – | – | 13.1 |
| Purchase of property, plant and equipment | 11.7 | 10.4 | 1.5 | – | 23.6 |

[(1)] 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. Geographic Information

| | Canada | United States | Other | Total Consolidated |
|---|---|---|---|---|
| **Revenues for the three months ended September 30, 2012** | **292.3** | **476.2** | **21.6** | **790.1** |
| **Revenues for the nine months ended September 30, 2012** | **1,060.1** | **1,552.3** | **77.9** | **2,690.3** |
| **Property, plant and equipment as at September 30, 2012** | **460.5** | **326.0** | **45.3** | **831.8** |
| **Intangible assets as at September 30, 2012** | **17.6** | **26.0** | **–** | **43.6** |
| **Goodwill as at September 30, 2012** | **188.3** | **0.8** | **–** | **189.1** |
| **Total assets as at September 30, 2012** | **1,334.0** | **585.1** | **62.5** | **1,981.6** |
| Revenues for the three months ended September 30, 2011 | 363.0 | 459.5 | 22.5 | 845.0 |
| Revenues for the nine months ended September 30, 2011 | 1,252.3 | 1,564.0 | 65.9 | 2,882.2 |
| Property, plant and equipment as at December 31, 2011 | 486.5 | 349.3 | 49.2 | 885.0 |
| Intangible assets as at December 31, 2011 | 26.9 | 38.7 | – | 65.6 |
| Goodwill as at December 31, 2011 | 185.6 | 0.5 | – | 186.1 |
| Total assets as at December 31, 2011 | 1,337.9 | 788.3 | 67.1 | 2,193.4 |