Superior Plus

Q4

Annual and Fourth Quarter ended December 31, 2018

TSX: SPB **February 14, 2019**

Superior Plus Corp. Announces Record Fourth Quarter and Full Year Results and Confirms 2018 Results at the Higher End of the AOCF per share and Adjusted EBITDA Guidance

Superior Plus Corp. ("Superior") (TSX: SPB) announced today its financial and operating results for the fourth quarter ended December 31, 2018. Unless otherwise expressed, all financial figures are expressed in Canadian dollars.

Superior achieved AOCF before transaction and other costs of $1.91 per share and Adjusted EBITDA of $374.3 million, which were at the higher end of the 2018 Financial Outlook and Adjusted EBITDA guidance.

"We achieved record results in 2018, driven by strong contribution and integration work related to the NGL, Canwest and tuck-in acquisitions in our Energy Distribution business and improved chlor-alkali results in our Specialty Chemicals business. The record fourth quarter results demonstrate the benefits of the acquisition of NGL Propane and our larger scale U.S. Propane Distribution business in the Eastern U.S. We also ended the year exceeding our 2018 run-rate synergy target related to the Canwest Propane acquisition and we were able to realize higher than expected synergies related to the acquisition of NGL Propane," said Luc Desjardins, Superior's President and Chief Executive Officer. "We continue to gain momentum on finishing at the higher end of our Evolution 2020 initiatives, and we are focused on lowering our leverage as well as achieving double digit Adjusted EBITDA growth in 2019."

Business and Financial Highlights

- Superior achieved record results in the fourth quarter, reporting Adjusted EBITDA of $153.0 million, a $43.9 million or 40% increase over the prior year quarter primarily due to higher Energy Distribution EBITDA from operations and lower corporate costs, partially offset by lower Specialty Chemicals EBITDA from operations and realized losses on foreign currency hedging contracts compared to a gain in the prior year.

- Adjusted EBITDA during 2018 was $374.3 million, 26% higher than 2017 and at the higher end of the Financial Outlook range of $345.0 - $375.0 million primarily due to the increase in Energy Distribution EBITDA from operations.
- AOCF per share before transaction and other costs during the fourth quarter was $0.76, 10% higher than the prior year quarter primarily due to an increase in Adjusted EBITDA and a decrease in cash taxes, partially offset by an increase in interest expense and weighted average shares outstanding. The increase in interest expense and weighted average shares outstanding was a result of the debt and equity financing for the NGL transaction.
- AOCF per share before transaction and other costs during 2018 was $1.91, 9% higher than 2017 and towards the top of the financial outlook range of $1.75 - $1.95 per share.
- Net cash flows from operating activities in the fourth quarter were $17.6 million lower than the prior year quarter primarily due to income taxes refunded in the prior year partially offset by higher cash generated from operations in the current year.
- Superior generated a net loss of $48.3 million in the fourth quarter, which was $93.6 million lower than the net earnings of $45.3 million in the prior year quarter. The decline was primarily due to an unrealized loss on derivatives financial instruments in the quarter, an increase in selling, distribution and administration costs as a result of the NGL acquisition, including increased amortization and depreciation expenses, and was offset in part by an increase in gross profit. Gross profit increased $81.4 million primarily due to the contribution from NGL, Canwest and tuck-in acquisitions as well as colder weather. Selling, Distribution and Administrative costs increased $97.2 million primarily due to the incremental expenses from the NGL and tuck-in acquisitions.
- Energy Distribution EBITDA from operations for the fourth quarter was $129.0 million, an increase of $47.7 million or 59% compared to the prior year quarter primarily due to the contribution from NGL Propane (“NGL”) and the tuck-in acquisitions completed in 2018, as well as colder weather in the Northeast U.S. and Eastern Canada. U.S. propane distribution residential sales volumes increased 193 million litres or 224% primarily due to incremental volumes from NGL and the tuck-in acquisitions. Average sales margin for U.S. propane distribution increased to 34.0 cents per litre in the fourth quarter, an increase of 139% compared to the prior year quarter. The increase reflects the contribution from NGL and the tuck-in acquisitions, which have a higher mix of residential customers, and the positive impact from the divested lower-margin wholesale distillate assets and related business.
- Specialty Chemicals EBITDA from operations for the fourth quarter was $33.3 million, a decrease of $2.2 million or 6% compared to the prior year quarter due to lower sodium chlorate and sodium chlorite gross profit, partially offset by higher chlor-alkali gross profit. Sodium chlorate gross profit decreased primarily due to higher electricity costs coupled with lower sales volumes. Sodium chlorite gross profit decreased due to lower demand from the oil and gas and municipal sectors. Chlor-alkali gross profit increased primarily due to higher sales prices, primarily hydrochloric acid and caustic soda.

Financial Overview

(millions of dollars, except per share amounts)	Three Months Ended December 31				Twelve Months Ended December 31			
		2018		**2017**		**2018**		**2017**
Revenue		**887.0**		768.9		**2,726.7**		2,385.0
Gross Profit		**319.5**		238.1		**938.1**		735.4
Net earnings (loss)		**(48.3)**		45.3		**(34.0)**		(27.9)
Net earnings (loss) per share, basic and diluted	**$**	**(0.28)**	**$**	0.32	**$**	**(0.22)**	**$**	(0.20)
EBITDA from operations [(1)]		**162.3**		116.8		**402.8**		306.8
Adjusted EBITDA [(1)]		**153.0**		109.1		**374.3**		297.6
Net cash flows from operating activities		**41.6**		59.2		**263.0**		183.1
Net cash flows from operating activities per share – basic and diluted [(2)]	**$**	**0.24**	**$**	0.41	**$**	**1.66**	**$**	1.28
AOCF before transaction and other costs [(1)(3)]		**132.7**		98.7		**302.3**		250.5
AOCF before transaction and other costs per share – basic and diluted [(1)(2)(3)]	**$**	**0.76**	**$**	0.69	**$**	**$1.91**	**$**	1.75
AOCF [(1)]		**125.2**		94.0		**$262.8**		217.4
AOCF per share– basic and diluted [(1)(2)]	**$**	**0.72**	**$**	0.66	**$**	**1.66**	**$**	1.52
Cash dividends declared		**31.5**		25.7		**114.4**		102.8
Cash dividends declared per share	**$**	**0.18**	**$**	0.18	**$**	**0.72**	**$**	0.72

(1) EBITDA from operations, Adjusted EBITDA and AOCF are non-GAAP measures. Refer to “Non-GAAP Financial Measures” for further details and the Annual Management Discussion & Analysis (“MD&A”) for reconciliations.
(2) The weighted average number of shares outstanding for the three months and full year ended December 31, 2018 is 174.9 million and 158.1 million, respectively (three months and full year ended December 31, 2017 - 142.8 million). There were no dilutive instruments for the three months and full year ended December 31, 2018 and 2017.
(3) Transaction and other costs for the three months and year ended December 31, 2018 and 2017 are related to acquisition activities and integration of acquisitions. See “Transaction and Other Costs” in the MD&A for further details.

Segmented Information

(millions of dollars)	Three Months Ended December 31		Twelve Months Ended December 31	
	2018	2017	**2018**	2017
EBITDA from operations[(1)]				
Energy Distribution	**129.0**	81.3	**265.2**	180.4
Specialty Chemicals	**33.3**	35.5	**137.6**	126.4
	162.3	116.8	**402.8**	306.8

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

***Evolution 2020* and Strategy Highlights**

- Superior is confirming the 2019 Adjusted EBITDA guidance ("EBITDA guidance") in the range of $445 million to $495 million, a 26% increase compared to 2018 using the mid-point of the 2019 EBITDA guidance range. See "2019 Adjusted EBITDA and Leverage Guidance" for additional details.
- Superior exceeded its previous target of $15.0 million in run-rate synergies related to the Canwest Propane acquisition, achieving $16.5 million in run-rate synergies exiting 2018. Superior now expects to achieve $21.5 million in run-rate synergies by the third quarter of 2019.
- During the fourth quarter, U.S. propane distribution achieved approximately US $3.6 million in synergies related to the NGL acquisition. The realized synergies include supply chain efficiencies through leveraging the scale and existing supply relationships, as well as operational expense savings. The expected additional run rate synergies of US $16.7 million from the NGL transaction are anticipated to come primarily from operational and procurement cost-savings, effective supply chain management as well as improving margin management through merging the sales and marketing teams and sharing best practices. The U.S. propane distribution business expects to achieve an additional US $6.4 million of synergies in 2019, and an additional US $10.0 million in run-rate synergies by the end of 2020.
- On October 2, 2018, Superior closed the acquisition of all of the issued and outstanding shares of United Liquid Gas Company Inc., which operates under the trade name United Pacific Energy ("UPE") an independent wholesale natural gas liquid distributor in California. This acquisition adds significant sales volumes to the wholesale natural gas liquid portfolio, diversifies our customer and geographical base and includes an attractive group of assets with coastal exposure which is integral in the continued expansion of the propane distribution business along the western coast of the U.S.
- On November 1, 2018, Superior closed the acquisition of all of the propane distribution and other assets of Musco Fuel & Propane LLP, an independent propane distributor in Connecticut serving residential and commercial customers.

2019 Adjusted EBITDA and Leverage Guidance

Superior is confirming its 2019 Adjusted EBITDA guidance range of $445 million to $495 million, a 26% increase compared to 2018 using the mid-point of guidance. Energy Distribution EBITDA from operations is anticipated to be higher than 2018 primarily due to full year results from NGL as well as the incremental contribution from the six tuck-in acquisitions completed in 2018. The increase also reflects approximately $5.0 million in incremental synergies related to Canwest and US $6.4 million in synergies related to NGL to be realized in 2019. Supply market fundamentals in the Canadian propane distribution business are anticipated to be consistent with 2018. Average weather, as measured by degree days for 2019 is anticipated to be consistent with the five-year average. Specialty Chemicals EBITDA from operations is anticipated to be consistent to modestly lower than 2018 as sodium chlorate EBITDA is anticipated to be consistent, chlor-alkali EBITDA is anticipated to be modestly lower and sodium chlorite EBITDA is anticipated to be higher.

Superior expects to update the Adjusted EBITDA and Leverage guidance after the first quarter, incorporating the impact of IFRS 16. Based on the mid-point of 2019 Adjusted EBITDA guidance, IFRS 16 is estimated to positively impact Adjusted EBITDA by approximately 5% in 2019. IFRS 16 is expected to increase total debt by the end of 2019 by approximately $150 million primarily due to railcar leases previously treated as operating leases and excluded from debt.

Debt Management Update

Superior remains focused on managing both its total debt and its total net debt to Adjusted EBITDA ratio. Superior's total debt to Adjusted EBITDA ratio for the trailing twelve months (TTM) was 4.1x as at December 31, 2018, compared to 3.3x at December 31, 2017. The debt levels and total leverage ratio as at December 31, 2018 were higher than December 31, 2017, due to increased borrowings on the credit facilities and the issuance of $605 million in unsecured notes associated with the NGL and tuck-in acquisitions. The TTM Adjusted EBITDA includes pro forma Adjusted EBITDA for acquisitions completed in 2018.

Superior's total debt to Adjusted EBITDA ratio as at December 31, 2018 was in line with the previously communicated guidance of 3.8x to 4.2x as at December 31, 2018. Superior anticipates total debt to Adjusted EBITDA will be in the range of 3.6x to 4.0x as at December 31, 2019 as cash generated from operations is used to repay debt.

At-the-Market Equity Program

Superior's "at-the-market" equity offering program (the "ATM") which allowed Superior to sell up to $100,000,000 in common shares of Superior on the Toronto Stock Exchange expired on December 9, 2018, concurrent with the expiry of Superior's short form base shelf prospectus dated November 9, 2016. Under the ATM, Superior sold an aggregate of 29,300 common shares at an average price of $12.76 per share for net proceeds of $0.4 million.

MD&A and Financial Statements

Superior's MD&A, the audited Consolidated Financial Statements and the Notes to the Consolidated Financial Statements for year ended December 31, 2018 provide a detailed explanation of Superior's operating results. These documents are available online at Superior's website at www.superiorplus.com under the Investor Relations section and on SEDAR under Superior's profile at www.sedar.com.

2018 Fourth Quarter Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the 2018 Annual and Fourth Quarter Results at 10:30 a.m. EST on Friday, February 15, 2019. To participate in the call, dial: 1-844-389-8661. A live audio webcast of the meeting, including a corporate presentation will be accessible through this link also posted on Superior's website under the Webcasts section. Internet users can listen to the call live, or as an archived call on Superior's website at www.superiorplus.com under the Events section.

Non-GAAP Financial Measures

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

The intent of non-GAAP financial measures is to provide additional useful information to investors and analysts, and the measures do not have any standardized meaning under IFRS. The measures should not, therefore, be considered in isolation or used in substitute for measures of performance prepared in accordance with IFRS. Other issuers may calculate non-GAAP financial measures differently.

Investors should be cautioned that AOCF, EBITDA from operations, and Adjusted EBITDA should not be construed as alternatives to net earnings, cash flow from operating activities or other measures of financial results determined in accordance with GAAP as an indicator of Superior’s performance. Non-GAAP financial measures are identified and defined as follows:

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

AOCF is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, other expenses, non-cash interest expense, current income taxes and finance costs. Superior may deduct or include additional items in its calculation of AOCF; these items would generally, but not necessarily, be infrequent in nature and could distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring. AOCF and AOCF per share are presented before and after transaction and other costs.

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

AOCF is a performance measure used by management and investors to evaluate Superior’s ongoing performance of its businesses and ability to generate cash flow. AOCF represents cash flow generated by Superior that is available for, but not necessarily limited to, changes in working capital requirements, investing activities and financing activities of Superior. AOCF is also used as one component in determining short-term incentive compensation for certain management employees.

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

Adjusted EBITDA

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

EBITDA from operations

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

Forward Looking Information

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

Forward-looking information in this document includes: future financial position, consolidated and business segment outlooks, expected Adjusted EBITDA, anticipated financial impact of IFRS 16, expected total debt to Adjusted EBITDA ratio, business strategy and objectives, development plans and programs, business expansion and cost structure and other improvement projects, weather, product pricing and sourcing, electricity costs, exchange rates, expected synergies from the integration of Canwest, EBITDA and synergies associated with the NGL acquisition, expected seasonality of demand, future economic conditions, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP.

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

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

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

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

Beth Summers Executive Vice President and Chief Financial Officer
Phone: (416) 340-6015

Rob Dorran Vice President, Investor Relations and Treasurer
Phone: (416) 340-6003
Toll Free: 1-866-490-PLUS (7587)

Management's Discussion and Analysis of 2018 Annual and Fourth Quarter Results
February 14, 2019

This Management's Discussion and Analysis (MD&A) contains information about the performance and financial position of Superior Plus Corp. (Superior) as at and for the year ended December 31, 2018 and 2017, as well as forward-looking information about future periods. The information in this MD&A is current to February 14, 2019, and should be read in conjunction with Superior's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2018 and 2017.

The accompanying audited consolidated financial statements of Superior were prepared by and are the responsibility of Superior's management. Superior's audited consolidated financial statements as at and for the years ended December 31, 2018 and 2017 were prepared in accordance with *International Financial Reporting Standards* (IFRS).

All financial amounts in this MD&A are expressed in millions of Canadian dollars except where otherwise noted. All tables are for the 12 months ended December 31 of the year indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more details.

Overview of Superior

Superior is a diversified business corporation. Superior holds 99.9% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. (Superior GP) as general partner and Superior as limited partner. Superior owns 100% of the shares of Superior GP and Superior GP holds 0.1% of Superior LP. The cash flow of Superior is solely dependent on the results of Superior LP and is derived from the allocation of Superior LP's income to Superior by means of partnership allocations.

Superior, through its ownership of Superior LP and Superior GP, has two operating segments: the Energy Distribution segment, which includes a Canadian propane distribution business and a U.S. propane distribution business; and the Specialty Chemicals segment, which produces and distributes sodium chlorate, chlor-alkali products and sodium chlorite.

Non-GAAP Financial Measures

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

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

See "Non-GAAP Financial Measures" for more information about these measures.

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

Forward-looking information in this document includes: future financial position, consolidated and business segment outlooks, expected Adjusted EBITDA, leverage ratio, business strategy and objectives, development plans and programs, business expansion and cost structure and other improvement projects, expected product margins and sales volumes, market conditions in Canada and the U.S., expected synergies from the integration of Canwest, EBITDA and synergies associated with the NGL acquisition, expected seasonality of demand, future economic conditions, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP.

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

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

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

FINANCIAL OVERVIEW

Summary of AOCF

(millions of dollars except per share amounts)	**2018**	2017
Revenues	**2,726.7**	2,385.0
Gross profit	**938.1**	735.4
EBITDA from operations [1]	**402.8**	306.8
Income from Canwest [2]		11.9
Corporate operating and administrative costs	**(20.0)**	(21.6)
Realized gains (losses) on foreign currency hedging contracts	**(8.5)**	0.5
Adjusted EBITDA [1]	**374.3**	297.6
Interest expense	**(70.1)**	(43.8)
Cash income tax expense	**(1.9)**	(3.3)
AOCF before transaction and other costs [1]	**302.3**	250.5
Transaction and other costs [3]	**(39.5)**	(33.1)
AOCF[1]	**262.8**	217.4
AOCF per share before transaction and other costs, basic and diluted [1][3][4]	**$1.91**	$1.75
AOCF per share, basic and diluted [1][3][4]	**$1.66**	$1.52
Dividends declared per share [4]	**$0.72**	$0.72

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

(2) As of March 1, 2017 and up to the acquisition closing date of September 27, 2017, Superior was entitled to the benefit of the income from Canwest. In 2018, Canwest's income is included in EBITDA from operations.

(3) Transaction and other costs for the years ended December 31, 2018 and 2017 are related to acquisition activity and the integration of acquisitions. See "Transaction and Other Costs" for further details.

(4) The weighted average number of shares outstanding for the year ended December 31, 2018 is 158.1 million (December 31, 2017 – 142.8 million). There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the years ended December 31, 2018 and 2017.

Comparable GAAP Financial Information

(millions of dollars except per share amounts)	**2018**	2017
Net loss	**(34.0)**	(27.9)
Net loss per share, basic and diluted	**(0.22)**	(0.20)
Net cash flows from operating activities	**263.0**	183.1
Net cash flows from operating activities paid per share, basic and diluted	**1.66**	1.28

Segmented Information

(millions of dollars)	**2018**	2017
EBITDA from operations[1]		
Energy Distribution	**265.2**	180.4
Specialty Chemicals	**137.6**	126.4
	402.8	306.8

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

AOCF Reconciled to Net Cash Flow from Operating Activities [1]

(millions of dollars)	**2018**	2017
Net cash flow from operating activities	**263.0**	183.1
Add (deduct):		
Non-cash interest expense, loss on redemption and other	**15.8**	10.0
Changes in non-cash working capital	**20.5**	61.2
Income taxes paid (received)	**0.1**	(30.5)
Interest paid	**51.1**	39.9
Canwest depreciation, amortization and other	**–**	10.8
Cash income tax expense	**(1.9)**	(3.3)
Finance expense recognized in net earnings	**(85.8)**	(53.8)
AOCF [1]	**262.8**	217.4

[a] AOCF is a Non-GAAP measure. See "Non-GAAP Financial Measures".

2018 ACQUISITIONS AND DIVESTITURES

Acquisition of Hi-Grade Oil (Hi-Grade)

On February 2, 2018, Superior closed the acquisition of the propane distribution assets of Hi-Grade, an independent propane and distillate fuel distributor in Ohio for total cash consideration of US$6.4 million (CDN $8.3 million). The assets of Hi-Grade's distillate fuel business were simultaneously sold to a third party for cash proceeds of US$1.7 million (CDN $2.4 million).

Sale of Certain U.S. Refined Fuel Assets (Sale of Refined Fuel Assets)

On April 3, 2018, Superior sold certain retail distillate assets in Pennsylvania to a third-party for total cash consideration of approximately US$16.7 million (CDN $20.7 million). On April 25, 2018, Superior sold certain wholesale refined fuels business assets located across five states in the northeast U.S., and three pipeline connected terminals located in New York to Sunoco LP for total cash consideration of US$39.5 million (CDN $50.8 million), plus net working capital of approximately US$16.0 million (CDN $20.4 million).

Sale of Petrofuels

On April 19, 2018, Superior Propane sold its inventory and fixed assets associated with the Petrofuels business in St. Catharines, Ontario for a total purchase price of $4.1 million.

Sale of Canwest Consent Agreement Assets

On April 30, 2018, Superior completed the Canwest asset sales pursuant to the Consent Agreement with the Government of Canada's Competition Bureau for total cash consideration of $13.0 million including working capital of approximately $1.6 million.

Acquisition of Blue Flame Gas Service (Blue Flame)

On May 1, 2018, Superior closed the acquisition of the propane distribution assets of Blue Flame, an independent propane distributor in Pennsylvania for total cash consideration of US$9.6 million (CDN $11.6 million) and deferred payments of US$2.0 million (CDN $2.6 million).

NGL Propane, LLC (NGL)

On July 10, 2018, Superior completed the acquisition of NGL Propane, LLC, NGL Energy Partners LP's retail propane distribution business (NGL) for cash proceeds of US$889.8 million (CDN $1,165.6 million), net of customary closing adjustments and excluding transaction costs. The purchase price was financed through the issuance of senior unsecured notes in the amounts of US$350 million (CDN $457.0 million) and CDN $150.0

million aggregate principal, the issuance of 32 million subscription receipts and borrowings under Superior's existing credit facilities. See Note 14 and Note 19 in the 2018 audited consolidated financial statements for more details on the debt raised and common shares issued.

Porco Energy Corp. (Porco)
On September 21, 2018, Superior completed the acquisition of the propane distribution and other assets of Porco, an independent propane and distillate fuel distributor in New York for total consideration of US$16.0 million (CDN $20.0 million). The acquisition was funded by drawing on Superior's credit facility and deferring US$5.5 million in payments over the next 5 years.

United Pacific Energy (UPE)
On October 2, 2018 Superior acquired all of the issued and outstanding shares of United Liquid Gas Company Inc., which operates under the trade name UPE, an independent wholesale natural gas liquid distributor in California for US$33.0 million plus working capital of US$6.9 million for total consideration of US$39.9 million (CDN $51.5 million). The acquisition was funded by drawing on Superior's credit facility.

Musco Fuel & Propane LLP (Musco)
On November 1, 2018, Superior acquired substantially all of the propane distribution assets of Musco, an independent propane distributor in Connecticut serving residential and commercial customers, for total consideration of US$14.5 million (CDN $19.1 million). The acquisition was funded by drawing on Superior's credit facility and deferring US$1.0 million in payments over the next 5 years.

Consolidated Statement of Net Loss

(millions of dollars except per share amounts)	**2018**	2017
Revenues	**2,726.7**	2,385.0
Cost of sales (includes products and services)	**(1,788.6)**	(1,649.6)
Gross profit	**938.1**	735.4
Expenses		
Selling, distribution and administrative costs	**(800.3)**	(593.5)
Finance expense	**(85.8)**	(53.8)
Unrealized gain (loss) on derivative financial instruments	**(86.3)**	27.7
	(972.4)	(619.6)
(Loss) earnings before income taxes	**(34.3)**	115.8
Income tax (expense) recovery	**0.3**	(143.7)
Net loss for the year	**(34.0)**	(27.9)
Net loss per share, basic and diluted (1)	**(0.22)**	(0.20)

(1) The weighted average number of shares outstanding for the year ended December 31, 2018 is 158.1 million (December 31, 2017 – 142.8 million). There were no dilutive instruments with respect to AOCF per share for the years ended December 31, 2018 and 2017.

Annual Financial Results Compared to the Prior Year

Net cash flows from operating activities was $263.0 million for the year ended December 31, 2018, an increase of $79.9 million from the prior year, primarily due to higher earnings in the Energy Distribution segment and to a lesser extent, the Specialty Chemicals segment and smaller decrease from changes in non-cash operating working capital. This was partially offset by a realized loss on foreign currency hedging contracts compared to a gain in the prior year, higher interest paid and higher transaction, restructuring and other costs.

AOCF before transaction and other costs for the year ended December 31, 2018 was $302.3 million, an increase of $51.8 million or 21% from the prior year AOCF before transaction and other costs of $250.5 million. The increase from the prior year was primarily due to higher EBITDA from operations and was partially offset by a realized loss on foreign currency hedging contracts compared to a gain in the prior year and higher interest costs. Energy Distribution EBITDA from operations increased due to the contribution from the NGL acquisition, the full year contribution from Canwest and the other tuck-in acquisitions. Specialty Chemicals EBITDA from operations increased due to higher sales volumes and prices for caustic soda and hydrochloric acid, and was partially offset by lower sodium chlorate sales volumes and higher average electricity costs. Interest costs increased compared to the prior year primarily due to higher debt balances related to the financing of the NGL and tuck-in acquisitions. AOCF per share before transaction and other costs was $1.91 per share, an increase of $0.16 per share or 9% from the prior year results of $1.75 per share. The increase on a per share basis is a result of the above and was partially offset by the impact of the issuance of 32 million shares during the year related to the NGL acquisition.

AOCF for the year ended December 31, 2018 was $262.8 million, an increase of $45.4 million or 21% from the prior year AOCF of $217.4 million. AOCF per share for 2018 was $1.66 per share, an increase of $0.14 per share or 9% from the prior year results of $1.52 per share. Transaction and other costs for 2018 were $39.5 million, $6.4 million higher than the prior year and are primarily related to the acquisition costs for NGL and the other tuck-in acquisitions and costs incurred related to the Canwest integration compared to costs in the prior year related to the Canwest acquisition and restructuring. The increase on a per share basis is partially offset as a result of the issuance of 32 million shares during the third quarter related to the NGL acquisition.

Revenue of $2,726.7 million for the year ended December 31, 2018 was an increase of $341.7 million or 14% from the prior year due to increased revenue for both the Energy Distribution and Specialty Chemicals segments. Energy Distribution revenue for the year ended December 31, 2018 was $2,058.7 million, an increase of $310.6 million or 18% from the prior year primarily due to the contribution from the NGL, Canwest and tuck-in acquisitions, and to a lesser extent, higher commodity prices, partially offset by the impact from the sale of certain refined fuel assets in the second quarter. Specialty Chemicals revenue for the year ended December 31, 2018 was $676.5 million, an increase of $40.1 million or 6% from the prior year primarily due to higher average selling prices for caustic soda, and hydrochloric acid and higher chlor-alkali sales volumes partially offset by lower sales volumes for sodium chlorate. Revenue for 2018 includes a realized loss of $8.5 million related to foreign currency hedging contracts compared to a gain of $0.5 million in the prior year. Gross profit was $938.1 million, an increase of $202.7 million or 28% from $735.4 million in the prior year primarily due to an increase in cost of sales, partially offset by the increased revenues. Energy distribution cost of sales increased due to the NGL and other tuck-in acquisitions, the full year impact of Canwest and the impact of falling propane and butane prices had on inventory. This was partially offset by the impact of the sale of certain refined fuel assets. Specialty Chemicals cost of sales increased primarily due to higher average electricity costs and higher costs of raw materials used in production.

Selling, distribution and administrative costs were $800.3 million for the year ended December 31, 2018, an increase of $206.8 million or 35% from the prior year primarily due to an increase in Energy Distribution costs and to a lesser extent, the Specialty Chemicals costs. Energy Distribution costs were $608.7 million, an increase of $200.9 million from $407.8 million in the prior year primarily due to the impact of the NGL acquisition, Canwest and other tuck-in acquisitions, partially offset by a gain on disposal of assets related primarily to the sale of certain refined fuel assets. Energy Distribution costs in the prior year included a net income of $1.2 million from Canwest for the period from March 1, 2017 until September 27, 2017. Specialty Chemicals costs were $149.3 million for the year ended December 31, 2018, an increase of $2.9 million or 2% from $146.4 million primarily due to higher distribution costs and to a lesser extent, higher amortization expense related to the increased asset base as a result of the International Dioxcide, Inc. ("IDI") acquisition which closed in the fourth quarter of the prior year.

Finance expense for the year ended December 31, 2018 was $85.8 million, an increase of $32.0 million or 59% from $53.8 million in the prior year. The increase is primarily due to higher debt balances as a result of the NGL and tuck-in acquisitions completed during the year and to a lesser extent, the $9.8 million early call premium related to the redemption of the 6.5% senior unsecured notes on March 8, 2018 and higher interest rates in the U.S. and Canada.

Unrealized loss on derivative financial instruments were $86.3 million for the year ended December 31, 2018 compared to a gain of $27.7 million in the prior year. This is mainly related to changes in market prices of commodities, timing of maturities of underlying financial instruments and foreign exchange rates relative to amounts hedged. For additional details, refer to Note 17 of the 2018 audited consolidated financial statements.

Total income tax recovery of $0.3 million was $144.0 million lower than the prior year's expense of $143.7 million. Current income tax expense was $1.9 million, a decrease of $1.4 million from the prior year. Deferred income tax recovery was $2.2 million, a decrease from the $140.4 million expense in the prior year primarily due to the impact of the Canada Revenue Agency agreement in the prior year regarding Superior's corporate conversion transaction which occurred on December 31, 2008.

The net loss for the year ended December 31, 2018 was $34.0 million, compared to a net loss of $27.9 million in the prior year. The decrease from the prior year is primarily due to increased selling, distribution and administrative costs, finance costs and an unrealized loss on derivative instruments compared to a gain in the prior year, partially offset by higher gross profits and a deferred tax recovery compared to a deferred tax expense in the prior year. Basic loss per share was $0.22, compared to a loss per share of $0.20 in the prior year.

RESULTS OF SUPERIOR'S OPERATING SEGMENTS

ENERGY DISTRIBUTION

Energy Distribution's condensed operating results for 2018 and 2017:

(millions of dollars)	**2018**	2017
Revenue	**2,058.7**	1,748.1
Cost of Sales	**(1,344.1)**	(1,233.2)
Gross profit	**714.6**	514.9
Selling, distribution and administrative costs	**(608.7)**	(407.8)
Add back (deduct):		
Amortization and depreciation included in selling, distribution and administrative costs	**144.3**	59.7
Transaction, restructuring, and other costs	**17.4**	16.6
Gain on disposal of assets and other	**(2.4)**	(1.8)
Income from Canwest	**–**	(1.2)
EBITDA from operations[1]	**265.2**	180.4
Add back (deduct):		
Income from Canwest	**–**	1.2
Gain on disposal of assets and other	**2.4**	1.8
Transaction, restructuring, and other costs	**(17.4)**	(16.6)
Amortization and depreciation included in selling, distribution and administrative costs	**(144.3)**	(59.7)
Unrealized gain (losses) on derivative financial instruments	**(27.8)**	5.0
Finance expense	**(4.7)**	(3.5)
Net income before income tax	**73.4**	108.6

[1] EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures".

Revenue for 2018 was $2,058.7 million, an increase of $310.6 million from the prior year primarily due to incremental revenue from NGL, tuck-in acquisitions, the full year impact of Canwest and higher wholesale propane prices, partially offset by the impact of the sale of certain refined fuel assets in the U.S. during the year. Wholesale propane supply prices increased due to lower industry inventory levels in the U.S. driven by higher exports out of North America and the higher average West Texas Intermediate crude oil prices compared to the prior year. Total gross profit for 2018 was $714.6 million, an increase of $199.7 million or 39% from the prior year primarily driven by the contribution from NGL, Canwest and tuck-in acquisitions. This was partially offset by the impact from the sale of certain refined fuel assets in the U.S. and the continued impact of weaker basis differentials and market fundamentals on the supply portfolio management business within the Canadian propane distribution business. A review of gross profit is provided below.

Gross Profit Review

(millions of dollars)	**2018**	2017
Canadian propane distribution	**382.1**	316.4
U.S. propane distribution	**283.0**	168.5
Other services	**49.5**	30.0
Total gross profit	**714.6**	514.9

Canadian Propane Distribution

Canadian propane distribution's gross profit for 2018 was $382.1 million, an increase of $65.7 million from the prior year. The increase is primarily due to a full year contribution from Canwest. In the prior year income from Canwest was recorded similar to an equity investment from March 1, 2017 to September 27, 2017. The increase was partially offset by the continued impact of weaker market fundamentals and customer mix. Average weather across Canada for the year, as measured by degree days, was 5% colder than the prior year and 4% colder than the five-year average. Residential sales volumes increased by 33 million litres or 22%, commercial sales volumes increased by 55 million litres or 19%, oilfield volumes increased by 103 million litres or 102%, industrial volumes increased by 64 million litres or 32%, motor fuels sales volumes increased by 19 million litres or 12% from the prior year, primarily due to incremental sales volumes associated with Canwest. Wholesale propane volumes were higher by 229 million litres or 34% over the prior year primarily due to the acquisition of UPE and to a lesser extent, an increase in spot sales compared to the prior year.

Average propane sales margins for 2018 were 17.3 cents per litre, a 7% decrease from 18.7 cents per litre in the prior year. Average propane margins were lower due to an increased proportion of lower margin wholesale volumes, customer mix and the impact of continued weak market fundamentals within the supply portfolio management business, including lower butane prices on weaker demand.

Canadian Propane Distribution Sales Volumes

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

(millions of litres)	**2018**	2017
Residential	**183**	150
Commercial	**345**	290
Oilfield (2)	**204**	101
Industrial (2)	**263**	199
Motor Fuels	**179**	160
Wholesale	**907**	678
Other	**134**	117
Total	**2,215**	1,695

(1) 2017 excludes Canwest volumes prior to the transaction closing on September 27, 2017. See details on page 30 "Income from Canwest".
(2) 2017 volumes were reclassified to conform to the current year presentation

***Volumes by Region* (1)**

(millions of litres)	**2018**	2017
Western Canada	**1,121**	823
Eastern Canada	**560**	529
Atlantic Canada	**120**	113
United States	**414**	230
Total	**2,215**	1,695

(1) Regions: Western Canada region consists of British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Ontario, Yukon and Northwest Territories; Eastern Canada region consists of Ontario (except for Northwest Ontario) and Quebec; Atlantic Canada region consists of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island. United States region consists primarily of Maine, Idaho, Kansas, Michigan, Washington, Alaska, California, North Dakota, Pennsylvania, and New York.

U.S. Propane Distribution

U.S. propane distribution gross profit for 2018 was $283.0 million, an increase of $114.5 million or 68% from the prior year. The increase in gross profit was due to the incremental sales volumes associated with the NGL and the tuck-in acquisitions, the realization of US$3.6 million in NGL synergies and was partially offset with lower wholesale volumes related to the sale of certain refined fuel assets. Residential sales volumes increased by 281 million litres or 112% from the prior year due primarily to the NGL and tuck-in acquisitions. Commercial sales volumes were consistent with the prior year, as the sale of certain refined fuel assets and a decrease in distillate sales was offset by additional sales volumes related to NGL and tuck-in acquisitions. Wholesale volumes decreased by 513 million litres or 70% due to the sale of certain refined fuel assets which included the wholesale distillate business in the second quarter. Average weather across the Northeast U.S. for the year related to the legacy business, as measured by degree days, was 9% colder than the prior year and 4% colder than the five-year average. From the date of acquisition, average weather for markets where NGL operates was 1% colder than the prior year and 9% colder than the five-year average.

Average U.S. propane distribution sales margins were 25.6 cents per litre, an increase of 103% from 12.6 cents per litre in the prior year, primarily due to customer mix. U.S. propane distribution benefitted from a higher proportion of residential sales volumes as a result of the NGL and other tuck-in acquisitions and a lower proportion of wholesale volumes as a result of the sale of certain refined fuel assets and the wholesale business.

U.S. Propane Distribution Sales Volumes

Volumes by End-Use Application [1]

(millions of litres)	**2018**	2017
Residential	**531**	250
Commercial	**359**	359
Wholesale	**215**	728
Total	**1,105**	1,337

(1) Includes heating oil, propane, diesel and gasoline sold in over 22 states primarily in the Eastern United States.

Other Services

Other services primarily include equipment installation, repair and maintenance, tank rentals, and other customer charges. Gross profit was $49.5 million, an increase of $19.5 million or 65% from the prior year primarily due to incremental service revenue associated with NGL and to a lesser extent, Canwest.

Selling, Distribution and Administrative Costs

Selling, distribution and administrative costs were $608.7 million, an increase of $200.9 million or 49% over the prior year. The increase in selling, distribution and administrative costs is primarily due to the acquisition of NGL, and the full year impact of Canwest which closed at the end of the third quarter in 2017 and to a lesser extent, the other tuck-in acquisitions completed during the 2018 and the prior year.

Net Earnings

Net income before tax of $73.4 million, decreased by $35.2 million over the prior year, as a result of higher amortization on a higher asset base, unrealized losses on derivative financial instruments compared to a gain in the prior year, partially offset by a gain on disposal of assets, and higher EBITDA from operations.

Financial Outlook

EBITDA from operations in 2019 for Energy Distribution is anticipated to be higher than 2018. The anticipated increase in EBITDA is primarily due to the full year results from NGL, incremental NGL synergies of US$6.4 million, incremental Canwest synergies $5.0 million and the full year results from tuck-in acquisitions completed in 2018. Supply market fundamentals in the Canadian propane distribution business are anticipated to be consistent with 2018. Average weather, as measured by degree days, for 2019 is anticipated to be consistent with the five-year average. This guidance excludes the impact of adopting IFRS 16. Superior will update this guidance for the adoption of IFRS 16 in the first quarter of 2019, see “New and revised IFRS standards” for further details.

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

SPECIALTY CHEMICALS

Specialty Chemicals' condensed operating results for 2018 and 2017:

(millions of dollars except per metric tonne (MT) amounts)	**2018**		2017	
		$ per MT		$ per MT
Revenue	**676.5**	**810**	636.4	748
Cost of Sales	**(444.5)**	**(532)**	(416.4)	(489)
Gross Profit (1)	**232.0**	**278**	220.0	259
Selling, distribution and administrative costs	**(149.3)**	**(179)**	(146.4)	(172)
Add back (deduct):				
Depreciation included in cost of sales	**53.6**	**64**	52.3	61
Loss on disposal of assets and other	**0.2**		0.5	
Amortization included in selling, distribution and administrative costs	**1.1**	**1**	-	
EBITDA from operations(2)	**137.6**	**164**	126.4	148
Add back (deduct):				
Loss on disposal of assets and other	**(0.2)**		(0.5)	
Amortization included in selling, distribution and administrative costs	**(1.1)**		-	
Depreciation included in cost of sales	**(53.6)**		(52.3)	
Finance expense	**(2.3)**		(0.7)	
Net earnings before tax	**80.4**		72.9	

(4) Gross Profit per MT after adding back depreciation included in cost of sales for the 2018 was $342/MT and for 2017 was $320/MT.
(5) EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

Sales Volumes by Product

(thousands of MTs)	**2018**	2017
Sodium chlorate	**474**	502
Chlor-alkali	**353**	341
Chlorite	**8**	8
Total	**835**	851

Revenue for 2018 was $676.5 million, an increase of $40.1 million or 6% from the prior year. The increase was primarily due to higher chlor-alkali average selling prices and higher sales volumes, and was partially offset by lower sodium chlorate sales volumes.

Sodium chlorate sales volumes decreased by 28 MTs or 6% over the prior year primarily due to lower contracted sales volumes in 2018, lower demand in areas impacted by hurricane damage and lower export demand. The average annual sales price was consistent with the prior year.

Chlor-alkali sales volumes increased by 12 MTs or 4% due to continued strong demand for hydrochloric acid primarily from the U.S. oil and gas sector related to rig activity and continued strong demand for caustic soda. Caustic potash volumes were consistent with the prior year and chlorine volumes decreased as more chlorine was converted into hydrochloric acid. Chlorite sales volumes were consistent with the prior year.

Gross profit was $232.0 million, an increase of $12.0 million or 5% from the prior year primarily due to higher average sale prices and volumes for caustic soda and hydrochloric acid, partially offset by higher production costs and lower sodium chlorate sales volumes. Sodium chlorate production costs increased primarily due to higher average electricity costs and higher costs of raw materials used in production compared to the prior year.

Selling, distribution and administrative costs were $149.3 million, an increase of $2.9 million over the prior year primarily due to higher distribution costs and to a lesser extent, higher amortization expense as a result of the IDI acquisition which closed in the fourth quarter of the prior year.

Net earnings before tax for 2018 was $80.4 million, an increase of $7.5 million or 10% over the prior year as a result of higher gross profit and was partially offset by higher distribution costs and higher depreciation and amortization expense related primarily to the IDI acquisition.

Financial Outlook

EBITDA from operations for Specialty Chemicals in 2019 is anticipated to be consistent to modestly lower than 2018. Sodium chlorate gross profit is anticipated to be consistent with 2018 as modest improvements in contracted sales prices and volumes, and lower maintenance expense is expected to be offset by increases in electricity mill rates. Chlor-alkali gross profit is anticipated to be consistent to modestly lower than 2018 due to lower sales volumes for caustic soda because of reduced exports from North America creating additional domestic supply and increased input costs partially offset by increases in average hydrochloric acid prices. This guidance excludes the impact of adopting IFRS 16. Superior will update this guidance for the adoption of IFRS 16 in the first quarter of 2019, see “New and revised IFRS standards” for further details. In addition to the significant assumptions detailed above, refer to “Forward-Looking Information” and to “Risk Factors to Superior” for a detailed review of the significant business risks affecting Superior’s Specialty Chemicals segment.

CONSOLIDATED CAPITAL EXPENDITURE SUMMARY

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

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

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

Superior’s capital expenditures for 2018 and 2017:

(millions of dollars)	**2018**	2017
Efficiency, process improvement and growth-related	**28.8**	19.8
Maintenance capital	**73.4**	57.2
	102.2	77.0
Proceeds on disposition of capital and intangible assets	**(22.7)**	(7.6)
Property, plant and equipment acquired through acquisition[(1)]	**417.7**	193.2
Total net capital expenditures	**497.2**	262.6
Investment in finance leases	**16.0**	24.9
Total expenditures including finance leases	**513.2**	287.5

(1) The September 30, 2017 Canwest balance for property, plant and equipment acquired through acquisition was restated to a fair value upon completion of the purchase price allocation, see note 3 in Superior’s audited consolidated financial statements for the year ended December 31, 2018

Efficiency, process improvement and growth-related expenditures were $28.8 million for the 2018, compared to $19.8 million in the prior year. The increase is primarily due to business improvements related to the Canwest integration. The above table excludes the acquisition of a customer list in Atlantic Canada for approximately $3.5 million during the second quarter of 2018 which is included in intangible assets.

Maintenance capital expenditures were $73.4 million for the 2018, compared to $57.2 million in the prior year, consisting primarily of required maintenance and general capital across Superior's segments. The increase is primarily due to the NGL acquisition and the full year impact of Canwest.

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

Superior entered into new leases with capital-equivalent value of $16.0 million for the 2018, compared to $24.9 million in the prior year, primarily related to vehicles for the Energy Distribution segment to support growth and replace aging vehicles. The decrease is due primarily to the integration of the Canwest business decreasing the amount of new vehicles required.

Capital expenditures were funded from a combination of operating cash flow and revolving-term bank credit facilities.

CORPORATE ADMINISTRATION COSTS

Corporate administration costs are $42.3 million for 2018, an increase of $3.0 million, compared to $39.3 million in the prior year. The increase is primarily due to higher corporate transaction costs and is partially offset by lower incentive plan costs related to the share price decline in the fourth quarter of 2018.

FINANCE EXPENSE

Interest expense on borrowing and finance lease obligations was $85.8 million for 2018, an increase of $32.0 million, compared to $53.8 million in the prior year. The increase was primarily due to higher average debt balances and the $9.8 million early call premium related to the redemption of the 6.5% senior unsecured notes. Average debt balances for 2018 were higher than the prior year primarily due to the financing of the NGL and tuck-in acquisitions as well as the increased working capital requirements related to the higher proportion of residential customers associated with the NGL business.

TRANSACTION AND OTHER COSTS

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

(millions of dollars)	**2018**	2017
Total transaction, restructuring and integration costs	**$39.5**	$33.1

Superior incurred $39.5 million in costs related primarily to the acquisition and integration of NGL and to a lesser extent, the other tuck-in acquisitions. The costs in the prior year related primarily to the acquisition, integration, and restructuring of Canwest.

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

Total income tax recovery for 2018 was $0.3 million, comprised of $1.9 million in cash income tax expense and a $2.2 million deferred income tax recovery. This compares to a total income tax expense of $143.7 million in the prior year, which consisted of $3.3 million in cash income tax expense and a $140.4 million deferred income tax expense.

Cash income taxes for the 2018 was $1.9 million, consisting of an income tax recovery in Canada of $2.1 million (2017 – $1.9 million cash tax expense), income taxes in the U.S. of $0.5 million (2017 – $1.4 million recovery), income taxes in Chile of $2.2 million (2017 - $2.1 million), and income taxes in Luxembourg of $1.3 million (2017 – 0.7 million). Deferred income tax recovery for 2018 was $2.2 million (2017 – $140.4 million expense), resulting in a net deferred income tax asset of $24.0 million as at December 31, 2018. The decrease in deferred income tax expense was due to settling the dispute with the CRA in 2017 with respect to the company's corporate conversion transaction.

As at December 31, 2018, Superior had the following tax pools available to be used in future years:

Canada	*(millions of dollars)*
Tax basis	352.6
Non-capital losses	8.0
Capital losses	2.5
Canadian scientific research expenditures	227.5
Investment tax credits	88.2
United States	
Tax basis	1,105.2
Non-capital losses	515.3
Chile	
Tax basis	20.6

FINANCIAL OUTLOOK

Superior achieved 2018 Adjusted EBITDA of $374.3 million which was at the top of the guidance range of $345 million to $375 million, and AOCF before transaction and other costs per share of $1.91 was towards the top end of the guidance range of $1.75 to $1.95 per share provided in its third quarter MD&A. See the detailed discussion on each segment for a breakdown of the results achieved.

Superior's current 2019 Adjusted EBITDA guidance range of $445 million to $495 million, is consistent with the guidance provided in its third quarter 2018 MD&A. This guidance excludes the impact of adopting IFRS 16. Superior will update this guidance for the adoption of IFRS 16 in the first quarter of 2019, see "New and revised IFRS standards" for further details. Achieving Superior's Adjusted EBITDA depends on the operating results of its segments. In addition to the operating results of Superior's segments, significant assumptions underlying the achievement of Superior's 2019 midpoint guidance are:

- Economic growth in Canada and the U.S. is expected to increase modestly;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior estimates maintenance and growth-related expenditures, and the capital equivalent of operating leases to be in the range of $120 million to $140 million in 2019;
- Superior is substantively hedged for its estimated U.S. dollar exposure for 2019, and due to the hedge position, a change in the Canadian to U.S, dollar exchange rate for 2019 would not have a material impact to Superior.

- The foreign currency exchange rate between the Canadian dollar and U.S. dollar is expected to average $0.78 for 2019 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to modestly increase compared to 2018; interest expense is anticipated to increase due to higher average debt levels related to the Canwest and NGL acquisition and the interest costs for the Notes;
- Realized losses on foreign currency hedging contracts are anticipated to be higher than 2018 due to the decrease in the average hedge rate; and
- Canadian, Chilean and U.S.-based cash taxes are expected to be in the range of $5 million to $10 million for 2019 based on existing statutory income tax rates and the ability to use available tax basis.

Energy Distribution

- Wholesale propane prices are not anticipated to significantly affect demand for propane and related services;
- Operating costs are expected to be lower due to continuous improvement initiatives, restructuring activities and realizing synergies related to Canwest and NGL; and
- Increasing US margin per litre as NGL pricing and the cost of propane are integrated into the legacy business.

Specialty Chemicals

- Average plant utilization will approximate 90%-95% in 2019.

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

Debt Management Update

Superior remains focused on managing both its debt and its leverage ratio. Superior's leverage ratio was 4.1x as at December 31, 2018. The debt level and leverage ratio as at December 31, 2018 was higher than December 31, 2017, due to increased borrowings on the credit facilities and the issuance of unsecured notes associated with the NGL and tuck-in acquisitions and to a lesser extent, the impact of the weaker Canadian dollar as at December 31, 2018 compared to December 31, 2017. The impact to the leverage ratio due to the weaker Canadian dollar was approximately 0.1x. The leverage ratio is currently above the long-term target of 3.0x. Superior anticipates the leverage ratio to be in the range of 3.6x to 4.0x as at December 31, 2019 as cash generated from operations is used to repay debt. Superior will update guidance for the adoption of IFRS 16 and the related impact to the leverage ratio in the first quarter of 2019, see "New and revised IFRS standards" for further details.

Leverage ratio is a Non-GAAP measure, see "Non-GAAP Financial Measures".

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

LIQUIDITY AND CAPITAL RESOURCES

Borrowing
Superior's revolving syndicated bank facility (credit facility), term loans and finance lease obligations (collectively borrowing) before deferred financing fees was $1,886.3 million as at December 31, 2018, an increase of $822.9 million from $1,063.4 million as at December 31, 2017. The increase is primarily due to the acquisition of NGL and to a lesser extent, the impact of the weaker Canadian dollar on US denominated borrowing and was partially offset by the proceeds from the sale of certain refined fuel assets.

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

	As at December 31, 2018			
(millions of dollars)	Total Amount	Borrowing	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities[1]	750.0	549.3	41.9	158.8
Term loans[1]	1,247.3	1,247.3		
Other debt [2]	25.9	25.9		
Finance lease obligations	63.8	63.8		
Total	2,087.0	1,886.3	41.9	158.8

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

[2] Account receivable factoring and deferred consideration.

On June 29, 2018, the syndicated credit facility was increased to $750.0 million from the existing $620.0 million. The credit facility can be further expanded up to $1,050.0 million with no changes to the financial covenants and matures on May 8, 2023. On July 3, 2018, Superior announced the closing of US$350 million principal amount of 7.0% senior unsecured notes issued at par and due July 15, 2026. In addition, Superior concurrently issued $150 million, 5.125% senior unsecured notes due August 27, 2025 at a price of $928.97 per $1,000 principal amount.

Net Working Capital
Consolidated net working capital was $97.3 million as at December 31, 2018 a decrease of $18.4 million from $115.7 million as at December 31, 2017. The decrease is primarily due to higher customer deposits related to the NGL acquisition and the impact of the sale of certain refined fuel assets.

Compliance
In accordance with the credit facility, Superior must maintain certain covenants and ratios that require Non-GAAP financial measures. Superior is in compliance with the lender covenants as at December 31, 2018 and the covenant details are found in the credit facility documents filed in the System for Electronic Document Analysis and Retrieval ("SEDAR").

Pension Plans
As at December 31, 2018, Superior had an estimated defined benefit going concern surplus of approximately $7.8 million (December 31, 2017 – $26.2 million surplus) and a pension solvency deficiency of approximately $0.7 million (December 31, 2017 – $4.5 million surplus). Funding requirements required by applicable pension legislation are based upon going concern and solvency actuarial assumptions. These assumptions differ from the going concern actuarial assumptions used in Superior's audited consolidated financial statements.

Contractual Obligations and Other Commitments

			Payments Due In			
(millions of dollars)	Note [1]	Total	2019	2020-2021	2022-2023	Thereafter
Borrowing excluding finance leases	14	1,822.5	11.3	11.6	552.0	1,247.6
Future lease payment under finance leases under finance leases	14	63.8	18.1	22.1	16.1	7.5
Operating leases[2]	15	191.9	37.6	56.2	40.1	58.0
US$ foreign currency forward sales contracts (US$)	17	504.6	213.0	239.1	52.5	–
Natural gas, diesel, WTI, propane, heating oil, and electricity purchase commitments [3]	17	121.4	4.9	106.9	9.6	–
Total contractual obligations		**2,704.2**	**284.8**	**435.9**	**670.3**	**1,313.2**

(1) Notes to the 2018 audited consolidated financial statements.
(2) Operating leases comprise Superior's off-balance-sheet obligations.
(3) Does not include the impact of financial derivatives.

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

SHAREHOLDERS' CAPITAL

On June 8, 2018, Superior completed a public offering of 32 million subscription receipts at a price of $12.50 per subscription receipt, raising gross proceeds of $400.0 million. On July 13, 2018, after completion of the NGL acquisition, the Company exchanged the subscription receipts and issued 32 million common shares of the Company.

On September 27, 2018, Superior entered into an At-the-Market equity distribution agreement to enable the sale of common shares from treasury having aggregate gross proceeds of up to $100 million at prevailing trading prices. On September 29, 2018 Superior issued 29,300 common shares at an average price of $12.76 per share for total net proceeds of $0.4 million through this program. Superior incurred a commission of 2% on the gross proceeds. The At-the-Market equity distribution agreement expired on December 9, 2018.

As at December 31, 2018, the following common shares were issued and outstanding:

	Issued number of common shares (Millions)	Share Capital
Balance, December 31, 2017 and 2016	142.8	$1,952.3
Issuance of common shares	32.1	386.4
Balance December 31, 2018	**174.9**	**$2,338.7**

Dividends Declared to Shareholders

Dividends declared to Superior's shareholders depend on its cash flow from operating activities with consideration for Superior's changes in working capital requirements, investing activities and financing activities. See "Summary of AOCF" for 2018, above, and "Summary of Cash Flow" for additional details.

Dividends declared to shareholders for 2018 were $114.4 million or $0.72 per share compared to $102.8 million or $0.72 per share for 2017. Dividends declared to shareholders increased by $10.3 million as a result of the increase in the number of outstanding shares. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

Superior has a DRIP program that is currently not being utilized. The DRIP program remains in place should Superior elect to reactivate the DRIP, subject to regulatory approval, at a future date.

Normal Course Issuer Bid

On May 8, 2018 the Toronto Stock Exchange (the "TSX") accepted a notice filed by Superior of its intention to commence a normal course issuer bid (the "NCIB") with respect to its common shares. Under the NCIB, Superior may purchase up to 7,142,141 common shares, such amount representing 5% of the 142,842,820 common shares issued and outstanding as at May 1, 2018. The NCIB is subject to additional standard regulatory requirements.

SUMMARY OF CASH FLOW

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

(millions of dollars)	December 31 **2018**	2017
Cash flows (used in) from operating activities	**263.0**	183.1
Investing activities:		
Acquisitions, net of cash acquired and assets sold	**(1,259.6)**	(494.6)
Purchase of property, plant and equipment and intangible assets	**(105.8)**	(77.0)
Proceeds on sale of assets	**91.9**	–
Proceeds on disposal of property, plant and equipment	**22.7**	7.6
Cash used in from investing activities	**(1,250.8)**	(564.0)
Financing activities:		
Net proceeds (repayment) of revolving term bank credits and other debt	**135.0**	229.4
Redemption of 6.0% convertible debentures	–	(97.0)
Redemption of 6.5% senior unsecured notes	**(209.8)**	**–**
Proceeds from 7.0% senior unsecured notes	**458.5**	**–**
Proceeds from 5.25% senior unsecured notes	**–**	400.0
Proceeds from 5.125% senior unsecured notes	**362.5**	(16.0)
Repayment of finance lease obligation	**(17.1)**	–
Proceeds from share issuance, net of costs	**381.4**	(7.2)
Debt issuance costs	**(17.9)**	–
Dividends paid to shareholders	**(112.5)**	(102.8)
Cash flows from (used in) financing activities	**980.1**	406.4
Net increase (decrease) in cash and cash equivalents	**(7.7)**	25.5
Cash and cash equivalents , beginning of period	**31.8**	5.0
Effect of translation of foreign currency-denominated cash	**(0.2)**	1.3
Cash and cash equivalents, end of period	**23.9**	31.8

Cash flows from operating activities for 2018 was $263.0 million, increase of $79.9 million, from 2017. The increase is a result of higher earnings related to NGL and other tuck-in acquisitions and the full year impact of Canwest and were partially offset by increased interest paid primarily due to higher debt levels.

Cash flow used in investing activities for 2018 was $1,250.8 million, $686.8 million higher than the prior year primarily due to the NGL acquisition and to a lesser extent, the other tuck-in acquisitions.

Cash flow from financing activities was $980.1 million, an increase of $573.7 million from the prior year primarily due to the financing to fund the NGL acquisition and was offset by the redemption of the 6.5% unsecured notes.

FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

As at December 31, 2018 Superior has hedged approximately 77% of its estimated U.S. dollar exposure for 2019 and approximately 54% for 2020. Due to the hedge position, a change in the Canadian to U.S. dollar exchange rate for 2019 would not have a material impact on Superior. A summary of Superior's U.S. dollar forward contracts for 2019 and beyond is provided in the table below.

(US$ millions except exchange rates)	**2019**	**2020**	**2021**	**2022**	**2023**	**Total**
Net US$ forward sales	213.0	161.1	78.0	52.5	–	504.6
Net average external US$/CDN$ exchange rate	1.27	1.30	1.30	1.30	–	1.28

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's annual 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 17 to the audited consolidated financial statements for the year ended December 31, 2018.

Sensitivity Analysis

Superior's estimated cash flow sensitivity in 2018 to various changes is provided below:

	Change	% Change		Impact on AOCF (millions)		Per Share
Energy Distribution						
Change in Canadian propane sales margin	$0.005/litre	3%	$	11.1	$	0.06
Change in Canadian propane sales volume	50M litres	2%	$	7.3	$	0.04
Change in U.S. propane sales margin	$0.005/litre	2%	$	5.5	$	0.03
Change in U.S. propane sales volume	50M litres	5%	$	10.0	$	0.06
Specialty Chemicals						
Change in sales price	$10.00/MT	1%	$	6.7	$	0.04
Change in sales volume	15,000 MT	2%	$	3.3	$	0.02
Corporate						
Change in CDN$/US$ exchange rate on US$ denominated debt	$0.01	1%	$	5.5	$	0.03
Change in interest rates	0.50%	13%	$	2.4	$	0.01

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

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

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

Changes in Internal Controls over Financial Reporting

No changes were made in Superior’s ICFR that have materially affected, or are reasonably likely to materially affect, Superior’s ICFR in the year ended December 31, 2018.

Effectiveness

An evaluation of the effectiveness of Superior’s DC&P and ICFR was conducted as at December 31, 2018 by and under the supervision of Superior’s management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Superior’s DC&P and ICFR were effective at December 31, 2018 with the following exception:

Section 3.3(1) of National Instrument 52-109, Certification of Disclosure in Issuers’ Annual and Interim Filings, states that a company may limit its design of disclosure controls and procedures and internal controls over financial reporting for a business that it acquired not more than 365 days before the end of the financial period to which the certificate relates. Under this section, Superior’s CEO and CFO have limited the scope of the design, and subsequent evaluation, of DC&P and ICFR to exclude controls, policies and procedures of NGL effective July 10, 2018. Summary financial information pertaining to these acquisitions that was included in the consolidated financial statements of Superior as at December 31, 2018, is as follows:

U.S. Propane Distribution – NGL

(millions of Canadian dollars)	**Three Months Ended December 31, 2018 NGL**	**Year Ended December 31, 2018 NGL**
Sales	186.1	245.8
Net loss for the period	14.7	19.9
Current assets	112.3	112.3
Non-current assets	1,216.0	1,216.0
Current liabilities	83.1	83.1
Non-current liabilities	11.8	11.8

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Superior’s audited consolidated financial statements were prepared in accordance with IFRS. The significant accounting policies are described in the audited consolidated financial statements for the period ended December 31, 2018. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Superior’s critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, deferred income tax assets and liabilities, the valuation of financial and non-financial derivatives, asset impairments and the assessment of potential provision retirement obligations.

Recent Accounting Pronouncements
Certain new standards, interpretations, amendments and improvements to existing standards were issued by the International Accounting Standards Board (IASB) or International Financial Reporting Interpretations Committee (IFRIC) effective for accounting periods beginning on or after January 1, 2019, or later periods. The standards applicable to Superior are as follows:

Change in accounting policies
IFRS 9 – Financial Instruments
The Company adopted IFRS 9 Financial Instruments with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company’s consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

IFRS 15 – Revenue from Contracts with Customers
IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standards establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption and applied the practical expedient in IFRS 15, under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application being January 1, 2018. The details and quantitative impact of the changes upon adoption of this standard are:

(i) Revenue from sale of propane
Certain propane contracts also include use of storage tanks for a range of charges and promotional discounts. The selling price allocated to the use of storage tanks is based on the residual value after allocating the observable stand-alone selling price to the sale of propane. The adoption of this policy resulted in an increase to contract liabilities of $10.4 million and an offsetting adjustment to deficit as of January 1, 2018 and had no impact to the net earnings for the year ended December 31, 2017.

As a result of this adjustment, Superior’s net deferred tax asset was increased by $2.8 million with an offsetting adjustment to deficit as of January 1, 2018.

(ii) Transportation revenue

Revenue from sale of Specialty Chemicals is recognized when control of the goods has transferred and the customer has full discretion over the goods. Sales where the Company arranges and charges for freight is considered a separate performance obligation. Consequently, the portion of revenue related to freight is recognized when the goods are delivered to their destination instead of when the product is shipped. The costs associated with this revenue will also be accrued and recognized at this time. The adoption of this policy resulted in a reduction of $0.1 million to trade and other receivable and trade and other payables as at January 1, 2018.

New and revised IFRS standards not yet effective

IFRIC 23 – Uncertainty over Income Tax Treatment

On January 23, 2017, the IASB issued IFRIC Interpretation 23 Uncertainty over Income Tax Treatments, which clarifies how to apply the recognition and measurement requirements in IAS 12 Income Taxes when there is uncertainty over income tax treatments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company adopted the new standard beginning January 1, 2019.

IFRS 16 – Leases

On January 13, 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases, as well as corresponding amortization and finance expense. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company adopted the new standard beginning January 1, 2019.

The Company is finalizing the impact of the new standard which will be reported in the Company's 2019 first quarter results. The estimated opening adjustment will be to record a right-of-use asset between $175 million and $200 million with an offsetting increase to liabilities.

NON-GAAP FINANCIAL MEASURES

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

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

AOCF and AOCF per Share
AOCF is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, other expenses, non-cash interest expense, current income taxes and finance costs. Superior may deduct or include additional items in its calculation of AOCF; these items would generally, but not necessarily, be infrequent in nature and could distort the analysis of trends in business performance. Excluding these items does not imply they are non-recurring. AOCF and AOCF per share are presented before and after transaction and other costs.

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

AOCF is the main performance measure used by management and investors to evaluate Superior's ongoing performance of its businesses and ability to generate cash flow. AOCF represents cash flow generated by Superior that is available for, but not necessarily limited to, changes in working capital requirements, investing activities and financing activities. AOCF is also used as one component in determining short-term incentive compensation for certain management employees.

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

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

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

Proforma Adjusted EBITDA, and Leverage Ratio
Profroma Adjusted EBITDA is defined as Adjusted EBITDA calculated on a trailing twelve month (TTM) basis, including pre-acquisition Adjusted EBITDA related to acquisitions completed during the TTM period. Leverage ratio is calculated by taking borrowing before deferred financing costs divided by Proforma Adjusted EBITDA. Leverage ratio is used by Superior and investors to assess its ability to service debt.

SELECTED FINANCIAL INFORMATION

(millions of dollars except per share amounts)	**2018**	2017
GAAP measures:		
Total assets (as at December 31)	**3,649.6**	2,336.7
Revenue	**2,726.7**	2,385.0
Gross profit	**938.1**	735.4
Net loss	**(34.0)**	(27.9)
Per share, basic and diluted	**$(0.22)**	$(0.20)
Cash flow from operating activities	**263.0**	183.1
Dividends per share	**$0.72**	$0.72
Current and long-term borrowing[1] (as at December 31)	**1,886.3**	1,063.4
Non-GAAP financial measures[2]:		
AOCF	**262.8**	217.4
Per share, basic and diluted	**$1.66**	$1.52
AOCF before transaction and other costs	**302.3**	250.5
Per share before transaction and other costs, basic and diluted	**$1.91**	$1.75

[1] Current and long-term borrowing before deferred financing fees and debentures.
[2] See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings to Adjusted EBITDA from Operations".

FOURTH QUARTER RESULTS

Summary of AOCF

		Three months ended December 31		
(millions of dollars, except per share amounts)		**2018**		2017
Revenue		**887.0**		768.9
Gross profit		**319.5**		238.1
EBITDA from operations[1]		**162.3**		116.8
Corporate operating and administrative costs[2]		**(5.3)**		(8.7)
Realized gains (losses) on foreign currency hedging contracts		**(4.0)**		1.0
Adjusted EBITDA[1]		**153.0**		109.1
Interest expense		**(23.6)**		(11.5)
Cash income tax recovery		**3.3**		1.1
AOCF before transaction costs		**132.7**		98.7
Transaction and other costs[3]		**(7.5)**		(4.7)
AOCF[1]		**125.2**		94.0
AOCF per share before transaction and other costs, basic and diluted[1][3]	$	**0.76**	$	0.69
AOCF per share, basic and diluted[1][3]	$	**0.72**	$	0.66
Dividends declared per share	$	**0.18**	$	0.18

[1] EBITDA from operations, Adjusted EBITDA, AOCF before transaction and other costs, and AOCF are Non-GAAP measures. See "Non-GAAP Financial Measures".
[2] Transaction and other costs for the three months ended December 31, 2018 are primarily related to the acquisition of NGL and other tuck-in acquisitions. For the three months ended December 31, 2017 transaction and other costs are primarily related to the acquisition of Canwest and other tuck-in acquisitions. See "Transaction and Other Costs" for further details.
[3] The weighted average number of shares outstanding for the three months ended December 31, 2018 and 2017 is 174.9 million and 142.8 million, respectively. There were no dilutive instruments with respect to AOCF per share for the three months ended December 31, 2018 and 2017.

Comparable GAAP Financial Information

				Three months ended December 31
(millions of dollars, except per share amounts)		**2018**		2017
Net earnings (loss)		**(48.3)**		45.3
Net earnings (loss) per share, basic and diluted	$	**(0.28)**	$	0.32
Net cash flows from operating activities		**41.6**		59.2
Net cash flows from operating activities per share, basic and diluted	$	**0.24**	$	0.41

Segmented Information

		Three months ended December 31
(millions of dollars)	**2018**	2017
EBITDA from operations[(1)]		
Energy Distribution	**129.0**	81.3
Specialty Chemicals	**33.3**	35.5
	162.3	116.8

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

AOCF

AOCF before transaction and other costs for the three months ended December 31, 2018 was $132.7 million, an increase of $34.0 million or 34% from the prior year's fourth quarter AOCF of $98.7 million. The increase from the prior year is primarily due to the impact of the NGL acquisition, lower corporate and administration costs and to a lesser extent, a higher cash tax recovery and is partially offset by realized loss on foreign currency hedging contracts compared to a gain in the prior year. AOCF per share before transaction and other costs of $0.76 per share an increase by 10% compared to the prior year AOCF before transaction and other costs per share of $0.69. The increase per share is primarily due to higher EBITDA from operations and was partially offset by higher interest costs, loss on realized foreign currency hedging contracts and the impact of issuing 32.0 million common shares.

AOCF for the three months ended December 31, 2018 was $125.2 million, an increase of $31.2 million or 33% from the prior year's fourth quarter AOCF of $94.0 million. AOCF per share of $0.72, an increase by 9% compared to the prior year AOCF per share of $0.66. Transaction and other costs for the three months ended December 31, 2018 were $7.5 million, and consisted of transaction costs related primarily to the acquisition and integration of NGL and the other tuck-in acquisitions. See "Transaction and Other Costs" for further details.

ENERGY DISTRIBUTION

Energy Distribution's condensed operating results for the three months ended December 31, 2018 and 2017[1]:

	Three Months Ended December 31	
(millions of dollars)	**2018**	2017
Revenue	**725.6**	608.3
Cost of Sales	**(457.2)**	(429.1)
Gross profit	**268.4**	179.2
Selling, distribution and administrative costs	**(213.9)**	(114.8)
Add back (deduct):		
Amortization and depreciation included in selling, distribution and administrative costs	**52.6**	14.8
Transaction, restructuring, and other costs	**4.7**	3.0
Loss (gain) on disposal of assets and other	**17.2**	(0.9)
EBITDA from operations[1]	**129.0**	81.3
Gain (loss) on disposal of assets and other	**(17.2)**	0.9
Transaction, restructuring, and other costs	**(4.7)**	(3.0)
Amortization and depreciation included in selling, distribution and administrative costs	**(52.6)**	(14.8)
Unrealized gain (losses) on derivative financial instruments	**(23.4)**	1.6
Finance expense	**(2.0)**	(0.9)
Net earnings before income tax	**29.1**	65.1

[1]EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures".

Revenue for the fourth quarter of 2018 was $725.6 million, an increase of $117.3 million or 19% from the prior year quarter. The increase is primarily due to the NGL acquisition and is partially offset by the impact of the sale of certain refined fuel assets and to a lesser extent, lower Canadian propane distribution sales volumes. Total gross profit for the fourth quarter of 2018 was $268.4 million, an increase of $89.2 million or 50% over the prior year quarter. The increase in gross profit is primarily due to the NGL and tuck-in acquisitions. A detailed review of gross profit is provided below.

Gross Profit Review

	Three months ended December 31	
(millions of dollars)	**2018**	2017
Canadian propane distribution	**117.0**	115.1
U.S. propane distribution	**132.8**	52.5
Other services	**18.6**	11.6
Total gross profit	**268.4**	179.2

Canadian Propane Distribution

Canadian propane distribution gross profit for the fourth quarter of 2018 was $117.0 million, an increase of $1.9 million or 2% compared to the prior year quarter. The increase is primarily due to the acquisition of UPE during the quarter and is partially offset by the impact of falling butane prices, lower oilfield volumes, and the impact of divesting assets required by the settlement with the Competition Bureau related to the acquisition of Canwest. Oilfield volumes decreased by 10 million litres or 14% primarily due to reduced Western Canadian activity related to lower commodity prices. Industrial volumes were consistent with the prior year. Residential volumes are more weighted to Western Canada as a result of the Canwest acquisition and decreased due to warmer weather. Average weather across Canada was 2% warmer than the prior year quarter and 3% colder than the five year average.

Average propane sales margins for the fourth quarter decreased to 15.3 cents per litre from 18.0 cents per litre in the prior year primarily due to the increased proportion of wholesale volumes related to the acquisition of UPE and to a lesser extent continued weak market fundamentals within the supply portfolio management business.

Canadian Propane Distribution Sales Volumes
Volumes by End-Use Application

	Three months ended December 31	
(millions of litres)	**2018**	2017
Residential	**59**	62
Commercial	**105**	108
Oilfield [(1)]	**59**	69
Industrial [(1)]	**60**	59
Motor Fuels	**44**	46
Wholesale	**385**	240
Other	**53**	57
Total	**765**	641

(1) Volumes were reclassified in 2017 to conform to the current year presentation.

Volumes by Region [(1)]

	Three months ended December 31	
(millions of litres)	**2018**	2017
Western Canada	**308**	358
Eastern Canada	**177**	178
Atlantic Canada	**36**	30
United States	**244**	74
Total	**765**	641

(1) Regions: Western Canada region consists of British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Ontario, Yukon and Northwest Territories; Eastern Canada region consists of Ontario (except for Northwest Ontario) and Quebec; Atlantic Canada region consists of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island; and United States region consists primarily of Maine, Idaho, Kansas, Michigan, Washington, California and Alaska.

U.S. Propane Distribution

U.S. propane distribution gross profit for the fourth quarter of 2018 was $132.8 million, an increase of $80.3 million or 153% compared to the prior year fourth quarter, due to the contributions from NGL and tuck-in acquisitions. Sales volumes of 391 million litres were 22 million litres or 6% higher compared to the prior year quarter. Residential sales volumes increased by 193 million litres or 224% from the prior year fourth quarter primarily due to the incremental volumes from the NGL and tuck-in acquisitions and to a lesser extent, colder weather. Average weather across the Northeast U.S. for the fourth quarter related to the legacy business, as measured by degree days, was 6% colder than the prior year and 12% colder than the five-year average. Average weather for markets where NGL operates were 1% colder than the prior year and 9% colder than the five-year average. Commercial sales volumes were consistent and wholesale volumes decreased by 170 million litres or 94% due to the sale of the wholesale distillate business and related assets.

Average U.S. propane distribution sales margins increased to 34.0 cents per litre in the fourth quarter of 2018 from 14.2 cents per litre in the prior year quarter primarily due to the higher proportion of residential sales volumes due to the NGL and tuck-in acquisitions and the sale of certain refined fuel assets and wholesale distillate business.

U.S. Propane Distribution Sales Volumes

Volumes by End-Use Application [1]

	Three months ended December 31	
(millions of litres)	**2018**	2017
Residential	**279**	86
Commercial	**102**	103
Wholesale	**10**	180
Total	**391**	369

(1) Includes heating oil, propane, diesel and gasoline sold in over twenty states primarily in the Eastern United States.

Other Services

Other services gross profit was $18.6 million in the fourth quarter, increase by $7.0 million or 60% over the prior year's fourth quarter. The increase is primarily due to NGL and other tuck-in acquisitions, partially offset by the sale of certain refined fuel assets and wholesale distillate business.

Selling, Distribution and Administrative Costs

Energy Distribution's selling, distribution and administrative costs were $213.9 million in the fourth quarter of 2018, an increase of $99.1 million or 86% from the prior year quarter. Operating costs increased mainly due to the acquisition of NGL partially offset by the sale of certain refined fuel assets and wholesale distillate business and realized synergies from the Canwest integration.

Net Earnings

Net earnings before tax of $29.1 million, decreased by $36.0 million over the prior year fourth quarter, as a result of higher non-cash charges for amortization and depreciation, a loss on disposal of assets and unrealized losses on derivative financial instruments.

SPECIALTY CHEMICALS

Specialty Chemicals' condensed operating results for the three months ended December 31, 2018 and 2017:

				Three months ended December 31
(millions of dollars, except per metric tonne (MT) amounts)		**2018**		2017
		$ per MT		$ per MT
Revenue	**165.4**	**818**	159.6	753
Cost of sales	**(110.3)**	**(546)**	(101.7)	(480)
Gross Profit	**55.1**	**272**	57.9	273
Selling, distribution and administrative costs	**(38.1)**	**(189)**	(37.1)	(175)
Add back (deduct):				
Depreciation included in cost of sales	**15.8**	**78**	14.2	67
Amortization included in selling, distribution and administrative costs	**0.3**	**1**	–	–
Losses on disposal of assets	**0.2**		0.5	
EBITDA from operations (1)	**33.3**	**162**	35.5	165
Add back (deduct):				
Depreciation included in cost of sales	**(15.8)**		(14.2)	
Amortization included in selling, distribution and administrative costs	**(0.3)**		–	
Loss on disposal of assets	**(0.2)**		(0.5)	
Finance Expense	**(1.1)**		(0.3)	
Net earnings	**15.9**		20.5	

(1) EBITDA from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings to EBITDA from Operations".

SALES VOLUMES BY PRODUCT

		Three months ended December 31
(thousands of MTs)	**2018**	2017
Sodium chlorate	**117**	127
Chlor-alkali	**84**	83
Chlorite	**1**	2
Total	**202**	212

Revenue for the fourth quarter of 2018 was $165.4 million was an increase of $5.8 million or 4% from the prior year fourth quarter primarily due to higher average sales prices for sodium chlorate, caustic soda and hydrochloric acid partially offset by lower sodium chlorite sales volumes and to a lesser extent, lower average sales prices for caustic potash.

Sodium chlorate sales volumes decreased by 10 MT or 8% compared to the prior year quarter due to lower contracted sales volumes, lower demand in areas impacted by hurricane damage and lower export demand. The average sales price increased by 4% due to customer mix and the impact of the weaker Canadian dollar on US denominated sales in the fourth quarter compared to the prior year quarter.

Chlor-alkali sales volumes increased by 1 MT or 1% due to continued strong demand for caustic soda and higher caustic potash sales volumes as a result of a strong start to the de-icing season.

Chlorite sales volumes decreased by 1MT or 50% due to weakened oil and gas and water treatment demand.

Cost of sales for the quarter of $110.3 was $8.6 million or 8% higher than in the prior year quarter. The increase is primarily due to higher electricity costs and to a lesser extent, increased depreciation due to the higher asset base. Gross profit for the fourth quarter was $55.1 million, a decrease of $2.8 million or 5% from the prior year quarter. The lower gross profit per MT is due primarily to lower sodium chlorate sales volumes, partially offset by higher average sales prices for most products.

Selling, distribution and administrative costs of $38.1 million were $1.0 million or 3% higher than in the prior year quarter primarily due to higher distribution costs and higher amortization related to an acquisition in the prior year.

CONSOLIDATED CAPITAL EXPENDITURE SUMMARY

	Three months ended December 31	
(millions of dollars)	**2018**	2017
Efficiency, process improvement and growth-related	**11.8**	10.7
Maintenance capital	**40.5**	20.3
	52.3	31.0
Proceeds on disposition of capital and intangible assets	**(8.6)**	(4.3)
Property, plant and equipment acquired through acquisition	**136.8**	17.6
Total net capital expenditures	**180.5**	44.3
Investment in finance leases	**10.2**	5.6
Total expenditures including finance leases	**190.7**	49.9

Efficiency, process improvement and growth related expenditures were $11.8 million in the fourth quarter of 2018 compared to $10.7 million in the prior year quarter. The impact of the NGL acquisition is offset with the decrease associated with Canwest growth-related capital and system integration capital.

Maintenance capital expenditures were $40.5 million in the fourth quarter compared to $20.3 million in the prior year quarter, an increase of $20.2 million mainly due to the acquisition of NGL and to a lesser extent, the timing of expenditures and tank refurbishment costs at Energy Distribution.

Proceeds on disposition were $8.6 million in the fourth quarter of 2018 compared to $4.3 million in the prior year primarily due to the timing of cash receipts related to the divestiture of assets related to the Canwest Competition Bureau approval.

Superior entered into new leases with capital-equivalent value of $10.2 million in the fourth quarter of 2018 compared to $5.6 million in the prior year's fourth quarter. Superior continues to invest in trucks and equipment to support growth and replace aging vehicles in the fleet.

CORPORATE ADMINISTRATION COSTS

Corporate administration costs were $8.1 million in the fourth quarter, compared to $11.0 million in the prior year comparable quarter. The $2.9 million decrease was primarily due lower incentive plan costs due to the recent decline in the share price and was partially offset by higher corporate transaction costs.

FINANCE EXPENSE

Interest expense on borrowing and finance lease obligations was $22.4 million in the fourth quarter, compared to $17.7 million in the prior year quarter. The increase was mainly due to the higher average debt related to acquisitions and to a lesser extent, the higher average effective interest rates partially offset by a realized gain on foreign currency forward contracts related to hedging the Canadian dollar funds raised that were used to fund the NGL acquisition.

TRANSACTION AND OTHER COSTS

For the fourth quarter, Superior incurred $7.5 million in transaction and other costs compared to $4.7 million in the prior year quarter. The increase is primarily related to transaction costs associated with NGL and the tuck-in acquisitions.

QUARTERLY FINANCIAL AND OPERATING INFORMATION

GAAP Measures

(millions of dollars, except per share amounts)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Revenue	**$887.0**	481.7	483.1	874.9	768.9	465.5	474.9	675.7
Gross profit	**$319.5**	169.7	159.7	289.2	238.1	133.6	138.0	225.7
Net earnings (loss)	**(48.3)**	(39.8)	9.1 (2)	45.0 (2)	45.3	(124.8)	(1.6)	53.2
Per share, basic	**(0.28)**	(0.23)	0.06 (2)	0.32 (2)	0.32	(0.87)	(0.01)	0.37
Per share, diluted	**(0.28)**	(0.23)	0.06 (2)	0.32 (2)	0.32	(0.87)	(0.01)	0.34
Net working capital[1]	**97.3**	(10.6)	(5.1)	144.0	115.7	85.3	107.4	133.6

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

(2) Restated Q1 and Q2 2018 net earnings and per share calculations to reflect the increased amortization partially offset by a reduction in deferred taxes as a result of finalizing the Canwest purchase price allocation.

Non-GAAP Financial Measures [1]

(millions of dollars, except per share amounts)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
AOCF before transaction and other costs	**132.7**	2.2	29.3	138.1	98.7	15.0	27.5	109.3
Per share, basic	**$0.76**	0.01	0.21	0.97	0.69	0.11	0.19	0.77
Per share, diluted	**$0.76**	0.01	0.21	0.97	0.69	0.11	0.19	0.77
AOCF	**125.2**	(13.4)	20.3	130.7	94.0	(4.5)	20.1	107.8
Per share, basic	**$0.72**	(0.08)	0.14	0.91	0.66	(0.03)	0.14	0.75
Per share, diluted	**$0.72**	(0.08)	0.14	0.91	0.66	(0.03)	0.14	0.75

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

Fluctuations in Superior's individual quarterly results is subject to seasonality. Sales typically peak in the first quarter when approximately one-third of annual propane and other refined fuels sales volumes and gross profits are generated due to the demand of heating from end-use customers. They then decline through the second and third quarters, rising seasonally again in the fourth quarter with heating demand. In addition, during 2017 Superior acquired Canwest, Pomerleau, Yankee, IDI and Earhart and in 2018 acquired NGL, Hi-Grade, Blue Flame, Porco, UPE and Musco, and sold the refined fuel assets. Each transaction may impact quarterly results. For more information on these acquisitions and divestments see Note 5 in the 2017 annual audited consolidated financial statements and Note 3 in 2018 annual audited consolidated financial statements.

Volumes[1][2]

	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Canadian propane sales volumes (millions of litres)	**765**	340	380	730	641	293	283	478
U.S. propane sales volumes (millions of litres)	**391**	161	157	396	369	273	298	397
Chemical sales volumes (thousands of MT)	**202**	212	208	213	212	217	210	212

Canadian propane sales by end-use application are as follows [1][2]:

(millions of litres)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Residential	**59**	20	29	75	62	16	20	53
Commercial	**105**	45	58	137	108	34	44	103
Oilfield	**59**	19	47	79	69	9	9	14
Industrial	**60**	78	55	70	59	49	48	43
Motor Fuels	**44**	45	47	43	46	39	40	35
Wholesale	**385**	121	127	274	240	132	109	197
Other	**53**	12	17	52	57	14	13	33
Total	**765**	340	380	730	641	293	283	478

(1) Canwest volumes have been included commencing in Q4 2017.

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

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

(millions of litres)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Residential	**279**	78	39	135	86	17	32	115
Commercial	**102**	75	76	106	103	80	82	94
Wholesale	**10**	8	42	155	180	176	184	188
Total	**391**	161	157	396	369	273	298	397

Specialty Chemicals sales volumes by product are as follows:

(thousands of MT)	**Q4 2018**	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017	Q2 2017	Q1 2017
Sodium chlorate	**117**	121	115	121	127	128	119	128
Chlor-alkali	**84**	88	91	90	83	87	88	83
Chlorite	**1**	3	2	2	2	2	3	1
Total	**202**	212	208	213	212	217	210	212

INCOME FROM CANWEST

As of March 1, 2017 and up to the acquisition closing date of September 27, 2017, Superior was entitled to the benefit of the net profits of Canwest. As a result, Superior recorded net income of $1.2 million, $10.7 of depreciation and amortization and $11.9 million in consolidated Adjusted EBITDA in 2017. On September 27, 2017, Superior received regulatory approval from the Competition Bureau and closed the acquisition of Canwest subject to certain conditions.

The results of Canwest subsequent to September 27, 2017 are included in the results of the Energy Distribution segment. Below is a summary of Canwest's financial results and volumes in 2017:

(millions of dollars)	**Q1[1]**	**Q2**	**Q3[2]**	**March – Sept 27**	**Sep 27 – Dec 31**	**2017**
Revenue	25.7	34.6	34.4	94.7	77.1	171.8
Cost of sales	(13.2)	(16.0)	(17.1)	(46.3)	(46.4)	(92.7)
Gross profit	12.5	18.6	17.3	48.4	30.7	79.1
Selling, distribution and administrative costs (excluding depreciation and amortization)	(6.3)	(15.8)	(14.4)	(36.5)	(13.6)	(50.1)
EBITDA from operations	**6.2**	**2.8**	**2.9**	**11.9**	**17.1**	**29.0**
GAAP measures:						
Depreciation and amortization	(1.8)	(4.5)	(4.4)	(10.7)	(1.2)	(11.9)
Net earnings (loss)	**4.4**	**(1.7)**	**(1.5)**	**1.2**	**15.9**	**17.1**
Volumes (millions of litres)	**52.6**	**74.2**	**72.4**	**199.2**	**140.0**	**339.2**

[1] Q1 includes activity from March 1-31, 2017.

[2] Q3 includes activity from July 1 – September 27, 2017.

RECONCILIATION OF NET EARNINGS BEFORE INCOME TAXES TO ADJUSTED EBITDA

(millions of dollars) **For the Three Months Ended December 31, 2018**	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Net earnings (loss) before income taxes	**29.1**	**15.9**	**(92.6)**	**(47.6)**
Add: Depreciation and amortization included in selling, distribution and administrative costs	**52.6**	**0.3**	**–**	**52.9**
Depreciation included in cost of sales	**–**	**15.8**	**–**	**15.8**
Gain (loss) on disposal of assets	**17.2**	**0.2**	**–**	**17.4**
Finance expense	**2.0**	**1.1**	**19.3**	**22.4**
Unrealized gain on derivative financial instruments	**23.4**	**–**	**61.2**	**84.6**
Transaction, restructuring and other costs	**4.7**	**–**	**2.8**	**7.5**
Adjusted EBITDA	**129.0**	**33.3**	**(9.3)**	**153.0**

(millions of dollars) For the Three Months Ended December 31, 2017	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Net earnings (loss) before income taxes	65.1	20.5	(28.3)	57.3
Add: Depreciation and amortization included in selling, distribution and administrative costs	14.8	–	0.4	15.2
Depreciation included in cost of sales	–	14.2	–	14.2
Gain (loss) on disposal of assets	(0.9)	0.5	–	(0.4)
Finance expense	0.9	0.3	16.5	17.7
Unrealized (gains) losses on derivative financial instruments	(1.6)	–	1.8	0.2
Transaction, restructuring and other costs	3.0	–	1.9	4.9
Adjusted EBITDA	81.3	35.5	(7.7)	109.1

Reconciliation of Net Earnings Before Income Taxes to Adjusted EBITDA

(millions of dollars) **For the twelve months ended December 31, 2018**	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Net earnings (loss) before income taxes	**73.4**	**80.4**	**(188.1)**	**(34.3)**
Add: Depreciation and amortization included in selling, distribution and administrative costs	**144.3**	**1.1**	**0.2**	**145.6**
Depreciation included in cost of sales	**–**	**53.6**	**–**	**53.6**
Gain (loss) on disposal of assets and other	**(2.4)**	**0.2**	**–**	**(2.2)**
Finance expense	**4.7**	**2.3**	**78.8**	**85.8**
Unrealized losses on derivative financial instruments	**27.8**	**–**	**58.5**	**86.3**
Transaction, restructuring and other costs	**17.4**	**–**	**22.1**	**39.5**
Adjusted EBITDA	**265.2**	**137.6**	**(28.5)**	**374.3**

(millions of dollars) For the twelve months ended December 31, 2017	Energy Distribution	Specialty Chemicals	Corporate	Total
Net earnings (loss) before income taxes	108.6	72.9	(65.7)	115.8
Add: Depreciation and amortization included in selling, distribution and administrative costs	59.7	–	0.9	60.6
Depreciation included in cost of sales	–	52.3	–	52.3
Income from Canwest	(11.9)		11.9	–
Canwest depreciation, amortization and other	10.7	–	–	10.7
Gain (loss) on disposal of assets	(1.8)	0.5	0.3	(1.0)
Finance expense	3.5	0.7	49.6	53.8
Unrealized gain on derivative financial instruments	(5.0)	–	(22.7)	(27.7)
Transaction, restructuring and other costs	16.6	–	16.5	33.1
Adjusted EBITDA	180.4	126.4	(9.2)	297.6

Risk Factors to Superior

The risks factors and uncertainties detailed below are a summary of Superior's assessment of its material risk factors as detailed in Superior's 2017 Annual Information Form ("AIF") under "Risks associated with our business" which is filed on the Canadian Securities Administrators' website, www.sedar.com, and on Superior's website, www.superiorplus.com. The AIF describes some of the most material risks to Superior's business by type of risk: financial; strategic; operational; and legal.

General risks to Superior are as follows:

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

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

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

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

Additional Shares

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

Access to Capital

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

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

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

Interest Rates

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

Foreign Exchange Risk

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

Changes in Legislation and Expected Tax Profile

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

Acquisitions and Divestitures

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

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

Canwest and NGL Acquisitions

A variety of factors may adversely affect Superior's ability to achieve the anticipated benefits of these acquisitions. A failure to realize the anticipated benefits from the acquisitions, including but not limited to, the anticipated synergies associated with the acquisitions and included in the assumptions relating to expected accretion, could have a material adverse effect on Superior's business, financial condition, operations, assets or future prospects.

Superior will compete with other potential employers for employees, and it may not be successful in keeping the services of the executives and other employees that it needs to realize the anticipated benefits of the acquisition. Superior's failure to retain key personnel as part of the management team of Canwest and NGL in the period following the acquisition could have a material adverse effect on the business and operations of Superior.

Integrating NGL's operations with Superior's existing business will be a complex, time consuming and costly process. Failure to successfully integrate NGL and its operations in a timely manner may have a material adverse effect on Superior's business, results of operations, cash flows and financial position. The difficulties of integrating NGL include, but are not limited to, coordinating geographically disparate organizations, systems and facilities, adapting to additional regulatory and other legal requirements, integrating corporate, technological and administrative function and employment and compensation policies and practices, and diverting management's attention from other business concerns.

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

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

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

RISKS TO SUPERIOR'S SEGMENTS

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

CANADIAN PROPANE DISTRIBUTION AND U.S. PROPANE DISTRIBUTION

Competition
Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy-equivalent basis. While propane is usually more cost-effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent-energy basis, although operating efficiencies, environmental and air quality factors help make propane competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas with natural gas service. Other alternative energy sources such as compressed natural gas, methanol and ethanol are available or could be further developed and could have an impact on the future of the propane industry in general and Canadian propane distribution in particular. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Canadian propane Distribution's sales. Increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand. Propane commodity prices are affected by crude oil and natural gas commodity prices.

Automotive propane demand depends on propane pricing, the market's acceptance of propane conversion options and the availability of infrastructure. Superior Propane has strategic partnerships with companies focused on after-market conversion technologies. This segment has been impacted by the development of more fuel efficient and complicated engines which increase the cost of converting engines to propane and reduce the savings per kilometre driven.

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

Volume Variability, Weather Conditions and Economic Demand

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

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

Spikes in demand caused by weather or other factors can stress the supply chain and hamper Superior's ability to obtain additional quantities of propane. Transportation providers (railways and trucking companies) have limited ability to provide resources in times of extreme peak demand. Changes in propane supply costs are normally passed through to customers, but timing lags (between when Superior purchases the propane and when the customer purchases the propane) may result in positive or negative gross margin fluctuations.

For U.S. propane distribution, demand from end-use heating applications is predictable. Weather and general economic conditions, however, affect distillates and propane market volumes. Weather influences the immediate demand, primarily for heating, while longer-term demand declines due to economic conditions as customer's trend towards conservation and supplement heating with alternative sources such as electricity and to a lesser extent, wood pellets and solar energy.

Demand, Supply and Pricing

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

Health, Safety and Environment

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

The U.S. propane distribution business, through a centralized safety and environment management system, ensures that safety practices and regulatory compliance are an important part of its business. The storage and delivery of refined fuels pose the risk of spills which could adversely affect the soil and water of storage facilities and customer properties.

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

Employee and Labour Relations
Approximately 19% of Superior's Canadian propane distribution business employees and 3 % of U.S. propane distribution business employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the renegotiation process that could have an adverse impact on Superior.

SPECIALTY CHEMICALS
Risks associated with the Specialty Chemicals business are as follows:

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

Global Economic Conditions
Specialty Chemicals' chlorate business is impacted by global economic conditions and, in particular, the strength of the Chinese economy. To the extent international demand for bleached pulp from countries such as China decreases, the price for bleached pulp is negatively impacted. Reduced pricing tends to put pressure on North American pulp producers which may lead to mill closures and reduced overall demand for sodium chlorate.

From time to time certain pulp mills in North America have conducted trials or announced considering converting to unbleached pulp. To the extent that such conversions are completed, it may have a negative effect on demand for sodium chlorate which would have a negative impact on our Specialty Chemicals business

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

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

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

Health, Safety and Environment
Specialty Chemicals' operations involve the handling, production, transportation, treatment and disposal of materials that are classified as hazardous and are regulated by environmental, health and safety laws, regulations and requirements. There is potential for the release of highly toxic and lethal substances, including chlorine from a facility or transportation equipment. Equipment failure could result in damage to facilities, death or injury and

liabilities to third parties. If at any time the appropriate regulatory authorities deem any of the segment's facilities unsafe, they may order that such facilities be shut down.

Regulatory

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

Manufacturing and Production

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

Employee and Labour Relations

Approximately 26% of Specialty Chemicals' employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the negotiation process that could have an adverse impact on Superior.

Management's Responsibility for Financial Statements

The accompanying consolidated financial statements of Superior Plus Corp. (Superior) are the responsibility of management and have been approved by the Board of Directors.

The consolidated financial statements were prepared by management in accordance with International Financial Reporting Standards and include certain estimates that are based on management's best judgments. Actual results may differ from these estimates and judgments. Management has ensured that the consolidated financial statements are presented fairly in all material respects.

Management has developed and maintains a system of internal controls to provide reasonable assurance that Superior's assets are safeguarded, transactions are accurately recorded, and the financial statements report Superior's operating and financial results in a timely manner. Financial information presented elsewhere in this annual report has been prepared on a basis consistent with that in the consolidated financial statements.

The Board of Directors of Superior is responsible for reviewing and approving the consolidated financial statements and, primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting. The Audit Committee meets with management and Superior's external auditor, to discuss internal controls over the financial reporting process, auditing matters and financial reporting issues, to satisfy itself that each party is properly discharging its responsibilities and to review the consolidated financial statements. The Audit Committee reports its findings to the Board of Directors for approval of the consolidated financial statements for issuance to the shareholders. The Audit Committee also considers, for review by the Board of Directors and approval by the shareholders, the engagement or re-appointment of the external auditor.

The consolidated financial statements have been audited by Ernst & Young LLP, who were appointed at Superior's last annual meeting.

/s/ Luc Desjardins

Luc Desjardins
President and Chief Executive Officer
Officer Superior Plus Corp.

/s/ Beth Summers

Beth Summers
Executive Vice-President and Chief Financial
Superior Plus Corp.

Toronto, Ontario
February 14, 2019

Ernst & Young LLP
EY Tower
100 Adelaide Street W
PO Box 1
Toronto, ON M5H 0B3

Tel: +1 416-864-1234
Fax: +1 416-864-1174
ey.com

Independent Auditor's Report

To the Shareholders and the Board of Directors of Superior Plus Corp. Opinion on the Consolidated

Financial Statements

We have audited the accompanying consolidated financial statements of Superior Plus Corp. (the "Company"), which comprise the consolidated balance sheet as at December 31, 2018, the consolidated statement of changes in equity, consolidated statement of net loss and total comprehensive earnings (loss), and consolidated statement of cash flows for the year then ended, and the notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

Basis for Opinion

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises:

- Management's Discussion and Analysis
- The information, other than the consolidated financial statements and our auditor's report thereon, in the Annual Report

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information, and in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Ernst & Young LLP
EY Tower
100 Adelaide Street W
PO Box 1
Toronto, ON M5H 0B3

Tel: +1 416-864-1234
Fax: +1 416-864-1174
ey.com

We obtained Management's Discussion & Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

The Annual Report is expected to be made available to us after the date of the auditor's report. If based on the work we will perform on this other information, we conclude there is a material misstatement of other information, we are required to report that fact to those charged with governance.

Responsibilities of Management and Those Charges with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Comparative information

The consolidated financial statements of the Company for the year ended December 31, 2017 (prior to the restatement of the comparative information described in Note 3 to the consolidated financial statements) were audited by another auditor who expressed an unmodified opinion on those consolidated financial statements on February 14, 2018.

Ernst & Young LLP
EY Tower
100 Adelaide Street W
PO Box 1
Toronto, ON M5H 0B3

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Fax: +1 416-864-1174
ey.com

As part of our audit of the consolidated financial statements of the Company for the year ended December 31, 2018, we also audited the adjustments described in Note 3 that were applied to restate the consolidated financial statements for the year ended December 31, 2017. In our opinion, such adjustments are appropriate and have been properly applied.

We were not engaged to audit, review, or apply any procedures to the consolidated financial statements of the Company for the year ended December 31, 2017 other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements for the year ended December 31, 2017 taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Tracy Brennan.

Ernst & Young LLP

Chartered Professional Accountants
Licensed Public Accountants

Toronto, Canada
February 14, 2019

Superior Plus Corp.
Consolidated Balance Sheets

(millions of Canadian dollars)	Note	**As at December 31 2018**	As at December 31 2017
Assets			Restated (see Note 3)
Current Assets			
Cash		**23.9**	31.8
Trade and other receivables	**4**	**383.2**	318.5
Prepaid expenses	**5**	**49.3**	29.4
Inventories	**6**	**146.8**	137.0
Other current financial assets	**17**	**18.2**	30.0
Assets held for sale	**3**	**–**	16.7
Total Current Assets		**621.4**	563.4
Non-Current Assets			
Property, plant and equipment	**3, 7**	**1,527.8**	1,120.8
Intangible assets	**3, 8**	**412.1**	238.8
Goodwill	**3, 9**	**1,021.9**	352.3
Notes, finance lease receivables and other investments		**8.0**	2.7
Employee future benefits	**16**	**8.7**	8.1
Deferred tax assets	**18**	**48.7**	40.5
Other non-current financial assets	**17**	**1.0**	10.1
Total Non-Current Assets		**3,028.2**	1,773.3
Total Assets		**3,649.6**	2,336.7
Liabilities and Equity			
Current Liabilities			
Trade and other payables	**11**	**447.6**	350.7
Contract liabilities	**12**	**23.9**	9.9
Borrowing	**14**	**28.8**	28.7
Dividends and interest payable		**10.5**	8.6
Other current financial liabilities	**17**	**45.9**	21.8
Total Current Liabilities		**556.7**	419.7
Non-Current Liabilities			
Borrowing	**14**	**1,825.0**	1,024.1
Other liabilities	**13**	**12.7**	4.0
Provisions	**10**	**103.7**	69.9
Employee future benefits	**16**	**19.9**	21.0
Deferred tax liabilities	**3, 18**	**24.7**	17.5
Other non-current financial liabilities	**17**	**18.0**	4.5
Total Non-Current Liabilities		**2,004.0**	1,141.0
Total Liabilities		**2,560.7**	1,560.7
Equity			
Capital		**2,339.9**	1,953.5
Deficit	**20**	**(1,422.9)**	(1,266.9)
Accumulated other comprehensive income	**19**	**171.9**	89.4
Total Equity	**19**	**1,088.9**	776.0
Total Liabilities and Equity		**3,649.6**	2,336.7

See accompanying Notes to the Consolidated Financial Statements.

Superior Plus Corp.

Consolidated Statements of Changes in Equity

(millions of Canadian dollars)	Share capital (Note 19)	Contributed surplus	**Total capital**	**Deficit**	**Accumulated other comprehensive income**	**Total**
As at January 1, 2018	1,952.3	1.2	**1,953.5**	**(1,266.9)**	**89.4**	**776.0**
Net loss	–	–	**–**	**(34.0)**	**–**	**(34.0)**
Unrealized foreign currency gain on translation of foreign operations	–	–	**–**	**–**	**81.6**	**81.6**
Actuarial defined-benefit gain	–	–	**–**	**–**	**1.2**	**1.2**
Income tax expense on other comprehensive income	–	–	**–**	**–**	**(0.3)**	**(0.3)**
Total comprehensive income	–	–	**–**	**(34.0)**	**82.5**	**48.5**
Change in accounting policy (Note 2)	–	–	**–**	**(7.6)**	**–**	**(7.6)**
Issuance of common shares, net of costs	386.4	–	**386.4**	**–**	**–**	**386.4**
Dividends and dividend equivalent declared to shareholders	–	–	**–**	**(114.4)**	**–**	**(114.4)**
As at December 31, 2018	2,338.7	1.2	**2,339.9**	**(1,422.9)**	**171.9**	**1,088.9**
As at January 1, 2017	1,952.3	1.2	1,953.5	(1,136.2)	111.3	928.6
Net loss	–	–	–	(27.9)	–	(27.9)
Unrealized foreign currency loss on translation of foreign operations	–	–	–	–	(24.7)	(24.7)
Actuarial defined-benefit gain	–	–	–	–	3.8	3.8
Income tax expense on other comprehensive income	–	–	–	–	(1.0)	(1.0)
Total comprehensive income	–	–	–	(27.9)	(21.9)	(49.8)
Dividends declared to shareholders	–	–	–	(102.8)	–	(102.8)
As at December 31, 2017	1,952.3	1.2	1,953.5	(1,266.9)	89.4	776.0

Superior Plus Corp.
Consolidated Statements of Net Loss and Total Comprehensive Earnings (Loss)

			Years Ended December 31
(millions of Canadian dollars except per share amounts)	**Note**	**2018**	2017
Revenues	**21, 23**	**2,726.7**	2,385.0
Cost of sales (includes products and services)	**21**	**(1,788.6)**	(1,649.6)
Gross profit		**938.1**	735.4
Expenses			
Selling, distribution and administrative costs	**21**	**(800.3)**	(593.5)
Finance expense	**21**	**(85.8)**	(53.8)
Unrealized (loss) gain on derivative instruments	**17, 21**	**(86.3)**	27.7
		(972.4)	(619.6)
(Loss) earnings before income taxes		**(34.3)**	115.8
Income tax (expense) recovery	**18**	**0.3**	(143.7)
Net loss for the year		**(34.0)**	(27.9)
Other comprehensive income (loss)			
Items that may be reclassified subsequently to net earnings			
Unrealized foreign currency gain (loss) on translation of foreign operations		**81.6**	(24.7)
Items that will not be reclassified to net (loss) earnings			
Actuarial defined benefit gain		**1.2**	3.8
Income tax expense on other comprehensive income		**(0.3)**	(1.0)
Other comprehensive income (loss) for the year		**82.5**	(21.9)
Other comprehensive income (loss) for the year		**48.5**	(49.8)
Net loss per share, basic and diluted	**22**	**$(0.22)**	$(0.20)

See accompanying Notes to the Consolidated Financial Statements.

Superior Plus Corp.
Consolidated Statements of Cash Flows

(millions of Canadian dollars)	Note	**Years Ended December 31** 2018	2017
OPERATING ACTIVITIES			
Net loss for the year		**(34.0)**	(27.9)
Depreciation included in selling, distribution and administrative costs	**7**	**98.3**	51.0
Depreciation included in cost of sales	**7**	**53.6**	52.3
Amortization of intangible assets	**8**	**47.2**	9.6
Gains on disposal of assets and other non-cash items		**(2.2)**	(1.1)
Unrealized losses (gains) on derivative financial instruments	**17**	**86.3**	(27.7)
Finance expense recognized in net earnings		**85.8**	53.8
Income tax (recovery) expense recognized in net earnings	**18**	**(0.3)**	143.7
Changes in non-cash operating working capital	**25**	**(20.5)**	(61.2)
Net cash flows from operating activities before income tax and interest paid		**314.2**	192.5
Income taxes (paid) received		**(0.1)**	30.5
Interest paid		**(51.1)**	(39.9)
Cash flows from operating activities		**263.0**	183.1
INVESTING ACTIVITIES			
Acquisitions, net of cash acquired and assets sold	**3**	**(1,259.6)**	(494.6)
Purchase of property, plant and equipment and intangible assets	**28**	**(105.8)**	(77.0)
Proceeds on disposal of property, plant and equipment		**22.7**	7.6
Proceeds on sale of assets	**3**	**91.9**	–
Cash flows from (used in) investing activities		**(1,250.8)**	(564.0)
FINANCING ACTIVITIES			
Proceeds of revolving term bank credits and other debt		**2,527.3**	1,645.1
Repayment of revolving term bank credits and other debt		**(2,392.3)**	(1,415.7)
Proceeds from share issuance, net of costs		**381.4**	**–**
Proceeds from 7% senior unsecured notes	**14**	**458.5**	**–**
Proceeds from 5.25% senior unsecured notes		**–**	400.0
Proceeds from 5.125% senior unsecured notes	**14**	**362.5**	
Redemption of 6.0% convertible debentures		**–**	(97.0)
Redemption of 6.5% senior unsecured notes	**14**	**(209.8)**	–
Repayment of finance lease obligations		**(17.1)**	(16.0)
Debt issuance costs		**(17.9)**	(7.2)
Dividends paid to shareholders		**(112.5)**	(102.8)
Cash flows from financing activities		**980.1**	406.4
Net (decrease) increase in cash and cash equivalents		**(7.7)**	25.5
Cash and cash equivalents, beginning of the year		**31.8**	5.0
Effect of translation of foreign currency-denominated cash		**(0.2)**	1.3
Cash and cash equivalents, end of the year		**23.9**	31.8

See accompanying Notes to the Consolidated Financial Statements.

(Tabular amounts in millions of Canadian dollars, except per share amounts. Tables labelled “2018” and “2017” are as at and for the year ended December 31)

1. ORGANIZATION

Superior Plus Corp. (Superior or the Company) is a diversified business corporation, incorporated under the Canada Business Corporations Act. The registered office is located at Suite 401, 200 Wellington Street West, Toronto, Ontario. Superior holds 99.9% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc. (Superior GP) as general partner and Superior as limited partner. Superior owns 100% of the shares of Superior GP and Superior GP holds 0.1% of Superior LP. Superior does not conduct active business operations but rather distributes to shareholders a portion of the income it receives from Superior Plus LP in the form of partnership allocations, net of expenses. Superior’s investment in Superior Plus LP is financed by share capital. Superior is a publicly traded company with its common shares trading on the Toronto Stock Exchange under the exchange symbol SPB.

The consolidated financial statements of Superior as at December 31, 2018 and for the years ended December 31, 2018 and 2017 were authorized for issuance by the Board of Directors on February 14, 2019.

Reportable Operating Segments

Superior currently operates two distinct reportable operating segments: Energy Distribution and Specialty Chemicals. Superior’s Energy Distribution operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. propane division. Specialty Chemicals is a leading supplier of sodium chlorate and technology to the pulp and paper industry and a regional supplier of chlor-alkali products in the U.S. Midwest and Western Canada.

2. BASIS OF PRESENTATION

(a) Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) using the accounting policies Superior adopted in its annual consolidated financial statements as at and for the year ended December 31, 2018. The financial statements were prepared on a going-concern basis.

The consolidated financial statements were prepared on the historical cost basis, except for the revaluation of certain financial instruments and incorporate the accounts of Superior and its subsidiaries. Subsidiaries are all entities over which Superior has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The results of subsidiaries are included in Superior’s statement of net earnings from date of acquisition, or in the case of disposals, up to the effective date of disposal.

All transactions and balances between Superior and Superior’s subsidiaries are eliminated upon consolidation. Superior’s subsidiaries are all wholly owned directly or indirectly by Superior Plus Corp.

(b) Reclassification of Comparative Figures and Restatement

During the third quarter, Superior finalized the purchase price allocation of the Canwest Propane acquisition. As disclosed in Note 3, Superior has restated the comparative year to record the impact of the final purchase allocation as if the accounting for the business combination had been completed at the acquisition date.

Other comparative figures may have changed to conform to the current presentation.

Changes in Accounting Policies

The Company applied IFRS 15 and IFRS 9 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

(i) IFRS 9 Financial Instruments

The Company adopted IFRS 9 Financial Instruments with a date of initial application of January 1, 2018. IFRS 9 introduces new requirements for the classification and measurement of financial assets. IFRS 9 requires all recognized financial assets to be measured at amortized cost or fair value in subsequent accounting periods following initial recognition. IFRS 9 also amends the requirements around hedge accounting, and introduces a single, forward-looking expected loss impairment model.

The Company has elected to apply the limited exemption in IFRS 9 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. The adoption of IFRS 9 had no impact on the Company's consolidated financial statements on the date of initial application. There was no change in the carrying amounts on the basis of allocation from original measurement categories under IAS 39 Financial Instruments: Recognition and Measurement to the new measurement categories under IFRS 9.

(ii) IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standards establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to exercise judgment, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract.

The Company adopted IFRS 15 using the modified retrospective method of adoption and applied the practical expedient in IFRS 15, under which the Company does not disclose the amount of consideration allocated to the remaining performance obligations or an explanation of when the Company expects to recognize that amount as revenue for all reporting periods presented before the date of the initial application being January 1, 2018.

The impact on the consolidated balance sheet and cumulative catch-up adjustment to the opening balance of retained earnings as at January 1, 2018 is as follows:

	Adjustments	**$**
Assets		
Trade and other receivables	**(ii)**	(0.1)
Total Assets		**(0.1)**
Liabilities and Equity		
Trade and other payables	**(ii)**	(0.1)
Deferred tax liability	**(i)**	(2.8)
Contract liabilities	**(i)**	10.4
Total Liabilities		7.5
Equity		
Deficit	**(i)**	(7.6)
Total Equity		**(7.6)**
Total Liabilities and Equity		**(0.1)**

There is no material impact on the consolidated statement of cash flows or on basic and diluted earnings per share. The details and quantitative impact of the changes in the above accounting policies are disclosed below:

(i) Revenue from sale of propane

Certain propane contracts also include use of storage tanks for a range of charges and promotional discounts. The selling price allocated to the use of storage tanks is based on the residual value after allocating the observable stand-alone selling price to the sale of propane. The adoption of this policy resulted in an increase to contract liabilities of $10.4 million and an offsetting adjustment to deficit as of January 1, 2018.

As a result of this adjustment, Superior's deferred tax asset was increased by $2.8 million.

(ii) Revenue from sale of propane

Revenue from sale of specialty chemicals is recognized when control of the goods has transferred, and customer has full discretion over the goods. Sales where the Company arranges and charges for freight is considered a separate performance obligation. Consequently, the portion of revenue related to freight is recognized when the goods are delivered to their destination instead of when the product is shipped. The costs associated with this revenue will also be accrued and recognized at this time. The adoption of this policy resulted in a reduction of $0.1 million to trade and other receivable, and trade and other payables as at January 1, 2018.

Significant Accounting Policies

(a) Cash and Cash Equivalents
Cash and cash equivalents include cash and highly liquid short-term investments which, on the date of acquisition, have a term to maturity of three months or less. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management.

(b) Inventories
Energy Distribution
Inventories are valued at the lower of cost and net realizable value. Costs of inventories are determined either on a weighted average cost or first-in, first-out basis. Materials, supplies, and other inventories are stated at the lower of cost and net realizable value, as appropriate. The net realizable value of inventory is based on estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

Specialty Chemicals
Inventories are valued at the lower of cost and net realizable value. The cost of chemical inventories is determined on a first-in, first-out basis. Stores and supply inventories are costed on a weighted average basis. The net realizable value of inventory is based on estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale. In the case of manufactured inventories, cost includes an appropriate share of production overhead based on normal operating capacity.

(c) Financial Instruments and Derivative Financial Instruments
Financial assets and financial liabilities, including derivatives, are recognized on the consolidated balance sheets when the Company becomes a party to the financial instrument or derivative contract.

Classification
The Company classifies its financial assets and financial liabilities in the following measurement categories; i) those to be measured subsequently at fair value through profit or loss (FVTPL); ii) those to be measured subsequently at fair value through other comprehensive income (FVOCI); and iii) those to be measured at amortized cost. The classification of financial assets depends on the business model for managing the financial assets and the contractual terms of the cash flows. Financial liabilities are classified as those to be measured at amortized cost unless they are designated as those to be measured subsequently at FVTPL (irrevocable election at the time of recognition). For

assets and liabilities measured at fair value, gains and losses are either recorded in profit or loss, or other comprehensive income.

The Company reclassifies financial assets when and only when its business model for managing those assets changes. Financial liabilities are not reclassified.

For classification of the Company's financial assets and financial liabilities, refer to Note 17.

Measurement
All financial instruments are required to be measured at fair value on initial recognition, plus, in the case of a financial asset or financial liability not at FVTPL, transaction costs that are directly attributable to the acquisition or issuance of the financial asset or financial liability. Transaction costs of financial assets and financial liabilities carried at FVTPL are expensed in profit or loss. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Financial assets that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of the subsequent accounting periods. All other financial assets including equity investments are measured at their fair values at the end of subsequent accounting periods, with any changes taken through the consolidated statements of net earnings and total comprehensive income (irrevocable election at the time of recognition with no recycling of gains or losses to net earnings). For financial liabilities measured subsequently at FVTPL, changes in fair value due to own credit risk are recorded in other comprehensive income.

Impairment
The Company recognizes expected credit losses for trade and other receivables based on the simplified approach under IFRS 9. The simplified approach to the recognition of expected losses does not require the Company to track the changes in credit risk; rather, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. Trade receivables are reviewed qualitatively on a case-by-case basis to determine whether they need to be written off.

Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract, and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its financial assets carried at amortized cost.

The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Derivative Financial Instruments
Superior enters into a variety of derivative and non-financial derivative instruments to manage its exposure to certain financial risks. Such instruments arise from contracts comprising natural gas financial swaps, electricity financial swaps, fixed-price electricity purchase, propane forward purchase and sale, foreign currency forwards, interest rate swaps, and equity hedges. For commodity contracts, if physical delivery is effected based on Superior's expected procurement, sale or usage requirements, the requirements of the so-called "own use exemption" under IFRS 9 are met, which do not represent derivative financial instruments in terms of IFRS 9, but represent pending purchase and

sale transactions, which are assessed for possible impending losses in accordance with the requirements of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. If the requirements for the own use exemption are not met (for example, by transactions for short-term optimization), the contracts are recorded as derivatives in accordance with IFRS 9. Further details of derivative and non-financial derivative instruments are disclosed in Note 17.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are measured subsequently at FVTPL. The resulting gain or loss is recognized in net earnings. Realized gains and losses on derivatives are recognized as a component of revenue, cost of sales or finance expense/revenue, the classification of which depends on the underlying nature of the economic exposure being managed. Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognized in net earnings.

Superior does not formally designate and document economic hedges, in accordance with the requirements of applying hedge accounting under IFRS and, therefore, does not apply hedge accounting.

Classification as Debt or Equity
Debt and equity instruments are classified either as financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity Instruments
An equity instrument is any contract that has a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Superior are recorded at the proceeds received, net of direct issuance costs.

Derecognition of Financial Liabilities
Superior derecognizes financial liabilities solely when Superior's obligations are discharged, cancelled or expire.

Financial Guarantees at FVTPL
Financial guarantees are classified as FVTPL when the financial liability is designated as FVTPL upon initial recognition. Financial guarantees at FVTPL are stated at fair value with any resulting gain or loss recognized in net earnings. Fair value is determined in the manner described in Note 17.

(d) Property, Plant and Equipment

Cost
Property, plant and equipment are recorded at cost less accumulated depreciation and impairment losses. Major renewals and improvements which provide future economic benefits and can be reliably measured are capitalized, while repair and maintenance expenses are charged to operations as incurred. Property, plant and equipment in the course of construction are carried at cost less any recognized impairment losses. Cost includes directly attributable expenses, professional fees and, for qualifying assets, borrowing costs capitalized in accordance with Superior's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for their intended use. Disposals are derecognized at carrying costs less accumulated depreciation and impairment losses, with any resulting gain or loss reflected in net earnings.

Borrowing Costs
Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial time to ready for their intended use or sale, are included in the cost of those assets, until such time as the assets are available for their intended use. All other borrowing costs are recognized in net earnings in the period in which they are incurred.

Depreciation
Depreciation is calculated using the straight-line method, based on the estimated useful life. Land is not depreciated. Depreciation of property in the course of construction commences when the assets are available for their intended use. In the majority of cases, residual value is estimated to be insignificant. Depreciation by class of assets is as follows:

Buildings	15 to 40 years
Leasehold improvements	over the lease term up to10 years
Energy Distribution tanks and cylinders	30 years
Energy Distribution truck tank bodies, chassis and other	5 to 15 years
Manufacturing equipment	5 to 40 years
Furniture and fixtures	10 years
Computer equipment	3 years

Useful life, residual values and depreciation methods are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

(e) Intangible Assets
Intangible assets are reported at cost less accumulated amortization and accumulated impairment losses. For intangible assets with a determinate life, amortization is charged on a straight-line basis over their estimated useful lives.

Intangible assets acquired in a business combination are identified and recognized separately from goodwill when they satisfy the recognition criteria. The initial cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately. Software costs are capitalized for new systems if there are significant enhancements to existing systems. In addition to the cost of software, the capitalized costs include cost of installation and consulting services related to the system implementation or enhancement.

Useful life, residual values and amortization methods are reviewed at least annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Energy Distribution
As a result of Energy Distribution’s operating activities in Québec and California, Superior is required to purchase sufficient Compliance Instruments to offset its carbon footprint. Costs incurred by Energy Distribution to acquire Québec Cap and Trade Compliance Instruments are recorded as intangible assets and measured at cost. As the Compliance Instruments do not diminish over time, they are deemed intangible assets with an indefinite life and are not amortized. The assets are subject to impairment testing subsequent to initial recognition. The Compliance Instruments are classified as non-current and reclassified as current at the end of the compliance period. The assets are settled against the corresponding Cap and Trade liabilities at the end of the compliance period.

Intangible assets recorded as part of a business combination generally consist of customer contracts, non-compete agreements, royalty agreements, trade names and other intangible assets. The assets are recorded at fair value, which is generally based on the future expected earnings. Software and technology patents are valued based on the cost to acquire these assets. Superior’s amortization rates related to its intangible assets are summarized as follows:

Non-competition agreements	Term of the agreements (1-15 years)
Royalty agreements	1-10 years
Software	1-5 years
Technology patents	Approximately 10 years
Customer contracts	5-10 years

(f) Impairment of Property, Plant and Equipment, Intangible Assets and Investment Properties
At each balance sheet date and when circumstances indicate that the carrying value may be impaired, Superior reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss to confirm whether the assets have indeed suffered an impairment loss. If so, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Superior estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. A CGU is the smallest level of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups.

Recoverable amount is the higher of fair value less costs to sell and value-in-use.

An impairment loss is recognized if the carrying amount of an asset, CGU or group of CGUs exceeds its recoverable amount. Impairment losses are recognized immediately as a separate line item in the consolidated statements of net earnings.

A previous impairment, if any, is subsequently assessed for any indication that the impairment has been reduced or no longer exists. An impairment loss is reversed if there has been an increase in the recoverable amount of an asset or CGU over its carrying value. Impairment losses are reversed only to the extent that the asset's or CGU's carrying amount would not exceed the carrying amount that would have been reported if no impairment loss had been recognized.

(g) Business Combinations
All business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the acquisition date of the assets given up, the liabilities incurred or assumed and equity instruments issued by Superior in exchange for control of the acquiree. Transaction costs, other than those associated with the issuance of debt or equity securities that Superior incurs in connection with a business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 – *Business Combinations* are recognized at their fair value at the acquisition date, except that:

(2) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognized and measured in accordance with International Accounting Standard (IAS) 12 – *Income Taxes* and IAS 19 – *Employee Benefits*, respectively;
(3) Liabilities or equity instruments related to the replacement by Superior of an acquiree's share-based payment awards are measured in accordance with IFRS 2 – *Share-based Payment*; and
(4) Assets or disposals that are classified as held for sale in accordance with IFRS 5 – *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard.

Contingent liabilities acquired in a business combination are initially measured at fair value at the date of acquisition. At subsequent reporting dates, such contingent liabilities are measured at the amount that would be recognized in accordance with IAS 37 – *Provisions, Contingent Liabilities and Contingent Assets*.

Intangible assets arising on acquisition are recognized at fair value at the date of acquisition. The fair value is based on detailed cash flow models and other metrics depending on the type of intangible asset being recognized.

Goodwill arising on acquisition is recognized as an asset and initially measured at cost, being the excess of the cost of the business combination over Superior's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If the net amounts assigned to the assets acquired and liabilities assumed exceed the cost of the purchase, then Superior is required to reassess the value of both the cost and net assets acquired and any excess remaining after this reassessment is recognized immediately in net earnings. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, Superior will report provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances at the acquisition date that, if known, would have affected the amounts recognized at that date.

The measurement period is the period from the date of acquisition to the date Superior obtains complete information about facts and circumstances as of the acquisition date, to a maximum of one year.

(h) Goodwill

Goodwill arising in a business combination is recognized as an asset at the date control commences (the acquisition date). Goodwill is not amortized but is reviewed for impairment at least annually, on December 31. For purposes of impairment testing, goodwill is allocated to each of Superior's CGUs expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment annually or more frequently upon indication of impairment. If the recoverable amount of the CGU is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a group of assets, the attributable amount of goodwill is included in the determination of the net gain or loss on disposal.

(i) Revenue Recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control over a product or service to a customer, which may occur at a point in time or over a period of time.

The Company generates its revenue through its principal activities, which are separated by reportable segments. The nature of the goods and services and the timing of satisfaction of performance obligations is as follows:

Energy Distribution

- U.S. and Canada propane distribution business

  Propane sales contracts include supply of propane along with the loaning of storage tanks, equipment and related servicing and maintenance activities provided by the Company. Revenue from sale of propane is recognized when control of the goods has transferred, being when the goods are delivered to the customer (which occurs when the goods have been shipped to the specific location), the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Payment terms are generally 30 days from the delivery date. Customers may be required to provide a deposit depending on credit quality. These deposits are recorded as part of contract liabilities and recognized into income over the period that it relates to.

  Revenue from loaning of storage tanks and maintenance activities is recognized as the performance obligations are satisfied over time, which is generally in accordance with the terms of the contract. The customer does not control the storage tank during the term of the contract. The customer does not have the right to direct the use of the storage tank, and there is no practical or contractual restriction on the Company's ability to transfer the storage tank to another customer. The Company is able to redirect the storage tank to another customer at little or no additional cost and therefore it has an alternative use to the Company. In many cases, propane sales and the loaning of storage tanks is included under one sales contract. Propane sales prices are consistent based on the customer geography and type and therefore, the residual amount is related to loaning of storage tanks. Customers typically pay for tank rentals annually, semi-annually or on a month-by-month basis. Rental payments received for periods greater than a month are recorded as part of contract liabilities and recognized into income over the period that it relates to.

- U.S. refined fuels distribution business

  This business is involved in the distribution of heating oil and refined fuels in the northeastern United States. Its products are generally used in home heating, water heating and motor vehicle fuel. Revenue from sale of refined fuels is also recognized when control of the goods has transferred, being when the goods are delivered to the customer (which occurs when the goods have been shipped to the specific location), the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Payment terms are generally 30 days from the delivery date. Customers may be required to provide a deposit depending on credit quality. These deposits are recorded as part of contract liabilities. Customers typically pay for tank rentals annually, semi-annually or on a month-by-month basis. Rental payments received for periods greater than a month are recorded as part of contract liabilities.

Specialty Chemicals

Specialty Chemicals is involved in the distribution of sodium chlorate and environmentally preferred chlorine dioxide technology to the pulp and paper industries as well as a supplier of potassium and chlor-alkali products. Revenue from sale of specialty chemicals is also recognized when control of the goods has transferred, and customer has full discretion over the goods. Payment terms are generally 30 days from the delivery date. Customers may be required to provide a deposit depending on credit quality. These deposits are recorded as part of contract liabilities.

Sales where the Company arranges and charges for freight is considered a separate performance obligation. Consequently, the portion of revenue related to freight is recognized when the goods are delivered to their destination.

(j) Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognized as assets of Superior at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to Superior is included in the balance sheet as a finance lease obligation as part of borrowing.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in net earnings, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with Superior's general policy on borrowing costs (see (d) above). Contingent rentals are recognized as expenses in the period in which they are incurred.

Operating lease payments are recognized as an expense based on terms contained in the lease agreements. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense and amortized over the term of the lease.

(k) Provisions

Provisions are recognized when there is a present legal or constructive obligation as a result of past events, for which it is probable that payment will be required to settle the obligation, and where the amount can be reliably estimated.

The amount is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefit required to settle a provision is expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the receivable can be measured reliably.

Decommissioning Costs
Liabilities for decommissioning costs are recognized when Superior has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Generally, the costs relate to Specialty Chemicals facilities and Energy Distribution assets. Decommissioning costs are provided at the present value of expected costs to settle the obligation using estimated cash flows. The cash flows are discounted at a current pre-tax rate that reflects the risks specific to the decommissioning liability. The unwinding of the discount is expensed as incurred and recognized in net earnings as a finance expense. The estimated future costs of decommissioning are reviewed annually and adjusted as appropriate. A corresponding item of property, plant and equipment of an amount equal to the provision is also created. This is subsequently amortized as part of the asset. Changes in the estimated future costs or in the discount rate applied are added to or deducted from the cost of the asset.

Environmental Expenditures and Liabilities
Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognized is the best estimate of the expenditure required. When the liability will not be settled for a number of years, the amount recognized is the present value of the estimated future expenditure.

Restructuring
A restructuring provision is recognized when Superior has developed a detailed formal restructuring plan and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring.

(l) Employee Future Benefits
Superior has a number of defined-benefit and defined contribution plans providing pension and other post-employment benefits to most of its employees. Superior accrues its obligations under the plans and the related costs, net of plan assets.

Contributions to defined contribution plans are recognized as an expense when employees have rendered service entitling them to the contributions.

For defined-benefit plans, the cost of providing benefits is determined using the projected unit credit method, with actuarial valuations being carried out at each balance sheet date. The net obligation for each defined-benefit plan is discounted to determine the present value using the yield at the reporting date on high-quality Canadian corporate bonds. Plan assets are measured at fair value and the difference between the fair value of the plan assets and the present value of the defined-benefit obligation is recognized on the Consolidated Balance Sheets as an asset or liability. Costs charged to Consolidated Statements of Net (Loss) Earnings include current service cost, any past service costs, any gains or losses from curtailments and interest on the net defined-benefit asset or liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they occur.

The defined-benefit obligation recognized in the balance sheet represents the present value adjusted for unrecognized actuarial gains and losses and unrecognized past service cost, and reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to unrecognized actuarial losses and past service cost, plus the present value of available refunds and reductions in future contributions to the plan.

(m) Income Taxes

Income tax expense represents the sum of current income taxes payable and deferred income taxes.

Current Income Taxes

The income tax currently payable is based on taxable net earnings for the year. Taxable net earnings differ from net earnings as reported in the consolidated statement of net earnings and total comprehensive income because they exclude items of income or expense that are taxable or deductible in other years as well as items that are never taxable or deductible. Superior's liability for current income tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Income Taxes

Deferred income tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable net earnings. Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable net earnings will be available against which those deductible temporary differences can be utilized. Deferred tax liabilities are recognized for all taxable temporary differences, except for the following:

- When the deferred tax liability arises from the initial recognition of goodwill;
- When an asset or liability in a transaction is not a business combination and, at the time of the transaction, affects neither the accounting net earnings or taxable net earnings; or
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by Superior and it is unlikely that the temporary differences will be reversed in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that they are expected to be reversed in the foreseeable future and it is probable that there will be sufficient taxable net earnings against which to utilize the benefits of the temporary differences. A deferred tax asset may also be recognized for the benefit expected from unused tax losses available for carry-forward, to the extent that it is probable that future taxable earnings will be available against which the tax losses can be applied.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Superior expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current liabilities and when they are related to income taxes levied by the same taxation authority and Superior intends to settle its current tax assets and liabilities on a net basis. Also, Superior recognizes any benefit associated with investment tax credits as deferred tax assets to the extent they are expected to be utilized in accordance with IAS 12 – *Income Taxes*.

Uncertain Tax Positions

Superior is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. It is possible, however, that at some future date, liabilities in excess of Superior's provisions could result from audits by or litigation with tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Current and Deferred Tax for the Period
Current and deferred tax are recognized as an expense in net earnings, except where they relate to amounts recognized outside of net earnings (whether in other comprehensive income or directly in equity), in which case the tax is also recognized outside of net earnings, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is included in the accounting for the business combination.

(n) Foreign Currencies
The financial statements of each subsidiary of Superior are translated into the currency of the subsidiary's primary economic environment (its functional currency). For the purpose of the consolidated financial statements, the results and balance sheets of each subsidiary are expressed in Canadian dollars, Superior's presentation currency. Transactions are recognized at the rates of exchange prevailing at the transaction date.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the period-end. Non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value is measured. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction and are not retranslated.

For the purposes of presenting Superior's consolidated financial statements, the assets and liabilities of Superior's foreign operations, namely of Energy Distribution and Specialty Chemicals in the United States, and of Specialty Chemicals in Chile, are translated using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period.

Goodwill and fair value measurements of identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences are recognized in other comprehensive income for the period.

(o) Share-Based Payments
Superior has established share-based compensation plans whereby notional restricted shares and/or notional performance shares may be granted to employees. The fair value of these notional shares is estimated using the period-end quoted market price and recorded as an expense with an offsetting amount to accrued liabilities, re-measured at each balance sheet date. All share-based payments are settled in cash.

(p) Net (Loss) Earnings per Common Share
Basic net earnings per share are calculated by dividing the net earnings by the weighted average number of shares outstanding during the period, which is calculated using the number of shares outstanding at the end of each month in that year. Diluted net earnings per share are calculated by factoring in the dilutive impact of the dilutive instruments, including the conversion of debentures to shares using the if-converted method to assess the impact of dilution. Superior uses the treasury stock method to determine the impact of dilutive options, which assumes that the proceeds from in-the-money share options are used to repurchase shares at the average market price during the period.

(q) Significant Accounting Judgments, Estimates and Assumptions
The preparation of Superior's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosure. The estimates and associated assumptions are based on historical experience and various other factors deemed reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are as follows:

Fair Value of Derivative and Non-Financial Derivative Instruments
Where the fair values of financial derivative and non-financial derivatives cannot be derived from active markets, they are determined using valuation techniques including a discounted cash flow model. This requires assumptions concerning the amount and timing of estimated future cash flows and discount rates. Differences between actual values and assumed values will affect net earnings in the period when the difference is determined.

Allowance for Doubtful Accounts
Superior recognizes an allowance for doubtful accounts based on historical customer collection history, general economic indicators and other customer-specific information, all of which require Superior to make certain assumptions. Where the actual collectability of accounts receivable differs from these estimates, such differences will have an impact on net earnings in the period such a determination is made.

Property, Plant and Equipment and Intangible Assets
Capitalized assets, including property, plant and equipment and intangible assets, are amortized over their respective estimated useful lives. All estimates of useful lives are set out in 2(d) and 2(e) above.

Provisions
Provisions have been estimated for decommissioning costs, restructuring and environmental expenditures. The actual costs and timing of future cash flows depend on future events. Any differences between estimates and the actual future liability will be accounted for in the period when such determination is made. Determining decommissioning liabilities requires estimates regarding the useful life of certain operating facilities, the timing and cost of future remediation activities, discount rates and the interpretation and changes to various environmental laws and regulations. Differences between estimates and results will affect Superior's accrual for decommissioning liabilities, with an effect on net earnings.

Employee Future Benefits
Superior has a number of defined-benefit pension plans and other benefit plans. The cost of defined-benefit pension plans and the present value of the pension obligation are determined using actuarial valuations. These require assumptions including the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the valuation's complexity, its underlying assumptions and long-term nature, a defined benefit obligation is highly sensitive to changes in the underlying assumptions.

Income Tax Assets and Liabilities
Superior recognizes expected tax assets and liabilities based on estimates of current and future taxable net earnings, which may require significant judgment regarding the ultimate tax determination of certain items. If taxable net earnings differ from the estimates, there may be an impact on current and future income tax provisions in the period when the difference is determined.

Asset Impairments
Financial and non-financial assets are subject to impairment reviews based on whether current or future events and circumstances suggest that their recoverable amount may be less than their carrying value. Recoverable amounts are based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance.

Critical Judgments in Applying Accounting Policies
In applying Superior's accounting policies, described above, management makes judgments that could significantly affect the amounts recognized in the consolidated financial statements. The most critical of these judgments are:

Impairment of Property, Plant and Equipment
An impairment evaluation involves consideration of whether there are indicators of impairment. Indicators include: significant underperformance relative to historical or projected operating results, significant changes in the manner in which an asset is used or in Superior's overall business strategy, or significant negative industry or economic trends. In some cases, these events are clear. In many cases, however, there is no clearly identifiable event. Instead, a series of individually insignificant events, some of them only later known, leads to an indication that an asset may be impaired. Management continually monitors Superior's segments, the markets, and the business environment, and makes judgments and assessments about conditions and events in order to conclude whether there may be an impairment.

Income Taxes
Preparation of the consolidated financial statements involves making an estimate of, or provision for, income taxes in each of the jurisdictions in which Superior operates. The process also involves estimating taxes currently payable and taxes expected to be payable or recoverable in future periods, referred to as deferred income taxes. Deferred income taxes result from the effects of temporary differences due to items that are treated differently for tax and accounting purposes. The tax effects of these differences are reflected in the balance sheet as deferred income tax assets and liabilities. An assessment must also be made to determine the likelihood that Superior's future taxable income will be sufficient to permit the recovery of deferred income tax assets. To the extent that such recovery is not probable, recognized deferred income tax assets must be reduced. Judgment is required in determining the provision for income taxes and recognition of deferred income tax assets and liabilities. Management must also exercise judgment in its assessment of continually changing tax interpretations, regulations and legislation, to ensure deferred income tax assets and liabilities are complete and fairly presented. The effects of differing assessments and applications could be material.

Purchase Price Allocation

All business combinations are accounted for using the acquisition method. This requires management to recognize all identifiable assets, liabilities and contingent liabilities at the acquisition date fair values with a few exceptions. The allocation of the purchase price to property, plant and equipment and intangible assets requires management to exercise judgment when determining the acquisition fair value of each asset and its respective useful life. Consideration paid in a business combination that exceeds the net fair value of assets and liabilities acquired is allocated to goodwill. Goodwill is reviewed for impairment at least annually. As disclosed in Note 3, a number of acquisitions were completed during 2018. Changes in the purchase price allocation could occur during the 12-month period following acquisition. Changes to the fair value of the assets and liabilities acquired could affect the purchase price allocation and the Energy Distribution's net income.

Financial Instruments
The fair value of financial instruments is determined and classified in three categories, which are outlined below and discussed in more detail in Note 17.

Level I
Fair values in Level I are determined using quoted prices in active markets for identical instruments.

Level II
Fair values in Level II are determined using 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 value drivers are observable in active markets.

Level III
Fair values in Level III are determined using valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

The fair value measurement of a financial instrument is included in only one of the three levels, the determination of which is based on the lowest-level input that is significant to the derivation of the fair value. Classification of financial instruments requires management to use judgment in respect of both the determination of fair value and the lowest-level input of significance.

Revenue from sale of specialty chemicals
Chemical sales are sometimes sold with discounts and volume rebates. Revenue from these sales is recognized based on the price specified in the contract, net of the estimated discounts and volume rebates. Accumulated experience is used to estimate and provide for the discounts, using the expected value or most likely method, and revenue is only recognized to the extent that it is highly probable that a significant reversal will not occur. A contract liability is recognized for expected discounts payable to customers in relation to sales made until the end of the reporting period. No element of significant financing component exists.

Revenue from sale of propane, including storage tanks
Certain propane supply contracts entered into by the Company include sale of propane along with the loaning of storage tanks and equipment by the Company. Because these contracts include multiple performance obligations, the transaction price must be allocated to the performance obligations.

Management estimates the stand-alone selling price using the residual approach. The price of propane charged is consistent by geography and customer type, whereas fees and discounts associated with loaning storage tank can vary. Management allocates revenue to the sale of propane based on the consistent price by customer geography and region and the residual amount is applied to loaning the storage tank. Revenue from the sale of propane is recognized when delivered and revenue from storage tanks and equipment is recognized over the contract period.

Standards issued but not yet effective
The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRIC 23 – *Uncertainty over Income Tax Treatments*
On June 23, 2017, the IASB issued IFRIC Interpretation 23 *Uncertainty over Income Tax Treatments*, which clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company plans to adopt the new Interpretation beginning January 1, 2019. Management does not expect the adoption of IFRIC 23 to have a material impact on the Company's results.

IFRS 16 – *Leases*
On January 13, 2016, the IASB issued IFRS 16 *Leases*, which requires lessees to recognize assets and liabilities for most leases, as well as corresponding amortization and finance expense. Application of the standard is mandatory for annual reporting periods beginning on or after January 1, 2019, with earlier application permitted. The Company plans to adopt the new standard beginning January 1, 2019.

The Company plans to adopt IFRS 16 using the modified retrospective approach and accordingly the information presented for 2018 will not be restated and will remain as previously reported under IAS 17 and related interpretations. The Company plans to elect the standard using the following expedients permitted by the standard:

- The Company will elect to record a right-of-use asset based on the corresponding lease liability.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.
- Accounting for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.
- The exclusion of initial direct costs for the measurement of the right-of-use asset at the date of initial application, and
- The use of hindsight in determining the lease term where the contract includes extension or termination options.

The Company expects that the new standard will result in the Company recording a right-of-use asset and a corresponding liability in the amount of $175 to $200 million. In addition to the increase in assets and liabilities, the impact of IFRS 16 will increase amortization, finance expense and reduce other selling, distribution and administrative expenses. The Company also expects that cash flow from operating activities will increase under the new standard because lease payments for most leases will be recorded as cash outflows from financing activities in the statements of cash flows.

3. ACQUISITIONS AND DIVESTITURES

2018 Acquisitions

2018	Musco Fuel & Propane LLP	United Pacific Energy	Porco Energy Corp.	NGL Propane, LLC	Blue Flame Gas Service	Hi-Grade Oil
Cash	–	0.7	–	4.7	–	–
Accounts receivable	0.7	14.5	0.8	29.3	0.8	1.0
Prepaid expenses	–	4.7	–	3.4	–	–
Inventory and other current assets	0.1	1.5	0.4	14.5	0.1	–
Property, plant and equipment	1.7	18.5	5.1	386.2	3.9	2.3
Other assets	–	4.2	–	1.6	–	–
Intangibles	12.6	10.7	12.8	164.5	10.6	3.7
Assets sold	–	–	–	–	–	2.4
Accounts payable and accrued liabilities	(1.1)	(8.0)	(0.6)	(44.5)	(1.7)	(1.1)
Contract liabilities	–	–	–	(3.3)	–	
Provisions	–	(0.4)	–	(6.8)	–	–
Long-term debt	–	–	–	(8.9)	–	–
Deferred tax liability	–	(7.1)	–	–	–	–
Net identifiable assets and liabilities	**14.0**	**39.3**	**18.5**	**540.7**	**13.7**	**8.3**
Goodwill arising on acquisition	5.0	12.2	–	624.9	–	–
Total consideration	**19.0**	**51.5**	**18.5**	**1,165.6**	**13.7**	**8.3**
Fair value of deferred consideration	1.2	–	5.4	–	2.1	–
Cash paid on acquisition	17.8	51.5	13.1	1,165.6	11.6	8.3
Total consideration	**19.0**	**51.5**	**18.5**	**1,165.6**	**13.7**	**8.3**

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

a) United Pacific Energy (UPE)
On October 2, 2018, Superior closed the acquisition of United Liquid Gas Company (UPE) for $42.6 million (US$33 million) plus working capital consideration of $8.9 million (US$6.9 million).

The above values represent management's preliminary estimate of the fair value of assets acquired and liabilities assumed. Management is still assessing the information obtained, including evaluating impact and assumptions to be used in estimating the fair value of property, plant and equipment. In addition management is working with the seller to finalize the working capital adjustment. The results of these procedures may change the above values during the 12-month measurement period. Goodwill related to the UPE acquisition is not deductible for tax purposes and forms part of the Energy Distribution segment.

Revenue and net earnings for the year ended December 31, 2018, would have been $199.3 million and $4.0 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of October 2, 2018, the acquisition contributed revenue and net earnings of $63.0 million and $2.8 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

b) NGL Propane, LLC (NGL)
On July 10, 2018, Superior completed the acquisition of NGL Propane, LLC, NGL Energy Partners LP's retail propane distribution business (NGL) for cash proceeds of $1,165.6 million (US$889.8 million), net of customary closing adjustments and excluding transaction costs. The purchase price was financed through a combination of debt and equity. The acquisition costs directly attributable to the acquisition of NGL were approximately $10.0 million. These costs were expensed and included in selling, distribution and administrative costs.

Revenue and net loss for the year ended December 31, 2018, would have been $623.6 million and $49.6 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of July 10, 2018, the acquisition contributed revenue and net earnings of $245.8 million and $10.7 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

Superior has updated the purchase price allocation and restated the previously reported fair values as follows:

	Previously Reported	**Adjustment**	**December 31, 2018**
Current assets	59.8	(6.9)	52.9
Property, plant and equipment	273.9	112.3	386.2
Other assets	3.2	(2.7)	0.5
Intangibles	195.0	(29.5)	165.5
Goodwill	718.9	(94.0)	624.9
Accounts payable and accrued liabilities	(18.0)	(26.5)	(44.5)
Contract liabilities	(26.9)	23.6	(3.3)
Other liabilities	(35.4)	28.7	(6.7)
Long-term debt	−	(8.9)	(8.9)

Intangibles in the amount of $165.5 million represents the value of the customer relationships and will be amortized over the estimated life of these relationships of approximately 8 years.

The above values represent management's preliminary estimate of the fair value of assets acquired and liabilities assumed. Management is still assessing the information obtained, including evaluating inputs and assumptions to be used in estimating the fair value of property, plant and equipment. The results of these procedures may change the above values during the 12-month measurement period. Adjustments to the original balances were primarily related to reclassifying balances to conform with the current presentation and to update management's preliminary estimate of fair value.

c) Musco Fuel & Propane LLP (Musco)
On November 1, 2018, Superior closed the acquisition of substantially all of the propane distribution assets of Musco Fuel & Propane, LLP (Musco) for total cash consideration of $17.8 million (US$13.5 million) and deferred payments of $1.3 million (US$1.0 million).

Revenue and net earnings for year ended December 31, 2018, would have been $9.4 million and $1.6 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of November 1, 2018, the acquisition contributed revenue and net earnings of $2.3 million and $0.5 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

d) Porco Energy Corp. (Porco)
On September 21, 2018, Superior closed the acquisition of the propane distribution assets of Porco, an independent propane and distillate fuel distributor in New York for total cash consideration of $13.1 million (US$10.5 million) and deferred payments of $6.9 million (US$5.5 million).

Revenue and net earnings for the year ended December 31, 2018, would have been $19.3 million and $1.7 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of September 21, 2018, the acquisition contributed revenue and net earnings of $3.5 million and $0.9 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

e) Blue Flame Gas Service (Blue Flame)
On May 1, 2018, Superior closed the acquisition of the propane distribution assets of Blue Flame Gas Service, an independent propane distributor in Pennsylvania for total cash consideration of $11.6 million (US$9.0 million) and deferred payments of $2.6 million (US$2.0 million).

Revenue and net earnings for the year ended December 31, 2018, would have been $8.1 million and $0.2 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of May 1, 2018, the acquisition contributed revenue and net loss of $3.8 million and $0.7 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

f) Hi-Grade Oil (Hi-Grade)
On February 2, 2018, Superior closed the acquisition of the propane distribution assets of Hi-Grade, an independent propane and distillate fuel distributor in Ohio for total cash consideration of $8.3 million (US$6.4 million). Immediately following this purchase the distillate assets were sold to another party for approximately $2.4 million (US$1.7 million).

Revenue and net earnings for the year ended December 31, 2018, would have been $3.6 million and $1.1 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of February 2, 2018, the acquisition contributed revenue and net earnings of $2.9 million and $0.8 million, respectively, to the Energy Distribution segment for the period ended December 31, 2018.

2017 Acquisitions

2017	Pomerleau Gaz Propane Inc.	Canwest Propane	Yankee Propane Inc. and Virginia Propane, Inc.	R.W. Earhart Company	International Dioxcide Inc.
Cash	0.5	39.2	–	–	1.2
Accounts receivable	1.5	15.2	–	1.8	7.8
Prepaid expenses	0.1	4.2	–	–	2.6
Inventory	0.1	0.9	–	–	–
Property, plant and equipment	5.1	161.8	9.8	16.7	1.2
Other assets	–	2.9	–	–	–
Intangibles	5.8	160.6	18.9	18.8	7.3
Assets held for sale	–	13.0	–	–	–
Accounts payable and accrued liabilities	(0.8)	(16.1)	–	(1.3)	(6.3)
Other liabilities	–	(2.5)	–	–	(0.3)
Long-term debt	(1.3)	-	–	–	–
Provisions	–	(7.7)	–	–	–
Other liabilities	–	(1.6)	–	–	–
Deferred tax liability	(1.1)	(71.0)	–	–	(0.1)
Net identifiable assets and liabilities	**9.9**	**298.9**	**28.7**	**36.0**	**13.4**
Goodwill arising on acquisition	0.8	133.5	10.0	8.3	1.0
Total consideration	**10.7**	**432.4**	**38.7**	**44.3**	**14.4**
Fair value of deferred consideration	–	–	4.0	–	–
Cash paid on acquisition	10.7	432.4	34.7	44.3	14.4
Total consideration	**10.7**	**432.4**	**38.7**	**44.3**	**14.4**

g) Canwest Propane (Canwest)

On March 1, 2017, Superior entered into certain agreements to purchase 100% of the entities that carry on the industrial propane business of Canwest from Gibson Energy ULC (the Canwest Option) for cash consideration of $412.0 million plus $20.4 million of working capital. The acquisition was subject to the satisfaction of certain conditions, including the receipt of customary regulatory approvals. On September 27, 2017, Superior received regulatory approval from the Competition Bureau and closed the acquisition of Canwest subject to certain conditions. As outlined in the consent agreement registered with the Competition Bureau, Superior agreed to divest five local branches and nine satellite locations from the combined Superior Propane and Canwest Propane organization. These assets were sold for $13.0 million which included approximately $1.6 million of working capital.

The purchase price allocation was finalized during the third quarter of 2018 and as a result, was adjusted as follows:

Property, plant and equipment was increased by approximately $45.3 million as a result of the finalization of fair value of these assets being higher than the original estimate. These assets are being amortized over the estimated remaining useful life of the respective class of assets.

Intangible assets was increased by approximately $153.5 million to $160.6 million. Of the total fair value $151.6 million represents the value of the customer relationships and will be amortized over the estimated life of these relationships of approximately 15 years. The remaining fair value is attributable to the brands that Canwest owns and operates under. These are being amortized over periods ranging from 5 to 15 years.

Assets held for sale was increased by $1.9 million to $13.0 million as a result of completing these disposals.

Debt was increased by $1.6 million as a result of aligning accounting policies which involved recording certain service vehicle leases as finance leases.

The deferred tax asset was decreased by approximately $46.9 million to account for the increase in the above fair values.

As a result of the above adjustments, goodwill was reduced by $152.2 million. The final goodwill balance of $133.5 million comprises the value of expected on going synergies from the acquisition. The goodwill arising from the acquisition is not deductible for tax purposes. The goodwill associated with the Canwest acquisition forms part of the Energy Distribution segment.

Upon completion of finalizing the purchase price allocation, Superior has restated the comparative period to record the impact of the finalized purchase allocation as if the accounting for the business combination had been completed at the acquisition date. As a result, the following changes were made:

	Reported	Adjustment	Restatement
Plant, property and equipment	1,077.1	43.7	1,120.8
Intangible assets	85.3	153.5	238.8
Assets held for sale	14.8	1.9	16.7
Goodwill	504.5	(152.2)	352.3
Deferred tax asset	87.4	(46.9)	40.5

h) Pomerleau Gaz Propane Inc. (Pomerleau)

On April 20, 2017, Superior acquired 100% of the shares of Pomerleau, a propane distributor serving residential and commercial customers in southeastern Québec. Revenue and net earnings for the year ended December 31, 2017 would have been $9.2 million and $0.6 million, respectively, if the acquisition had occurred on January 1, 2017. Subsequent to the acquisition date on April 20, 2017, the acquisition contributed revenue and net earnings of $4.5 million and $0.7 million, respectively, to the Energy Distribution segment for the year ended December 31, 2017. Goodwill arising on acquisition is not deductible for tax purposes.

i) Yankee Inc. and Virginia Propane Inc. (Yankee)

On August 1, 2017, Superior acquired the assets of Yankee, propane distributors serving residential and commercial customers in New York, New Jersey and Virginia. Revenue and net earnings for the year ended December 31, 2017 would have been $19.5 million and $2.8 million, respectively, if the acquisition had occurred on January 1, 2017. Subsequent to the acquisition date on August 1, 2017, the acquisition contributed revenue and net earnings of $8.2 million and $0.2 million, respectively, to the Energy Distribution segment for the year ended December 31, 2017.

j) R.W. Earhart Company (Earhart)

On October 12, 2017, Superior acquired the assets of Earhart for an aggregate purchase of $47.6 million (US $38.0 million), less working capital and other adjustments for a final purchase price of $44.3 million (US $35.4 million). Revenue and net earnings for the year ended December 31, 2017 would have been $25.3 million and $3.4 million, respectively, if the acquisition had occurred on January 1, 2017. Subsequent to the acquisition date on October 2, 2017, the acquisition contributed revenue and net earnings of $9.1 million and $2.1 million, respectively, to the Energy Distribution segment for the year ended December 31, 2017.

k) International Dioxcide Inc. (IDI Holdings)

On October 12, 2017, Superior acquired 100% of the shares of IDI from LANXESS Corporation for cash consideration of $14.4 million (US $11.1 million) excluding taxes. IDI is a well-established company in the chlorine dioxide industry, operating for over 65 years with manufacturing operations in Rhode Island. Goodwill from IDI Holdings is included in Specialty Chemicals. Revenue and net earnings for the year ended December 31, 2017 would have been $19.0 million and $2.9 million, respectively, if the acquisition had occurred on January 1, 2017. Subsequent to the acquisition date on October 12, 2017, the acquisition contributed revenue and net earnings of $7.6

million and $0.7 million, respectively, to the Specialty Chemicals segment for the year ended December 31, 2017. Goodwill arising on acquisition is not deductible for tax purposes.

2018 Divestitures

On April 19, 2018, Superior Propane sold its inventory and fixed assets associated with the Petrofuels business in St. Catharines, Ontario to McDougall Energy Inc. for total purchase price of $4.1 million, resulting in a gain of $2.7 million. The gain is recorded as part of selling, distribution and administrative costs.

On April 3, 2018, Superior sold certain retail distillate assets in Pennsylvania to a third party for total cash consideration of $20.7 million (US$16.7 million). This resulted in a gain of $9.9 million (US$8.0 million). The gain is recorded as part of selling, distribution and administration costs.

On April 25, 2018, Superior sold certain wholesale refined fuels business assets located across five states in the northeast U.S., and three pipeline connected terminals located in New York to Sunoco LP for cash consideration of approximately $50.8 million (US$39.5 million), plus net working capital of approximately $20.4 (US$16.0 million). This resulted in a gain of $5.3 million (US$4.1 million). The gain is recorded as part of selling, distribution and administration costs.

4. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	December 31 2018	December 31 2017
Trade receivables, net of allowances	**343.7**	292.9
Accounts receivable – other	**39.5**	25.6
Trade and other receivables	**383.2**	318.5

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

	December 31 2018	December 31 2017
Current	**246.7**	212.4
Past due less than 90 days	**94.4**	80.4
Past due over 90 days	**13.8**	7.0
Trade receivables	**354.9**	299.8

The current portion of Superior's trade receivables is neither impaired nor past due and there are no indications as of the reporting date that the debtors will not make payment. Superior's trade receivables are stated after deducting a provision of $11.2 million as at December 31, 2018 (December 31, 2017 – $6.9 million). The movement in the provision for doubtful accounts is as follows:

	December 31 2018	December 31 2017
Allowance for doubtful accounts, beginning of the period	**(6.9)**	(4.3)
Impact of acquisitions and disposals	**(2.3)**	(3.1)
Impairment losses recognized on receivables	**(6.4)**	(4.0)
Amounts written off during the year as uncollectible	**3.5**	2.3
Amounts recovered	**0.9**	2.2
Allowance for doubtful accounts, end of the period	**(11.2)**	(6.9)

5. PREPAID EXPENSES

	2018	2017
Prepaid insurance	**14.9**	14.5
Tax installments	**5.0**	5.9
Deposits	**18.5**	1.4
Leases and licenses	**3.1**	2.4
Storage and rent	**1.7**	1.0
Miscellaneous prepaids and other	**6.1**	4.2
Balance, end of the year	**49.3**	29.4

6. INVENTORIES

	December 31 2018	December 31 2017
Propane, heating oil and other refined fuels	**87.3**	85.6
Propane retailing materials, supplies, appliances and other	**10.2**	8.0
Chemical finished goods and raw materials	**31.6**	28.3
Chemical stores, supplies and other	**17.7**	15.1
	146.8	137.0

		Years Ended December 31
	2018	2017
Cost of inventories recognized as an expense	**1,552.0**	1,435.6
Inventory write-downs recorded in cost of sales	**7.3**	2.6
Write-down reversals recorded in cost of sales	**(0.1)**	(1.1)

7. PROPERTY, PLANT AND EQUIPMENT

Cost	Land	Buildings	Specialty Chemicals Plant and Equipment	Energy Distribution Retailing Equipment	Leasehold Improvements	Total
Balance at December 31, 2016	31.6	206.3	964.1	960.5	6.0	2,168.5
Additions	0.2	3.9	25.9	30.1	1.2	61.3
Acquisitions through business combinations (Note 3)	18.8	11.2	1.2	14.2	1.5	46.9
Adjustments related to ARO and provisions	–	44.6	–	–	–	44.6
Disposals	(1.0)	(1.8)	(1.8)	(2.1)	(0.1)	(6.8)
Net foreign currency exchange differences	(0.7)	(6.1)	(28.1)	(12.9)	–	(47.8)
Reclassification	(0.2)	0.3	–	(0.1)	–	–
Other	(0.4)	(0.7)	–	(11.5)	–	(12.6)
As at December 31, 2017[1]	48.3	257.7	961.3	978.2	8.6	2,254.1
Additions	**8.2**	**2.9**	**27.0**	**81.6**	**0.7**	**120.4**
Acquisitions through business (Note 3) combinations	**20.3**	**29.8**	**–**	**367.6**	**–**	**417.7**
Adjustments related to ARO and provisions	**–**	**6.7**	**21.9**	**–**	**–**	**28.6**
Disposals	**(3.0)**	**(8.8)**	**(6.2)**	**(168.0)**	**(2.2)**	**(188.2)**
Net foreign currency exchange differences	**2.0**	**10.8**	**35.7**	**39.5**	**(0.1)**	**87.9**
Reclassification	**(1.6)**	**–**	**–**	**–**	**1.6**	**–**
Balance at December 31, 2018	**74.2**	**299.1**	**1,039.7**	**1,298.9**	**8.6**	**2,720.5**
Accumulated Depreciation						
Balance at December 31, 2016	–	80.0	541.9	446.6	3.2	1,071.7
Depreciation expense	–	8.8	45.4	48.0	1.1	103.3
Eliminated on disposal of assets	–	(0.3)	(1.3)	(14.1)	(0.1)	(15.8)
Net foreign currency exchange differences	–	(2.2)	(14.1)	(7.6)	–	(23.9)
Reclassification	–	(0.1)	–	–	0.1	–
Other	–	(0.8)	–	(1.2)	–	(2.0)
Balance at December 31, 2017[1]	–	85.4	571.9	471.7	4.3	1,133.3
Depreciation expense	**–**	**12.4**	**44.9**	**93.7**	**0.9**	**151.9**
Eliminated on disposal of assets	**–**	**(6.1)**	**(6.1)**	**(115.3)**	**(0.6)**	**(128.1)**
Net foreign currency exchange differences	**–**	**3.6**	**19.6**	**12.2**	**–**	**35.4**
Other	**–**	**–**	**–**	**–**	**0.2**	**0.2**
Balance at December 31, 2018	**–**	**95.3**	**630.3**	**462.3**	**4.8**	**1,192.7**
Carrying Amount						
As at December 31, 2017[1]	48.3	172.3	389.4	506.5	4.3	1,120.8
Balance at December 31, 2018	**74.2**	**203.8**	**409.4**	**836.6**	**3.8**	**1,527.8**

[1] 2017 balances have been restated (see Note 3)

Depreciation per cost category:

	Years Ended December 31 2018	2017
Selling, distribution and administrative costs	**98.3**	51.0
Cost of sales	**53.6**	52.3
Total	**151.9**	103.3

The carrying amount of Superior's property, plant and equipment includes $65.6 million of leased assets as at December 31, 2018 (December 31, 2017 – $63.9 million).

Superior evaluated the property, plant and equipment as at December 31, 2018 and 2017 for indicators of impairment and no impairment was identified. Therefore, the carrying value was not adjusted. See Note 9 for further details on testing of property, plant, and equipment impairment in CGUs.

8. INTANGIBLE ASSETS

	Customer Relationships	Cap and Trade Emissions Units Purchased	Energy Distribution Trademarks, Non-Compete Agreements and Other Intangible Assets	Specialty Chemicals Royalty Assets and Patents	Other Intangible Assets	Total
Cost						
Balance at December 31, 2016	–	9.1	48.4	–	–	57.5
Acquisitions through business combinations (Note 3)	156.2	–	47.8	7.3	–	211.3
Additions from internal development	–	–	–	–	0.1	0.1
Additions acquired separately	–	1.1	4.7	–	–	5.8
Net foreign currency exchange differences	–	–	(0.9)	(0.2)	–	(1.1)
Balance at December 31, 2017[(1)]	156.2	10.2	100.0	7.1	0.1	273.6
Acquisitions through business combinations (Note 3)	**183.6**	**1.3**	**30.0**	**–**	**–**	**214.9**
Additions from internal development	**–**	**–**	**1.0**	**–**	**–**	**1.0**
Additions acquired separately	**2.1**	**5.5**	**3.1**	**–**	**–**	**10.7**
Disposals	**(23.2)**	**(11.7)**	**(10.2)**	**–**	**–**	**(45.1)**
Net foreign currency exchange differences	**–**	**–**	**12.3**	**0.6**	**–**	**12.9**
Balance at December 31, 2018	**318.7**	**5.3**	**136.2**	**7.7**	**0.1**	**468.0**
Accumulated Amortization						
Balance at December 31, 2016	–	–	25.5	–	–	25.5
Amortization expense	0.6	–	9.0	–	–	9.6
Net foreign currency exchange differences	–	–	(0.3)	–	–	(0.3)
Balance at December 31, 2017	0.6	–	34.2	–	–	34.8
Amortization expense	**2.0**	**–**	**44.1**	**1.1**	**–**	**47.2**
Disposals	**(21.5)**	**–**	**(6.2)**	**–**	**–**	**(27.7)**
Net foreign currency exchange differences	**–**	**–**	**1.6**	**–**	**–**	**1.6**
Balance at December 31, 2018	**(18.9)**	**–**	**73.7**	**1.1**	**–**	**55.9**
Carrying value						
As at December 31, 2017	155.6	10.2	65.8	7.1	0.1	238.8
As at December 31, 2018	**337.6**	**5.3**	**62.5**	**6.6**	**0.1**	**412.1**

(1) 2017 balances have been restated. See Note 3 under Canwest Propane.

Superior evaluated intangibles as at December 31, 2018 and 2017 for indicators of impairment and the Company did not identify any impairment. Therefore, the carrying value was not adjusted for the current year.

During the year, the Company invested $3.1 million (2017 – $4.7 million) in new software systems and enhancements to existing systems. These additions include the cost of the software, the installation and consulting services relating to the enhancements and implementation of these systems.

9. GOODWILL

	2018	2017(restated)
Balance, beginning of the year	**352.3**	199.2
Amounts recognized from business combinations during the year (Note 3)	**642.1**	152.2
Effect of foreign currency differences	**27.5**	0.9
Balance, end of the year	**1,021.9**	352.3

Goodwill is a result of a number of previous business combinations and is generally attributable to anticipated synergies and other intangibles that aren't required to be separately identified. Goodwill by definition has an indefinite life and, therefore, is not amortized.

Impairment of goodwill and intangible assets with indefinite lives

Goodwill is subject to impairment tests at least annually. For purposes of impairment testing, Superior assesses goodwill at the cash-generating unit (CGU) level.

Before recognition of impairment losses, the carrying amount of goodwill as at December 31 was allocated to the segments as follows:

	2018	2017 (restated)
Energy Distribution	**1,020.9**	351.3
Specialty Chemicals	**1.0**	1.0
	1,021.9	352.3

Superior conducts assessments for indicators of impairment on a quarterly basis and performs a detailed impairment assessment at least annually. At December 31, 2018 and 2017, an impairment test was performed for all CGUs with allocated goodwill and no impairment was identified. The recoverable amount of each CGU was based on its value in use and was determined by estimating the future cash flows that would be generated from the continuing use of the CGU, incorporating the following assumptions:

Basis on which recoverable amount was determined

The recoverable amount for each CGU is determined using a detailed cash flow model which is based on evidence from an internal budget approved by the Board of Directors. Management's internal budgets are based on past experience and are adjusted to reflect market trends and economic conditions.

Key rates used in calculation of recoverable amount

Growth rate to perpetuity

The first five years of cash flow projections used in the model are based on management's internal budgets and projections after five years are extrapolated using growth rates in line with historical long-term growth rates. The long-term growth rate used in determining the recoverable amount for each CGU is 2% (2017 – 2.0%). Cash flow projections exclude any costs related to expansions through acquisitions and other related initiatives.

Discount rates

Cash flows in the model are discounted using a discount rate specific to each CGU which is adjusted based on risk assessments for each CGU. Discount rates reflect the current market assessments of the time value of money and are derived from the CGU's weighted average cost of capital and are adjusted for tax. The after-tax discount rates used in determining the recoverable amount for the CGUs range from 10.0% to 11.6% (2017 – 9.6% to 11.2%).

Inflation rates

Inflation rates used in the cash flow model are based on a blend of a number of publicly available inflation forecasts. The inflation rate used in determining the recoverable amount for each CGU in 2018 is 2% (2017 – 2.0%).

Key assumptions

In determining the recoverable amount of each CGU, business, market and industry factors were considered.

10. PROVISIONS

	Restructuring	Decommissioning	Other	Total
Balance at December 31, 2016	4.8	20.4	0.1	25.3
Additions	12.5	41.0	7.8	61.3
Utilization	(3.9)	-	(0.1)	(4.0)
Amounts reversed during the year	(0.1)	(0.7)	—	(0.8)
Unwinding of discount	—	0.6	—	0.6
Impact of change in discount rate	—	3.6	—	3.6
Divestitures	—	0.3	—	0.3
Net foreign currency exchange difference	0.1	(1.2)	—	(1.1)
Balance at December 31, 2017	13.4	64.0	7.8	85.2
Additions	—	25.9	—	25.9
Utilization	(7.1)	(0.1)	—	(7.2)
Amounts reversed during the year	(0.1)	(2.1)	(1.9)	(4.1)
Unwinding of discount	—	2.2	—	2.2
Impact of change in discount rate	—	2.7	—	2.7
Acquisitions	—	7.2	—	7.2
Net foreign currency exchange difference	—	(0.4)	—	(0.4)
Balance at December 31, 2018	**6.2**	**99.4**	**5.9**	**111.5**

	December 31 2018	December 31 2017
Current	**7.8**	15.3
Non-current	**103.7**	69.9
	111.5	85.2

Restructuring
Provisions for restructuring are recorded in provisions, except for the current portion, which is recorded in trade and other payables. As at December 31, 2018, the current portion of restructuring costs was $6.2 million (December 31, 2017 – $13.4 million). The restructuring provisions relate primarily to the Canwest acquisition and is included in the Energy Distribution operating segment. The provision is primarily for severance, lease costs and consulting fees.

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

Specialty Chemicals
Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. As at December 31, 2018, the discount rate used in Superior's calculation was 2.2% (December 31, 2017 – 2.26%). Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $149.8 million (December 31, 2017 – $115.0 million), which will be paid over the next one to 40 years. While Superior's provision for decommissioning costs is based on the best estimate of future costs and the economic lives of the chemical facilities, the amount and timing of these costs is uncertain.

Energy Distribution
Superior records a provision for the future costs of decommissioning certain assets associated with the Energy Distribution segment. Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $4.6 million as at December 31, 2018 (December 31, 2017 – $8.5 million) which will be paid over the next 15 years. The discount rate of 2.2% at December 31, 2018 (December 31, 2017 – 2.5%) was used to calculate the present value of the estimated cash flows.

Other

Environmental

Provisions for environmental remediation are made when a clean-up is probable and the amount of the obligation can be reliably estimated. Generally, this coincides with the commitment to a formal plan or, if earlier, on divestment or closure of inactive sites. Superior estimates the total undiscounted expenditures required to settle its environmental expenditures to be approximately nil as at December 31, 2018, (December 31, 2017 – $0.1 million) which will be paid over the next year. The provision for environmental expenditures has been estimated using existing technology at current prices. No discount rate has been applied as the liability is to be settled within 12 months. The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and Superior's share of the liability.

Supply contract

As part of the bidding process to acquire Canwest, Superior was required to enter into a five-year supply agreement with the seller. The supply agreement was for terms that were unfavourable to Superior based on current supply arrangements under contract. The balance related to this contract is $5.9 million as at December 31, 2018 (December 31, 2017 – $7.7 million).

Other claims

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

11. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	December 31 2018	December 31 2017
Trade payables	**289.4**	228.5
Provisions (see Note 8)	**7.8**	15.3
Other payables, including customer deposits	**140.5**	82.5
Current taxes payable	**2.0**	–
Quebec cap and trade program	–	8.9
Share-based payments	**7.9**	15.5
Trade and other payables	**447.6**	350.7

The average credit period on purchases by Superior is 21 days (2017 – 21 days). No interest in charged on the trade payables up to 10 days (2017 – 10 days) from the date of the invoice. Thereafter, interest is charged at a rate of up to 18% (2017 – 17%) per annum on the balance. Superior's financial risk management policies ensure that payables are normally paid within the pre-agreed credit terms.

12. CONTRACT LIABILITIES

	2018	2017
Customer prepayments on tank rentals	**23.1**	7.6
Other	**0.7**	2.3
Total contract liabilities	**23.9**	9.9

	2018	2017
Balance, beginning of the year	**9.9**	8.5
Change in accounting policies	**10.4**	–
Acquisitions	**3.3**	–
Deferred during the year	**35.3**	37.3
Recognized in net earnings	**(37.7)**	(36.2)
Foreign exchange impact	**2.7**	0.3
Balance, end of the year	**23.9**	9.9

The opening balance of contract liabilities at each reporting period is recognized as revenue in the year as the Company does not generally receive deposits for periods longer than 12 months in advance of performing the related service.

13. OTHER LIABILITIES

	December 31 2018	December 31 2017
Supply agreement	**–**	2.5
Québec cap and trade payable	**3.6**	–
Ontario cap and trade payable	**–**	1.5
California cap and trade payable	**1.3**	–
Share-based payments	**7.8**	–
Other liabilities	**12.7**	4.0

The supply agreement above related to the Specialty Chemicals purchase and supply agreements with Tronox LLC (Tronox) whereby Superior agreed to purchase up to 130,000 metric tonnes of sodium chlorate per year from Tronox's Hamilton, Mississippi facility, as nominated annually by Specialty Chemicals. Specialty Chemicals also agreed to supply Tronox with certain products to service Tronox's requirements in North America. Tronox commenced decommissioning of the facility upon completion of Superior's 2015 sodium chlorate requirements. However, Specialty Chemicals' supply portion of the agreement will continue to 2019.

Superior operates in California and Quebec and is required to participate in the respective government cap and trade program, which requires Superior to settle any liability with compliance instruments at the end of each compliance period. In 2018, the Ontario government cancelled its program and Superior no longer has an obligation within this jurisdiction. Intangible assets are recorded when purchased and Cap and Trade liabilities are recorded upon the import of propane. The liability as at December 31, 2018 is $3.6 million for Quebec (December 31, 2017 – nil excluding $8.9 million which was reclassified to trade and other payables), and nil (December 31, 2017 – $1.5 million) for Ontario.

14. BORROWING

	Year of Maturity	Effective Interest Rate	**December 31 2018**	**December 31 2017**
Revolving Term Bank Credit Facilities [(1)]				
Bankers' Acceptances (BA)	2023	Floating BA rate plus 1.70%	**10.0**	31.0
Canadian Prime Rate Loan (Prime and Swingline)	2023	Prime rate plus 0.70%	**15.5**	–
LIBOR Loans (US $450.1 million; 2017 – US $267.0 million)	2023	Floating LIBOR rate plus 1.70%	**508.7**	335.6
US Base Rate Loans (US $11.0 million; 2017 – US $16.3 million)	2023	U.S. Prime rate plus 0.70%	**15.1**	20.5
			549.3	387.1
Other Debt				
Accounts receivable factoring program[(2)]		Floating BA Plus 1.63%	**1.9**	2.1
Deferred consideration and other	2019 - 2023	Non-interest-bearing	**24.0**	11.1
			25.9	13.2
Senior Unsecured Notes				
Senior unsecured notes[(4)]	2021	6.50%	**–**	200.0
Senior unsecured notes[(3)]	2024	5.25%	**400.0**	400.0
Senior unsecured notes[(4)]	2025	5.125%	**370.0**	–
Senior unsecured notes[(5)]	2026	7.000%	**477.3**	
			1,247.3	600.0
Finance Lease Obligations				
Finance lease obligation (Note 15)			**63.8**	63.1
Total borrowing before deferred financing fees			**1,886.3**	1,063.4
Deferred financing fees and discounts			**(32.5)**	(10.6)
Total borrowing before current maturities			**1,853.8**	1,052.8
Current maturities			**(28.8)**	(28.7)
Total borrowing			**1,825.0**	1,024.1

(1) As at December 31, 2018, Superior had $41.9 million of outstanding letters of credit (December 31, 2017 – $31.7 million) and $202.8 million of outstanding financial guarantees on behalf of its businesses (December 31, 2017 – $157 million). The fair value of Superior's revolving term bank credit facilities, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market-based interest rates, the short-term nature of the underlying debt instruments and other related factors. On June 29, 2018, Superior extended and restated its syndicated credit facility with ten lenders, with no changes to the financial covenants and extending the maturity to May 8, 2023. On June 29, 2018, the size of the facility was increased from $620 million to $750 million and can be expanded further up to $1,050 million.

(2) Superior has entered into a Master Receivables Purchase Agreement with a financial institution by which it may purchase from time to time, on an uncommitted revolving basis, 100% interest in receivables from Superior. The maximum aggregate amount of purchased receivables purchased by the financial institution under this agreement and outstanding at any time is limited to $15 million. As at December 31, 2018, the accounts receivable factoring program totaled $2.0 million (December 31, 2017 – $2.1 million).

(3) On February 27, 2017, Superior completed an offering of $250 million in 5.25% senior unsecured notes (the notes). The notes were issued at par value and mature on February 27, 2024. The notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. Interest is payable semi-annually on February 27 and August 27, and commenced August 27, 2017. On October 16, 2017, Superior issued an additional $150 million in notes due on February 27, 2024. The fair value is $377.0 million, based on prevailing market prices.

(4) On February 1, 2018, Superior LP closed a private placement of $220 million in senior unsecured notes (the notes) bearing interest at 5.125% and due August 27, 2025. The notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The net proceeds redeemed the outstanding principal balance of $200 million, 6.50% senior unsecured notes on March 8, 2018. As a result of redeeming the $200 million 6.5% senior unsecured note, the company incurred a $9.8 million early call premium. The early call premium is included in financing expenses. On July 3, 2018, Superior issued an additional $150 million in notes at a discount of 0.92897% per note to partially fund the acquisition of NGL (see Note 3). The fair value is $339.5 million, based on prevailing market prices.

(5) On July 3, 2018, Superior also closed a private placement of US$350 million in senior unsecured notes (the notes) bearing interest at 7.000% and due July 15, 2026. The notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The proceeds were used to partially fund the acquisition of NGL (see Note 3). The fair value is $469.5 million, based on prevailing market prices.

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

Current maturities	**29.4**
Due in 2020	**19.1**
Due in 2021	**14.6**
Due in 2022	**15.1**
Due in 2023	**553.0**
Due in 2024	**407.8**
Subsequent to 2024	**847.3**
Total	**1,886.3**

15. LEASING ARRANGEMENTS

Operating Lease Commitments

Superior has entered into leases on certain vehicles, rail cars, premises and other equipment. Energy Distribution leases have an average life of between three and five years with no renewal option included in the contracts. Specialty Chemicals have leases that range from three and 40 years, with some leases having a renewal option. There are no restrictions placed upon Superior by entering into these leases.

Future minimum lease payments under non-cancellable operating leases are as follows:

	2018	2017
Not later than one year	**40.3**	34.4
Later than one year and not later than five years	**103.0**	97.9
Later than five years	**60.0**	55.5
	203.3	187.8

Obligations under Finance Lease

Finance leases relate to fuel distribution vehicles, equipment and office space with lease terms of five to 15 years. Superior has options to purchase the assets for a nominal amount at the conclusion of the lease agreements. Superior's obligations under finance leases are secured by the lessors' title to the leased assets.

The present values of minimum lease payments are as follows:

	Minimum Lease Payments		**Present Value of Minimum Lease Payments**	
	2018	2017	**2018**	2017
Not later than one year	**19.4**	20.6	**18.1**	19.5
Later than one year and not later than five years	**44.6**	40.9	**38.2**	35.0
Later than five years	**8.8**	9.4	**7.5**	8.6
Less: future finance charges	**(9.0)**	(7.8)	**–**	–
Present value of minimum lease payments	**63.8**	63.1	**63.8**	63.1

Included in the consolidated balance sheets as at December 31:

	2018	2017
Current portion of finance lease	**18.1**	19.5
Non-current portion of finance lease	**45.7**	43.6
	63.8	63.1

16. EMPLOYEE FUTURE BENEFITS

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2018. The present value of the defined benefit obligation, and the related current and past service costs, were measured using the projected unit credit method.

The principal assumptions used for the purpose of the actuarial valuation were as follows:

	Defined-benefit Plans		**Other Benefit Plans**	
	2018	2017	**2018**	2017
Average discount rate	**3.79%**	3.50%	**3.57%**	3.50%
Expected rate of compensation increase	**3.00%**	3.00%	**3.00%**	3.00%
Mortality rate (1)	**97%-112%**	97%-112%	**97%-109%**	97%-109%

(1) 2014 Canadian Private Sector Pensioners' Mortality Table combined with mortality improvement scale MI-2017.

Energy Distribution and Specialty Chemicals have defined-benefit and defined contribution pension plans covering most employees. The benefits provided under defined-benefit pension plans are based on the individual employee's years of service and the highest average earnings for a specified number of consecutive years. Information about Superior's defined-benefit and other post-retirement benefit plans as at December 31, 2018 and December 31, 2017 in aggregate is as follows:

Recognized net (asset) liability arising from defined-benefit obligation

	Energy Distribution Pension Benefit Plans	**Specialty Chemicals Pension Benefit Plans**	**Other Benefit Plans**
Balance at December 31, 2018			
Present value of defined-benefit obligations	**35.3**	**128.6**	**19.9**
Fair value of plan assets	**(40.1)**	**(132.5)**	**–**
Net (asset) liability arising from defined-benefit obligation	**(4.8)**	**(3.9)**	**19.9**
Balance at December 31, 2017			
Present value of defined-benefit obligations	38.8	134.4	21.0
Fair value of plan assets	(43.1)	(138.2)	–
Net (asset) liability arising from defined-benefit obligation	(4.3)	(3.8)	21.0

Movements in defined benefit obligations and plan assets:

	Energy Distribution Pension Benefit Plans		**Specialty Chemicals Pension Benefit Plans**		**Other Benefit Plans**	
	2018	2017	**2018**	2017	**2018**	2017
Movement in the present value of the defined benefit obligation during the year:						
Benefit obligation at January 1	**38.8**	41.9	**134.4**	126.9	**21.0**	22.1
Current service cost	**–**	–	**1.9**	2.1	**0.3**	0.3
Interest cost	**1.2**	1.4	**4.4**	4.7	**0.7**	0.8
Contributions by the plan participants	**–**	–	**–**	0.1	**–**	–
Actuarial gains (losses)	**(1.2)**	(0.8)	**(6.9)**	6.8	**(1.2)**	(1.0)
Benefits paid	**(3.5)**	(3.7)	**(5.2)**	(6.2)	**(0.9)**	(1.2)
Benefit obligation at December 31	**35.3**	38.8	**128.6**	134.4	**19.9**	21.0

Movement in the fair value of the plan assets during the year:						
Fair value of plan assets at January 1	**43.1**	45.0	**138.2**	129.9	**–**	–
Expected return on plan assets	**1.3**	1.5	**4.6**	4.8	**–**	–
Excess return (shortfall) on plan assets	**(1.2)**	0.5	**(6.7)**	8.4	**–**	–
Contributions by the employer	**0.6**	–	**1.9**	1.5	**1.0**	1.1
Contributions by plan participants	**–**	–	**0.1**	0.1	**–**	–
Benefits paid	**(3.5)**	(3.7)	**(5.2)**	(6.2)	**(1.0)**	(1.1)
Administration expenses	**(0.1)**	(0.2)	**(0.4)**	(0.3)	**–**	–
Fair value of plan assets at December 31	**40.2**	43.1	**132.5**	138.2	**–**	**–**
Funded status – plan surplus (deficit)	**4.9**	4.3	**3.9**	3.8	**–**	–
Assets related to defined-benefit obligation	**4.9**	4.3	**3.9**	3.8	**–**	–
Liabilities related to defined-benefit obligation	**–**	–	**–**	–	**(19.9)**	(21.0)
Net asset (obligation) arising from defined-benefit obligation	**4.9**	4.3	**3.9**	3.8	**(19.9)**	(21.0)
Non-current net benefit asset (obligation)	**4.9**	4.3	**3.9**	3.8	**(19.9)**	(21.0)

The accrued net pension asset related to the Energy Distribution pension benefit plan on December 31, 2018 was $4.9 million (December 31, 2017 –$4.3 million), and the expense for 2018 was nil (2017 – $0.1 million). The accrued net pension asset related to the Specialty Chemicals pension benefit plan on December 31, 2018 was $3.9 million (2017 –$3.8 million), and the expense for 2018 was $2.2 million (2017 – $2.2 million).

The accrued net benefit obligation related to the total other benefit plans of Energy Distribution and Specialty Chemicals on December 31, 2018 was $19.9 million (2017 –$21.0 million), and the expense for 2018 was $1.0 million (year ended December 31, 2017 – $1.2 million). Amounts recognized in net earnings in respect of these defined-benefit plans are as follows for the years ended December 31:

	2018	2017
Service Cost:		
Current service cost	**2.2**	2.4
Administrative expense	**0.6**	0.5
Net interest expense	**0.4**	0.6
Components of defined-benefit costs recognized in net earnings	**3.2**	3.5

The service cost, administrative expense and net interest expense related to Energy Distribution and Specialty Chemicals on December 31, 2018 was $3.2 million (December 31, 2017– $3.5 million) and is included in selling, distribution and administrative costs.

The re-measurement of the net defined-benefit liability is included in other comprehensive income. The amounts recognized in accumulated other comprehensive income in respect of these benefit plans are as follows:

	2018	2017
Actuarial defined-benefit losses (before income taxes)	**1.1**	3.9
Cumulative actuarial losses (before income taxes)	**(1.9)**	(3.1)

Re-measurement on the net benefit obligation:	**2018**	2017
Cumulative actuarial losses (before income taxes), beginning of the year	**(3.1)**	(7.0)
Actuarial asset experience gain	**(8.0)**	8.9
Actuarial loss arising from changes in demographic assumptions	**–**	(1.1)
Actuarial loss arising from changes in financial assumptions	**10.0**	(7.7)
Actuarial gain arising from changes in experience adjustments	**(0.8)**	3.8
Cumulative actuarial losses (before income taxes), end of the year	**(1.9)**	(3.1)

Significant actuarial assumptions for the determination of the accrued defined-benefit obligation are discount rate, compensation increase, mortality scale and trend rate. The sensitivity analyses below have been determined based on reasonably possible changes of the respective assumptions occurring as at December 31, 2018, while holding all other assumptions constant.

Discount Rate
A 1% change in the discount rate would result in a change to the accrued defined-benefit obligation related to Energy Distribution of $3.4 million at December 31, 2018 (December 31, 2017– $4.4 million) and a change to the current service expense of $0.1 million at December 31, 2018 (December 31, 2017 – $0.1 million). A 1% change in the discount rate would result in a change to the accrued defined-benefit obligation related to Specialty Chemicals of $19.7 million at December 31, 2018 (December 31, 2017 – $22.1 million) and a change to the current service expense of $1.0 million at December 31, 2018 (December 31, 2017– $1.0 million).

Compensation Increase
A 1% change in the salary would result in a change to the accrued defined-benefit obligation related to Energy Distribution of nil at December 31, 2018 (December 31, 2017– nil) and a change to the current service expense of nil at December 31, 2018 (December 31, 2017– nil). A 1% change in salary would result in a change to the accrued defined-benefit obligation related to Specialty Chemicals of $1.6 million at December 31, 2018 (2017 – $1.6 million) and a change to the current service expense of $0.2 million at December 31, 2018 (2017 – $0.2 million).

Mortality Scale
A 10% change in the mortality scale would result in a change to the accrued defined-benefit obligation related to Energy Distribution of $1.8 million at December 31, 2018 (2017 – $1.8 million) and a change to the current service expense of $0.1 million at December 31, 2018 (2017 – $0.1 million). A 10% change in the mortality scale would result in a change to the accrued defined-benefit obligation related to Specialty Chemicals of $3.4 million at December 31, 2018 (2017 – $3.4 million) and a change to the current service expense of $0.2 million at December 31, 2018 (2017 – $0.2 million).

Trend Rate
A 1% change in the trend rate would result in a change to the accrued defined-benefit obligation related to Energy Distribution of $0.4 million at December 31, 2018 (2017 – $0.4 million) and a change to the current service expense of nil at December 31, 2018 (2017 – nil). A 1% change in the trend rate would result in a change to the accrued defined-benefit obligation liability related to Specialty Chemicals of $0.9 million at December 31, 2018 (2017 – $1.2 million) and a change to the current service expense of $0.1 million at December 31, 2018 (2017 – $0.1 million).

The sensitivity presented above may not be representative of the actual change in the accrued defined-benefit obligation as it is unlikely that the change in assumptions would occur in isolation, as some of the assumptions may be correlated.

The present value of the defined-benefit obligation was calculated using the projected unit credit as at December 31, 2018, which is the same as that applied in calculating the accrued defined-benefit obligation recognized in the consolidated balance sheets.

There were no changes in the methods or assumptions used in preparing the sensitivity analysis from prior years.

The average duration of the net benefit obligation related to Energy Distribution is 7.6 years at December 31, 2018 (2017 – 8.8 years) and related to Specialty Chemicals is 13.2 years at December 31, 2018 (2017 – 14.1 years).

At December 31, 2018, Superior expects to make a contribution to the Energy Distribution Pension Benefit Plans of $1.4 million and to the Specialty Chemicals Pension Benefit Plans of $2.0 million during 2019.

The fair values of plan assets as at December 31, 2018, by major asset category, are as follows:

	Energy Distribution Pension Benefit Plans		**Specialty Chemicals Pension Benefit Plans**	
	Level 2	**Percentage**	**Level 2**	**Percentage**
Canadian Equities	**3.9**	**9.7%**	**36.0**	**27.2%**
Foreign Equities	**–**	**0.0%**	**36.2**	**27.4%**
Fixed Income	**36.3**	**90.3%**	**60.2**	**45.4%**
Total	**40.2**	**100%**	**132.4**	**100%**

The fair values of plan assets as at December 31, 2017, by major asset category, are as follows:

	Energy Distribution Pension Benefit Plans		Specialty Chemicals Pension Benefit Plans	
	Level 2	Percentage	Level 2	Percentage
Canadian and U.S. Equities	4.0	9.2%	37.4	27.1%
Foreign Equities	–	–	36.9	26.7%
Foreign Income	0.2	0.4%	–	–
Fixed Income	38.9	90.4%	63.9	46.2%
Total	43.1	100%	138.2	100%

The actual returns on Energy Distribution and Specialty Chemicals plan assets in 2018 were 0.1% (2017 – 4.7%) and -1.8% (2017 – 10.0%), respectively.

As at December 31, 2018, the asset-matching strategic choices that are formulated in the actuarial and Superior's Statement of Investment Policy (SIPP) of the total defined-benefit plan assets are:

	Energy Distribution Pension Benefit Plans	**Specialty Chemicals Pension Benefit Plans**	**Other**
	Range[(1)(2)]	Range[(1)(2)]	Range[(1)(2)]
Canadian Equities	**–**	**25.0%-35.0%**	**7.5%-17.5%**
Global Equities	**–**	**25.0%-35.0%**	**7.5%-17.5%**
Fixed Income	**100%**	**35.0%-45.0%**	**65.0%-85.0%**

(iii) Based on Superior's SIPP.

(iv) Energy Distribution and Specialty Chemicals' SIPPs do not provide ranges for U.S. and Foreign Equities; instead, they provide in aggregate ranges classified as global equities.

As at December 31, 2017, the asset-matching strategic choices that are formulated in the actuarial and Superior's SIPP of the total defined-benefit plan assets are:

	Energy Distribution Pension Benefit Plans	Specialty Chemicals Pension Benefit Plans	Other
	Range[(1)(2)(3)]	Range[(1)(2)]	Range[(1)(2)]
Canadian Equities	–	25.0%-35.0%	7.5%-17.5%
Global Equities	–	25.0%-35.0%	7.5%-17.5%
Fixed Income	100%	35.0%-45.0%	65.0%-85.0%

[(3)] Based on Superior's SIPP.

[(4)] Energy Distribution and Specialty Chemicals' SIPPs do not provide ranges for U.S. and Foreign Equities; instead, they provide in aggregate ranges classified as global equities.

[(5)] Energy Distribution moved to 100% fixed income in 2015 to derisk the plans given the maturity and low number of active participants.

17. FINANCIAL INSTRUMENTS

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

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

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair values are determined by reference to quoted bid or ask prices, as appropriate, in the most advantageous active market for that instrument to which Superior has immediate access (Level 1). Where bid and ask prices are unavailable, Superior uses the closing price of the instrument's most recent transaction. In the absence of an active market, Superior estimates fair values based on prevailing market rates (bid and ask prices, as appropriate) for instruments with similar characteristics and risk profiles or internal or external valuation models, such as discounted cash flow analysis using, to the extent possible, observable market-based inputs (Level 2). Superior uses internally developed methodologies and unobservable inputs to determine the fair value of some financial instruments when required (Level 3).

Fair values determined using valuation models require assumptions concerning the amount and timing of estimated future cash flows and discount rates. In determining those assumptions, Superior looks primarily to available readily observable external market inputs including forecast commodity price curves, interest rate yield curves, currency rates and price and rate volatilities as applicable.
All financial and non-financial derivatives are designated as held-for-trading upon their initial recognition.

				As at December 31, 2018
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Foreign currency forward contracts, net sale	**1.7**	**–**	**–**	**1.7**
Natural gas financial swaps – Alberta Energy Company (AECO)	**–**	**1.5**	**–**	**1.5**
Cross-currency interest rate exchange agreements	**7.1**	**–**	**–**	**7.1**
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**8.9**	**–**	**8.9**
Total assets	**8.8**	**10.4**	**–**	**19.2**
Liabilities				
Natural gas financial swaps – AECO	**–**	**1.5**	**–**	**1.5**
Foreign currency forward contracts, net sale	**35.8**	**–**	**–**	**35.8**
Equity derivative contract	**–**	**4.3**	**–**	**4.3**
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**22.0**	**–**	**22.0**
WTI wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**0.3**	**–**	**0.3**
Total liabilities	**35.8**	**28.1**	**–**	**63.9**
Total net assets	**(27.0)**	**(17.7)**	**–**	**(44.7)**
Current portion of assets	**8.5**	**9.7**	**–**	**18.2**
Current portion of liabilities	**20.8**	**25.1**	**–**	**45.9**

	As at December 31, 2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Foreign currency forward contracts	**11.6**	**–**	**–**	**11.6**
Natural gas financial swaps – AECO	**–**	**3.6**	**–**	**3.6**
Propane, diesel, butane and heating oil wholesale purchase and sale contracts – Energy Distribution	**–**	**24.9**	**–**	**24.9**
Total assets	**11.6**	**28.5**	**–**	**40.1**
Liabilities				
Natural gas financial swaps – AECO	**–**	**3.6**	**–**	**3.6**
Foreign currency forward contracts	**8.1**	**–**	**–**	**8.1**
Cross-currency interest rate exchange agreements	**2.7**	**–**	**–**	**2.7**
Equity derivative contract	**–**	**0.9**		**0.9**
Propane and butane wholesale purchase and sale contracts – Energy Distribution	**–**	**10.8**	**–**	**10.8**
WTI wholesale purchase and sale contracts – Energy Distribution	**–**	**0.2**	**–**	**0.2**
Total liabilities	**10.8**	**15.5**	**–**	**26.3**
Total net liability (assets)	**0.8**	**13.0**	**–**	**13.8**
Current portion of assets	**4.9**	**25.1**	**–**	**30.0**
Current portion of liabilities	**8.2**	**13.6**	**–**	**21.8**

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

Description	**Notional**	**Term**	**Effective Rates**	**Valuation Technique(s) and Key Input(s)**
Level 1 fair value hierarchy:				
Foreign currency forward contracts, net sale	US$ 504.6	2019 - 2022	1.28	Quoted bid prices in the active market.
Cross currency interest rate exchange agreements	US$ 212.0	2018	1.30	Quoted bid prices in the active market.
Level 2 fair value hierarchy:				
Equity derivative contracts	CAD$ 20.4	2019 – 2021	$12.65	Discounted cash flow – Future cash flows are estimated based on equity derivative contracts.
Heating oil, diesel and propane wholesale purchase and sale contracts, net sale – Energy Distribution	55.58 USG (1)	2018 – 2020	$0.62 - $2.18	Quoted bid prices for similar products in the active market.

(1) Millions of United States gallons (USG) purchased.

Superior's realized and unrealized financial instrument gains (losses) for the years ended December 31, 2018 and 2017 are as follows:

	Years Ended December 31 2018		Years Ended December 31 2017	
Description	**Realized Gain (Loss)**	**Unrealized Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – AECO	**–**	**–**	–	0.4
Foreign currency forward contracts, net sale	**(4.1)**	**(37.7)**	0.8	27.5
Cross-currency interest rate swaps	**–**	**9.8**	–	(5.5)
Equity derivative contracts	**0.1**	**(3.4)**	0.2	(0.9)
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	**(4.3)**	**(27.8)**	8.7	4.6
Fixed-price electricity purchase agreements – Specialty Chemicals	**–**	**–**	(0.4)	–
Total (losses) gains on financial and non-financial derivatives	**(8.3)**	**(59.1)**	9.3	26.1
Foreign currency translation of borrowings	**–**	**(27.2)**	–	5.5
Change in fair value of debenture-embedded derivative	**–**	**–**	–	(3.9)
Total (losses) gains	**(8.3)**	**(86.3)**	9.3	27.7

Realized gains or losses on financial and non-financial derivatives and foreign currency translation gains or losses on the revaluation of Canadian domiciled U.S. denominated working capital have been classified on the statements of net earnings and total comprehensive income based on the underlying nature of the consolidated 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	Loans and receivables	Amortized cost
Trade and other receivables	Loans and receivables	Amortized cost
Derivative assets	FVTPL	Fair Value
Notes and finance lease receivable	Loans and receivables	Amortized cost
Financial liabilities		
Trade and other payables	Other liabilities	Amortized cost
Dividends and interest payable	Other liabilities	Amortized cost
Borrowing	Other liabilities	Amortized cost
Convertible unsecured subordinated debentures [(1)]	Other liabilities	Amortized cost
Derivative liabilities	FVTPL	Fair Value

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported on the consolidated balance sheets when Superior currently has a legally enforceable right to set-off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, Superior enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting, but do, however, still allow for the related amount to be set-off in certain circumstances, such as bankruptcy or the termination of contracts. As at December 31, 2018, Superior has recorded $17.1 million (December 31, 2017 – nil) against other current financial liabilities. This is a deposit representing the margin requirement required as a result of the fair value of propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts being in a liability position.

Financial Instruments – Risk Management

Market Risk

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

At the time Superior Energy Management was divested, the Company entered into financial swaps to offset any financial swaps that could not be transferred to the buyer. As a result, the Energy Distribution segment has nominal exposure to any losses or gains related to the remaining natural gas and electricity financial swaps.

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

Energy Distribution maintains a substantially balanced fixed-price propane position in relation to its wholesale customer supply commitments.

Superior, on behalf of its operating divisions, enters into foreign currency forward contracts to manage the economic exposure of its operations to movements in foreign currency exchange rates. Energy Distribution contracts a portion of its fixed-price natural gas, and propane purchases and sales in U.S. dollars and enters into forward U.S. dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost.

Superior enters into U.S. dollar forward sales contracts on an ongoing basis to mitigate the impact of foreign exchange fluctuations on sales margins on production from its Canadian plants that is sold in U.S. dollars. Interest expense on Superior's U.S. dollar debt is also used to mitigate the impact of foreign exchange fluctuations.

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

Credit Risk

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

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

Liquidity Risk

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

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

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

Equity Price Risk

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

As at December 31, 2018, Superior estimates that a 10% increase in its share price would have resulted in a $1.6 million increase in earnings due to the revaluation of equity derivative contracts.

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

	2019	**2020**	**2021**	**2022**	**2023**	**2024 and thereafter**	**Total**
Borrowing	29.3	19.1	14.6	15.1	553.0	1,255.2	1,886.3
US $ foreign currency forward sales contracts	–	213.0	161.1	78.0	52.5	–	504.6
Natural gas, butane, propane, heating oil and diesel purchases	4.9	106.9	9.6	–	–	–	121.4

Superior's contractual obligations are considered normal-course operating commitments and do not include the impact of mark-to-market fair values on financial and non-financial derivatives. Superior expects to fund these obligations through a combination of cash flows from operations, proceeds on revolving term bank credit facilities and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities as at December 31, 2018, are consistent with those disclosed in Superior's 2017 annual consolidated financial statements.

Superior's financial instruments' sensitivities to changes in foreign currency exchange rates, interest rates and various commodity prices and the resulting impact to net earnings are detailed below:

	2018
Impact to net earnings of a $0.01 change in the CDN$ dollar compared to	**+/- 0.4**
Impact to net earnings of a 0.5% change in interest rates	**+/- (1.8)**
Impact to net earnings of a $0.04/litre change in the price of heating oil	**+/- 0.3**
Impact to net earnings of a $0.04/litre change in the price of propane	**+/- (9.7)**

The calculation of Superior's sensitivity to changes in foreign currency exchange rates, interest rates and various commodity prices represent the change in fair value of the financial instrument without consideration of the value of the underlying variable, such as the underlying customer contracts. The recognition of the sensitivities identified above would have affected Superior's unrealized gain or loss on financial instruments and would not have had a material impact on Superior's cash flow from operations.

18. 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 Canada, United States, Chilean and Luxembourg income taxes.

Total income taxes are different from the amount computed by applying the corporate Canadian federal-provincial enacted statutory rate for 2018 of 26.98% (2017 – 26.86%). The statutory rates reflect enacted provincial tax rate increases. The reasons for these differences are as follows:

	2018	2017
Net loss	**(34.0)**	(27.9)
Income tax (recovery) expense	**(0.3)**	143.7
Net (loss) earnings before taxes	**(34.3)**	115.8
Computed income tax expense	**(9.9)**	31.1
Changes in effective foreign tax rates	**(0.1)**	1.0
Changes in future income tax rates	**0.1**	(4.6)
Non-deductible costs and other	**7.1**	(1.9)
Change in estimate	**1.9**	1.0
Recognition of a previously unrecognized asset	**(1.7)**	(0.2)
Settlement of corporate conversion transaction	–	119.4
Other	**2.3**	(2.1)
Income tax (recovery) expense	**(0.3)**	143.7

Income tax expense for the years ended December 31, 2018 and 2017 is comprised of the following:

	2018	2017
Current income tax expense		
Current income tax charge	**4.8**	5.3
Adjustments in respect of previous year	**(2.9)**	(2.0)
Total current income tax expense	**1.9**	3.3
Deferred income tax expense		
Relating to origination and reversal of temporary difference	**(3.2)**	22.5
Relating to changes in tax rates or the imposition of new taxes	**0.1**	(4.6)
Adjustments in respect of previous year	**4.8**	3.1
Recognition of previously unrecognized assets	**(1.7)**	–
Settlement of corporate conversion transaction	–	119.4
Other	**(2.2)**	–
Total deferred income tax (recovery) expense	**(2.2)**	140.4
Income tax (recovery) expense	**(0.3)**	143.7

Deferred tax for the years ended December 31, 2018 and 2017 is comprised of the following:

2018	**Opening Balance[1]**	**(Credited) Charged to Net Earnings (Continuing)**	**(Credited) Charged to Other Comprehensive Loss/Equity**	**Acquisitions**	**Exchange Differences**	**Closing Balance**
Provisions	**18.0**	**7.0**	**–**	**–**	**1.2**	**26.2**
Finance leases	**17.7**	**(1.0)**	**–**	**–**	**0.5**	**17.2**
Borrowing	**0.6**	**(8.0)**	**–**	**–**	**0.1**	**(7.3)**
Financing fees	**2.1**	**4.4**	**5.0**	**–**	**–**	**11.5**
Investment tax credits, net of tax	**64.4**	**(0.2)**	**–**	**–**	**–**	**64.2**
Non-capital losses	**38.6**	**85.2**	**–**	**–**	**17.5**	**141.3**
Property, plant and equipment	**(208.0)**	**(81.7)**	**–**	**(6.8)**	**(22.2)**	**(318.7)**
Reserves and employee benefits	**17.4**	**(4.3)**	**2.4**	**–**	**0.6**	**16.1**
Scientific research and development	**76.1**	**(14.8)**	**–**	**–**	**–**	**61.3**
Unrealized foreign exchange gains (losses)	**(3.5)**	**15.3**	**–**	**–**	**0.4**	**12.2**
Other	**(0.4)**	**0.2**	**–**	**–**	**0.2**	**–**
Total	**23.0**	**2.1**	**7.4**	**(6.8)**	**(1.7)**	**24.0**

2017[1]	Opening Balance	(Credited) Charged to Net Earnings (Continuing)	(Credited) Charged to Other Comprehensive Loss	Acquisitions	Exchange Differences	Closing Balance
Provisions	7.2	10.5	–	0.4	(0.1)	18.0
Finance leases	21.0	(1.7)	–	–	(1.6)	17.7
Borrowing	(2.0)	2.7	–	–	(0.1)	0.6
Financing fees	1.1	1.0	–	–	–	2.1
Investment tax credits, net of tax	104.9	(40.5)	–	–	–	64.4
Non-capital losses	63.0	(19.0)	–	–	(5.4)	38.6
Property, plant and equipment	(151.8)	3.6	–	(69.5)	9.7	(208.0)
Reserves and employee benefits	16.8	2.2	(1.0)	0.1	(0.7)	17.4
Scientific research and development	168.1	(92.0)	–	–	–	76.1
Unrealized foreign exchange gains (losses)	4.0	(7.4)	–	–	(0.1)	(3.5)
Other	(0.5)	0.2	–	–	(0.1)	(0.4)
Total	231.8	(140.4)	(1.0)	(69.0)	1.6	23.0

The net deferred income tax asset relates to the following tax jurisdictions as at December 31, 2018 and 2017:

	2018	2017[1]
Canada	**47.9**	39.5
United States	**(16.6)**	(9.1)
Chile	**(7.3)**	(7.4)
Total net deferred income tax asset	**24.0**	23.0

[1] 2017 balances have been restated

Superior has available to carry forward the following as at December 31, 2018 and 2017:

	2018	2017
Canadian non-capital losses	**8.0**	4.5
Canadian scientific research expenditures	**227.5**	282.6
Canadian capital losses	**2.5**	4.8
United States non-capital losses	**515.3**	142.6
Canadian federal and provincial investment tax credits	**88.2**	88.2

The Canadian scientific research expenditures and the Canadian capital losses may be carried forward indefinitely.

Non-capital loss carry forwards available for future years

As at December 31, 2018, Superior had non-capital loss carry-forwards available to reduce future years' taxable income for Canada and United States, which expire as follows:

	United States	**Canada**
2019	**–**	**–**
2020	**–**	**–**
2021	**–**	**–**
Thereafter	**515.3**	**8.0**
Total	**515.3**	**8.0**

Management believes there will be sufficient taxable profits in the future to offset these losses.

Canadian federal and provincial investment tax credits available for future years

As at December 31, 2018, Superior had Canadian federal and provincial investment tax credits available to reduce future years' taxable income, which expire as follows:

	Canada
2019	**–**
2020	**0.6**
2021	**18.6**
2022	**8.7**
Thereafter	**60.3**
Total	**88.2**

In Chile, the local tax laws provide that any profits distributed outside of Chile be subject to a 35% tax.

As at December 31, 2018 and 2017, Superior had the following balances in respect of which no deferred tax asset was recognized:

	2018	2017
U.S. interest deduction - 163(j)	**8.2**	–
Canadian capital losses	**2.5**	4.8
Total unrecognized deferred tax assets	**10.7**	4.8

Deferred tax assets have not been recognized for the above temporary differences as it is not probable that the respective entities to which they relate will generate sufficient future taxable income or capital gains against which to utilize the temporary differences.

19. TOTAL EQUITY

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

	Issued Number of Common Shares (Millions)	Share Capital
Balance, December 31, 2017 and 2016	142.8	1,953.5
Issuance of common shares	32.1	386.4
Balance, December 31, 2018	**174.9**	**2,339.9**

Issuance of common shares

On June 8, 2018, Superior completed a public offering of 32 million subscription receipts at a price of $12.50 per subscription receipt, raising gross proceeds of $400 million. On July 13, 2018, after completion of the NGL acquisition, the Company exchanged the issued and outstanding subscription receipts into 32 million Common Shares of the Company along with a cash payment of $0.06 per subscription receipt less withholding tax which is equal to the aggregate amount of dividends per share paid since the issuance of the subscription receipts.

On September 27, 2018, Superior entered into an at-the-market equity distribution agreement to enable the sale of common shares from treasury having aggregate gross proceeds of up to $100 million at prevailing trading prices. Superior intends to use the net proceeds to fund tuck-in acquisitions and repay indebtedness under Superior's credit facilities. During the quarter, Superior issued 29,300 common shares at an average price of $12.76 per share for net proceeds of $0.4 million through this program. Superior incurs a 2% commission issuing shares through this program.

Total gross proceeds during the year was $400 million less share issue costs of $19.0 million and net of a future tax recovery of $5.0 million.

Accumulated Other Comprehensive Income

	December 31 2018	December 31 2017
Accumulated other comprehensive income		
Currency translation adjustment		
Balance, beginning of the period	**98.9**	123.6
Unrealized foreign currency losses on translation of foreign operations	**81.7**	(24.7)
Balance, end of the period	**180.6**	98.9
Actuarial defined benefits		
Balance, beginning of the period	**(2.4)**	(5.2)
Actuarial defined benefit gains	**1.1**	3.8
Income tax expense on other comprehensive income	**(0.3)**	(1.0)
Balance, end of the period	**(1.6)**	(2.4)
Accumulated derivative losses	**(7.1)**	(7.1)
Accumulated other comprehensive income, end of the period	**171.9**	89.4

Other Capital Disclosure

Additional Capital Disclosure

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

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

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 its other public reports.

Superior is subject to various financial covenants in its credit facility agreements, including senior debt, total debt to EBITDA ratio and restricted payments tests, which are measured on a quarterly basis. As at December 31, 2018, Superior was in compliance with all of its financial covenants.

Superior's financial objectives and strategy related to managing its capital as described above remained unchanged from the prior 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.

20. DEFICIT

	2018	2017
Balance, beginning of the year	**(1,266.9)**	(1,136.2)
Net earnings	**(34.0)**	(27.9)
Dividends declared	**(114.4)**	(102.8)
Change in accounting policy	**(7.6)**	–
Balance, end of the year	**(1,422.9)**	(1,266.9)

21. SUPPLEMENTAL DISCLOSURE OF CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME

	2018	2017
Revenues		
Revenue from products	**2,614.1**	2,293.8
Revenue from the rendering of services	**81.8**	57.8
Rental revenue	**41.8**	25.7
Realized (loss) gain on derivative financial instruments	**(11.0)**	7.7
	2,726.7	2,385.0
Cost of sales (includes products and services)		
Cost of products and services	**(1,735.9)**	(1,598.9)
Depreciation included in cost of sales	**(53.6)**	(52.3)
Realized gain (loss) on derivative financial instruments	**0.9**	1.6
	(1,788.6)	(1,649.6)
Selling, distribution and administrative costs		
Other selling, distribution and administrative costs	**(248.3)**	(218.4)
Restructuring, transaction and other costs	**(39.5)**	(33.1)
Employee future benefit expense	**(2.5)**	(2.8)
Employee costs	**(296.4)**	(226.8)
Vehicle operating costs	**(60.8)**	(43.8)
Facilities maintenance expense	**(11.4)**	(4.7)
Depreciation included in selling, distribution and administrative costs	**(98.3)**	(51.0)
Amortization of intangible assets	**(47.2)**	(9.6)
Net (loss) earnings from Canwest Propane	**–**	1.2
Gain on disposal of assets	**2.2**	1.1
Realized (loss) gain on long-term incentive program (LTIP)	**(0.1)**	(0.9)
Realized gain (loss) on the translation of U.S.-denominated net working capital	**2.0**	(4.7)
	(800.3)	(593.5)
Finance expense		
Interest on borrowing	**(67.4)**	(35.5)
Interest on convertible unsecured subordinated debentures	**–**	(5.1)
Interest on obligations under finance leases	**(2.7)**	(3.2)
Loss on debenture redemption	**(9.8)**	–
Unwinding of discount on debentures, borrowing and decommissioning liabilities	**(10.4)**	(10.0)
Realized gain on derivatives	**4.5**	–
	(85.8)	(53.8)
Unrealized (loss) gain on derivative financial instruments	**(86.3)**	27.7
Net (loss) earnings before taxes	**(34.3)**	115.8
Income tax (expense) recovery	**0.3**	(143.7)
Net loss	**(34.0)**	(27.9)

22. NET EARNINGS (LOSS) PER SHARE

	2018	2017
Net earnings (loss) per share computation		
Net (loss) earnings for the year	**$(34.0)**	$(27.9)
Weighted average shares outstanding (millions)	**158.1**	142.8
Net (loss) earnings per share	**$(0.22)**	$(0.20)

23. DISAGGREGATION OF REVENUE

Revenue is disaggregated by primary geographical market, type of customer and major product and services lines. The table also includes a reconciliation of the disaggregated revenue with the Company's reportable segments.

For the twelve months ended December 31, 2018				**Energy Distribution**
	Canada	**USA**	**Other**	**Total**
Revenue from sale of products	**893.1**	**1,047.1**	**-**	**1,940.2**
Revenue from services	**46.9**	**32.3**	**-**	**79.2**
Tank and equipment rental	**35.3**	**6.5**	**-**	**41.8**
Derivative financial instruments loss	**(6.4)**	**3.9**	**-**	**(2.5)**
Total revenue	**968.9**	**1,089.8**	**-**	**2,058.7**

				Specialty Chemicals
	Canada	**USA**	**Other**	**Total**
Revenue from sale of chemicals	**156.1**	**419.4**	**98.5**	**673.9**
Revenue from services	**0.7**	**1.7**	**0.1**	**2.6**
Total revenue	**156.8**	**421.1**	**98.6**	**676.5**

For the twelve months ended December 31, 2017				Energy Distribution
	Canada	USA	Other	Total
Revenue from sale of products	735.0	923.9	-	1,658.9
Revenue from services	33.4	22.9	-	56.3
Tank and equipment rental	25.7	-	-	25.7
Derivative financial instruments gain	7.2	-	-	7.2
Total revenue	801.3	946.8	-	1,748.1

				Specialty Chemicals
	Canada	USA	Other	Total
Revenue from sale of chemicals	145.9	388.1	100.9	634.9
Revenue from services	0.6	0.7	0.2	1.5
Total revenue	146.5	388.8	101.1	636.4

24. SHARE-BASED COMPENSATION

Restricted and Performance Shares

Under Superior's long-term incentive program, restricted shares (RSs), performance shares (PSs) and/or director shares (DSs) can be granted to directors, senior officers and employees of Superior. All three types of shares entitle the holder to receive cash compensation in relation to the value of a specified number of underlying notional shares. RSs vest evenly over three years from the grant date, except for RSs issued to directors which vest three years from the grant date. Payments are made on the anniversaries of the RSs to the holders entitled to receive them on the basis of a cash payment equal to the value of the underlying notional shares. PSs vest three years from the grant date and their notional value depends on Superior's performance as compared to established benchmarks. DSs vest immediately on the grant date and payments are made to directors once they resign or retire based on the number of notional shares outstanding and the value of the shares on that date. Employee compensation expense for these plans is charged against net earnings or loss over the vesting period of the RSs, PSs, and DSs. The amount payable by Superior in respect of RSs, PSs and DSs changes as a result of dividends and share price movements. The fair value of all the RSs, PSs and DSs is equal to Superior's common share market price and the divisional notional share price if related to a divisional plan. In the event of an employee termination, any unvested shares are forfeited on that date.

For the year ended December 31, 2018, total compensation expense related to RSs, PSs and DSs was $5.6 million (2017 – $5.2 million). Exercises during the year ended December 31, 2018 under the long-term incentive plan were completed at a weighted average price of $11.97 per share (2017 – $12.86 per share) for RSs, and $13.06 per share (2017 – $12.61 per share) for PSs. For the year ended December 31, 2018, the total carrying amount of the liability related to RSs, PSs and DSs was $16.0 million (2017 – $15.5 million).

The movement in the number of shares under the long-term incentive program was as follows:

	2018				2017			
	RSs	**PSs**	**DSs**	**Total**	RSs	PSs	DSs	Total
Opening number of shares	**577,826**	**980,935**	**444,646**	**2,003,407**	507,413	885,068	349,496	1,741,977
Granted	**311,878**	**311,878**	**68,983**	**692,739**	314,071	314,071	73,320	701,462
Performance factor adjustment	**–**	**31,262**	**–**	**31,262**	-	-	-	-
Dividends reinvested	**41,108**	**67,768**	**27,024**	**135,900**	35,034	66,415	21,830	123,279
Forfeited	**(39,992)**	**(296,123)**	**(53,399)**	**(389,514)**	(44,725)	-	-	(44,725)
Exercised	**(267,468)**	**(178,095)**	**–**	**(445,563)**	(233,967)	(284,619)	-	(518,586)
Ending number of shares	**623,352**	**917,625**	**487,254**	**2,028,231**	577,826	980,935	444,646	2,003,407

Superior entered into equity derivative contracts in order to manage the volatility and costs associated with its share-based compensation plans. As at December 31, 2018, Superior had outstanding notional values of $20.4 million of equity derivative contracts at an average share price of $12.65. See Note 17 for further details.

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

		Years Ended December 31
	2018	2017
Changes in non-cash working capital		
Trade receivables and other	**(40.8)**	(80.1)
Inventories	**(15.8)**	(43.5)
Trade and other payables and contract liabilities	**20.9**	72.2
Other, including foreign exchange	**15.2**	(9.8)
	(20.5)	(61.2)

	2018	2017
Changes in liabilities arising from financing activities		
Balance as of January 1	**1,052.8**	528.8
Net proceeds (repayment) of revolving term bank credits and other debt	**738.9**	516.4
Non-cash finance expense	**6.7**	9.4
Deferred acquisition payments	**12.9**	5.0
Finance lease additions	**16.0**	24.9
Debt issue costs	**(17.9)**	(7.2)
Other, including foreign exchange	**44.4**	(24.5)
Balance as of December 31	**1,853.8**	1,052.8

26. RELATED-PARTY TRANSACTIONS AND AGREEMENTS

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

Remuneration of directors and other key management personnel

The key management personnel of Superior are comprised of executives of Superior and presidents of Superior's business segments. The remuneration paid to directors and other members of key management personnel over the past two years is as follows:

	2018	2017
Short-term employee benefits[1]	**7.2**	6.8
Other long-term employee benefits	**0.2**	0.2
Share-based payments	**4.2**	4.2
	11.6	11.2

(3) Short-term employee benefits paid to directors and other members of key management personnel include salaries and bonuses.

27. GROUP ENTITIES

Significant Subsidiaries	Country of Organization	Ownership Interest (Direct and Indirect)
Superior Plus LP	Canada	100%
Superior Gas Liquids Partnership	Canada	100%
Superior International Inc.	Canada	100%
Superior General Partner Inc.	Canada	100%
Superior Plus Canada Financing Inc.	Canada	100%
Stittco Utilities NWT Ltd.	Canada	100%
Stittco Utilities Man Ltd.	Canada	100%
Cal-Gas Inc.	Canada	100%
Commercial E Industrial ERCO (Chile) Limitada	Chile	100%
Superior Luxembourg Sàrl	Luxembourg	100%
Superior Plus US Holdings Inc.	United States	100%
Superior Plus US Financing Inc.	United States	100%
ERCO Worldwide Inc.	United States	100%
ERCO Worldwide (USA) Inc.	United States	100%
International Dioxcide Inc.	United States	100%
Superior Plus Energy Services Inc.	United States	100%
Superior Plus US Capital Corp.	United States	100%
NGL Propane, LLC	United States	100%
Osterman Propane, LLC	United States	100%
United Liquid Gas Company, Inc.	United States	100%

28. Reportable Segment Information

Superior operates two distinct businesses, being Energy Distribution and Specialty Chemicals. Superior's Energy Distribution operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels under the following: Canadian propane division and U.S. refined fuels division.

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

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

2018	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Revenue	**2,058.7**	**676.5**	**(8.5)**	**2,726.7**
Cost of sales (includes products and services)	**(1,344.1)**	**(444.5)**	**–**	**(1,788.6)**
Gross Profit	**714.6**	**232.0**	**(8.5)**	**938.1**
Expenses				
Depreciation included in selling, distribution and administrative costs	**(98.1)**	**–**	**(0.2)**	**(98.3)**
Amortization of intangible assets included in selling, distribution and administrative costs	**(46.2)**	**(1.1)**	**–**	**(47.3)**
Selling, distribution and administrative costs	**(464.4)**	**(148.2)**	**(42.1)**	**(654.7)**
Finance expense	**(4.7)**	**(2.3)**	**(78.8)**	**(85.8)**
Unrealized (loss) gain on derivative financial instruments	**(27.8)**	**–**	**(58.5)**	**(86.3)**
	(641.2)	**(151.6)**	**(179.6)**	**(972.4)**
Net earnings (loss) before taxes	**73.4**	**80.4**	**(188.1)**	**(34.3)**
Income tax recovery	**–**	**–**	**0.3**	**0.3**
Net earnings (loss)	**73.4**	**80.4**	**(187.8)**	**(34.0)**

2017	Energy Distribution	Specialty Chemicals	Corporate	Total
Revenue	1,748.1	636.4	0.5	2,385.0
Cost of sales (includes products and services)	(1,233.2)	(416.4)	–	(1,649.6)
Gross Profit	514.9	220.0	0.5	735.4
Expenses				
Depreciation included in selling, distribution and administrative costs	(50.1)	–	(0.9)	(51.0)
Amortization of intangible assets included in selling, distribution and administrative costs	(9.6)	–	–	(9.6)
Selling, distribution and administrative costs	(348.1)	(146.4)	(38.4)	(532.9)
Finance expense	(3.5)	(0.7)	(49.6)	(53.8)
Unrealized gain on derivative financial instruments	5.0	–	22.7	27.7
	(406.3)	(147.1)	(66.2)	(619.6)
Net earnings (loss) before taxes	108.6	72.9	(65.7)	115.8
Income tax recovery	–	–	(143.7)	(143.7)
Net earnings (loss)	108.6	72.9	(209.4)	(27.9)

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

	Energy Distribution	Specialty Chemicals	Corporate	Total
As at December 31, 2018				
Net working capital[(1)]	**93.2**	**49.4**	**(45.3)**	**97.3**
Total assets	**2,913.2**	**710.5**	**25.9**	**3,649.6**
Total liabilities	**606.8**	**223.1**	**1,730.8**	**2,560.7**
As at December 31, 2017				
Net working capital[(1)]	88.4	54.3	(27.0)	115.7
Total assets	1,609.3	720.7	53.6	2,383.6
Total liabilities	434.3	201.0	972.3	1,607.6
For the year ended December 31, 2018				
Purchase of property, plant and equipment	**77.6**	**28.2**	**–**	**105.8**
For the year ended December 31, 2017				
Purchase of property, plant and equipment	47.3	28.9	0.8	77.0

(1) Net working capital reflects amounts at year-end and is comprised of trade and other receivables, prepaid expenses and inventories, less trade and other accounts payable, contract liabilities and dividends and interest payable.

29. GEOGRAPHICAL INFORMATION

	Canada	United States	Other	Total Consolidated
Revenue for the year ended December 31, 2018	**1,117.2**	**1,510.9**	**98.6**	**2,726.7**
Property, plant and equipment as at December 31, 2018	**636.9**	**841.2**	**49.7**	**1,527.8**
Intangible assets as at December 31, 2018	**156.6**	**255.5**	**–**	**412.1**
Goodwill as at December 31, 2018	**325.8**	**696.1**	**–**	**1,021.9**
Total assets as at December 31, 2018	**1,494.5**	**2,104.3**	**50.8**	**3,649.6**
Revenue for the year ended December 31, 2017	948.3	1,335.6	101.1	2,385.0
Property, plant and equipment as at December 31, 2017	652.4	423.1	45.3	1,120.8
Intangible assets as at December 31, 2017	193.3	45.5	–	238.8
Goodwill as at December 31, 2017	326.9	25.4	–	352.3
Total assets as at December 31, 2017	1,609.3	720.7	53.6	2,383.6