TSX: SPB **August 12, 2020**

Superior Plus Corp. Announces Second Quarter Results and Confirms 2020 Adjusted EBITDA and Leverage Guidance

Superior Plus Corp. ("Superior") (TSX:SPB) announced today the financial and operating results for the second quarter ended June 30, 2020. Unless otherwise expressed, all financial figures are expressed in Canadian dollars.

"Overall, we are pleased with the second quarter results, which were 13% higher than the prior year based on Adjusted EBITDA, driven primarily by strong unit margins and cost reductions in our U.S. and Canadian propane distribution businesses," said Luc Desjardins, President and CEO. "Our sales volumes in our Specialty Chemicals and Energy Distribution businesses were lower than the prior year quarter, and the operational teams have done an excellent job adjusting the cost structure for the reduced volumes. We made great progress on reducing our debt during the second quarter, and the closing of the Brookfield Investment in the third quarter further enhances our liquidity and our ability to grow through acquisitions. Subsequent to quarter end, we acquired the retail propane distribution assets of Champagne's Energy, our second tuck-in acquisition of 2020 and first since the Brookfield Investment closed."

COVID-19 Update

As a result of the various impacts of the novel Coronavirus ("COVID-19") pandemic, we have made a number of adjustments to our operating facilities and how we operate to ensure the safety of our customers, vendors, employees and the communities we serve. The duration and impact of the COVID-19 outbreak are still unknown at this time, and it is difficult to estimate the full impact on our operations, the markets for our products and our financial results. At the current time, we do expect a modest impact to our business as it relates to our customers that operate in industries governments have classified as non-essential and customers required to operate at reduced capacity.

Luc Desjardins further stated, "The safety, health and well-being of our employees and the communities in which we operate remain our primary focus. Our goal is to operate safely and to mitigate potential exposure. As such, we implemented physical distancing strategies, increased cleaning and disinfection at our facilities and offices, provided personal protective equipment as required, executed remote working policies, and eliminated all non-essential travel."

2020 Adjusted EBITDA and Leverage Guidance Update

Based on management's evaluation of the anticipated impacts from the COVID-19 pandemic and reduced oil and gas drilling activity in North America, as well as the impact from the significantly warmer weather in the first quarter, Superior continues to expect 2020 Adjusted EBITDA to remain within the previously disclosed guidance range of $475 million to $515 million, albeit near the lower end of the range, based on current estimates. Average weather, as measured by degree days for the remainder of 2020 is anticipated to be consistent with the five-year average for Canada and the U.S.

On June 8, 2020, Superior updated its previously communicated expected Total Debt to Adjusted EBITDA guidance at December 31, 2020 from a range of 3.6x to 4.0x to a range of 3.0x to 3.5x, consistent with Superior's long-term target range. The decrease reflects the proceeds of the Brookfield Investment being used to reduce debt. Superior continues to expect Total Debt to Adjusted EBITDA as at December 31, 2020 to be in the range of 3.0x to 3.5x, based on current estimates.

Business and Financial Highlights

- Superior achieved second quarter Adjusted EBITDA of $67.7 million, an increase of $8.0 million or 13% over the prior year quarter primarily due to higher EBITDA from operations in U.S. propane distribution ("U.S. Propane"), as well as higher EBITDA from operations in Canadian propane distribution ("Canadian Propane") and lower corporate costs, partially offset by lower EBITDA from operations in Specialty Chemicals.
- EBITDA from operations during the second quarter was $76.9 million, a $5.5 million or 8% increase from the prior year quarter primarily due to higher results from U.S. Propane and Canadian Propane, partially offset by lower results from Specialty Chemicals. Please see below for further discussion on the second quarter EBITDA from operations by business.
- AOCF before transaction and other costs during the second quarter was $40.8 million, a $9.8 million or 32% increase compared to the prior year quarter primarily due to higher Adjusted EBITDA and lower interest expense, partially offset by higher cash tax expenses. AOCF before transaction and other costs per share was $0.23, $0.05 higher than the prior year quarter due to the increase in AOCF before transaction and other costs.
- Superior had net earnings of $7.5 million in the second quarter compared to a net loss of $29.3 million in the prior year quarter. The $36.8 million increase compared to the prior year quarter was primarily due to higher unrealized gains, and lower selling, distribution and administrative costs ("SD&A"), partially offset by an

income tax expense in the current quarter compared to an income tax recovery in the prior year quarter and lower gross profit. Unrealized gains on derivative financial instruments and translation of U.S. denominated debt increased $59.5 million due primarily to changes in the market prices of commodities and foreign exchange rates relative to amounts hedged, and to a lesser extent, the impact of the weaker Canadian dollar on the translation of U.S. denominated debt. The change in income tax recovery in the prior year quarter to an expense in the current quarter was due primarily to the increased net income before income taxes in the current quarter compared to the prior year quarter net loss and the impact of U.S. tax regulations enacted in the second quarter.

- Net cash flows from operating activities in the second quarter were $187.6 million, a $24.1 million increase from the prior year quarter primarily due to the impact of higher net earnings net of non-cash adjustments and to a lesser extent the change in non-cash operating working capital.
- U.S. Propane EBITDA from operations for the second quarter was $27.1 million, an increase of $14.3 million or 112% compared to the prior year quarter primarily due to higher average unit margins and lower operating expenses, partially offset by lower sales volumes. Average U.S. Propane sales margin for the second quarter was 46.2 cents per litre compared to 38.7 cents per litre in the prior year quarter primarily due to sales and marketing initiatives, including effective margin management in a low wholesale propane price environment, the impact of the weaker Canadian dollar on the translation of U.S. denominated gross profit, and to a lesser extent, customer mix related to a focus on organic growth of higher margin propane customers. Total sales volumes decreased 11 million litres or 5% primarily due to lower commercial and wholesale sales volumes, partially offset by higher residential sales volumes. Average weather, as measured by degree days, across markets where Superior operates in the Eastern U.S. was 30% colder than the prior year quarter and 28% colder than the five-year average. Operating expenses decreased $5.5 million or 8% primarily due to cost reductions related to workforce optimization initiatives and realized synergies from the NGL acquisition and the tuck-in acquisitions, partially offset by the impact of the weaker Canadian dollar on the translation of U.S. denominated expenses.
- Canadian Propane EBITDA from operations for the second quarter was $21.2 million, an increase of $1.2 million or 6% compared to the prior year quarter primarily due to lower operating expenses and higher average unit margins, partially offset by lower sales volumes. Average propane sales margins in the second quarter were 19.4 cents per litre compared to 16.9 cents per litre in the prior year quarter due to sales and marketing initiatives, including effective margin management in a low wholesale propane price environment and customer mix related to a decline in lower margin sales volumes. Total sales volumes were 360 million litres, a decrease of 77 million litres or 18%, primarily due to lower wholesale, oilfield, commercial and motor fuels sales volumes related to the impact of COVID-19, and reduced oilfield activity in Western Canada. Average weather across Canada, as measured by degree days was 2% colder than the prior year quarter and 8% colder than the five-year average. Operating costs were $51.4 million, a decrease of $6.5 million primarily due to cost reductions in response to lower sales volumes.
- Specialty Chemicals EBITDA from operations for the second quarter was $28.6 million, a decrease of $10.0 million or 26% compared to the prior year quarter primarily due to lower gross profit, partially offset by lower

operating expenses. Gross profit decreased due to lower chlor-alkali sales prices and volumes and lower sodium chlorate sales volumes, partially offset by higher sodium chlorate sales prices and lower electricity mill rates. Operating expenses decreased primarily due to cost reduction initiatives related to COVID-19, lower freight costs related to reduced sales volumes and the impact of the closure of the Saskatoon sodium chlorate facility in 2019.

- Superior's corporate operating and administrative costs for the second quarter were $7.0 million, a decrease of $1.5 million primarily due to lower discretionary spending and cost reductions related to COVID-19 and lower long-term incentive plan costs related to Superior's share price.

Financial Overview

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars, except per share amounts)	**2020**	2019	**2020**	2019
Revenue [(1)]	**450.8**	545.8	**1,291.0**	1,581.8
Gross Profit [(1)]	**219.8**	223.7	**619.0**	652.0
Net earnings	**7.5**	(29.3)	**18.9**	127.3
Net earnings per share, basic and diluted [(2)]	**$ 0.04**	$ (0.17)	**$ 0.11**	$ 0.73
EBITDA from operations [(3)]	**76.9**	71.4	**300.8**	320.7
Adjusted EBITDA [(3)]	**67.7**	59.7	**287.0**	299.6
Net cash flows from operating activities	**187.6**	163.5	**272.4**	275.7
Net cash flows from operating activities per share basic and diluted [(2)]	**$ 1.07**	$ 0.93	**$ 1.55**	$ 1.58
AOCF before transaction and other costs [(3)(4)]	**40.8**	31.0	**228.7**	242.0
AOCF before transaction and other costs per share, basic and diluted[(2)(3)(4)]	**$ 0.23**	$ 0.18	**$ 1.30**	$ 1.38
AOCF [(3)]	**35.7**	17.8	**218.3**	223.8
AOCF per share, basic and diluted [(2)(3)]	**$ 0.20**	$ 0.10	**$ 1.25**	$ 1.28
Cash dividends declared	**31.8**	31.5	**63.0**	63.0
Cash dividends declared per share	**$ 0.18**	$ 0.18	**$ 0.36**	$ 0.36

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

(2) The weighted average number of shares outstanding for the three and six months ended June 30, 2020 is 175.6 million and 175.3 million, respectively (three and six months ended June 30, 2019 –174.9 million). There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three months and six months ended June 30, 2020 and 2019.

(3) EBITDA from operations, Adjusted EBITDA and AOCF are non-GAAP measures. Refer to "Non-GAAP Financial Measures" for further details and the First Quarter Management Discussion & Analysis ("MD&A") for reconciliations.

(4) Transaction and other costs for the three and six months ended June 30, 2020 and 2019 are related to acquisition activity and the integration of acquisitions. See "Transaction and Other Costs" for further details.

Segmented Information

(millions of dollars)	Three Months Ended June 30 **2020**	Three Months Ended June 30 2019	Six Months Ended June 30 **2020**	Six Months Ended June 30 2019
EBITDA from operations[(1)]				
Canadian Propane Distribution	**21.2**	20.0	**107.8**	104.3
U.S. Propane Distribution	**27.1**	12.8	**130.5**	138.2
Specialty Chemicals	**28.6**	38.6	**62.5**	78.2
	76.9	71.4	**300.8**	320.7

(1) See "Non-GAAP Financial Measures".

Brookfield Investment

On July 13, 2020, Superior announced the issuance of 260,000 perpetual exchangeable preferred shares (the "Preferred Shares") in its wholly owned subsidiary Superior Plus US Holdings Inc. for gross proceeds of US$260 million (the "Brookfield Investment") to an affiliate of Brookfield Asset Management Inc. ("Brookfield"), on a private placement basis. The Preferred Shares entitle the holders to a monthly dividend at a current rate of 7.25% per annum through to the end of Superior's second fiscal quarter in 2027, and may be exchanged, at Brookfield's option, into common shares of Superior at an exchange price of US $8.67 per common share. On an as-exchanged basis, the Brookfield Investment currently represents approximately 15% of the pro forma fully diluted outstanding common shares.

Superior used the proceeds of the Brookfield Investment to immediately reduce the credit facility debt, and expects to use the available liquidity to accelerate its retail propane distribution asset acquisition strategy with a primary focus in the U.S. Pro forma the Brookfield Investment, Superior's Total Debt to Adjusted EBITDA leverage ratio was 3.0x based on the trailing twelve months ended June 30, 2020.

Dividend Reinvestment Program

Superior reinstated its Dividend Reinvestment Program (the "DRIP") with the February 2020 dividend paid on March 13, 2020. On June 15, 2020, after the Brookfield Investment announcement, Superior suspended the DRIP. Superior's DRIP program will remain in place should Superior elect to reactivate the DRIP, subject to regulatory approval, at a future date.

Business Development and Acquisition Update

On August 3, 2020, Superior acquired the propane distribution assets of an independent propane distributor in Maine for total consideration of US $27.3 million (CDN $36.5 million). The purchase price was paid primarily with cash from Superior's credit facility, as well as deferred payments.

Debt Management and Leverage Update

Superior remains focused on managing both its debt and its leverage ratio. Superior’s Total Debt to Adjusted EBITDA leverage ratio for the trailing twelve months ended June 30, 2020 was 3.7x, consistent with the leverage ratio at December 31, 2019.

Superior’s Total Debt as at June 30, 2020, was $1,881.7 million, a decrease of $74.4 million from December 31, 2019 primarily due to cash generated from operations used to repay debt, partially offset by the impact of the weaker Canadian dollar on U.S. denominated debt, the acquisition of Western Propane completed in January 2020 and new leases.

Superior is well within its covenants under its credit facility agreement and unsecured note indentures. Superior’s Senior Debt to Credit Facility EBITDA ratio was 3.6x as at June 30, 2020, and cannot exceed 5.0x. Superior also had available liquidity of $357.8 million available under the credit facility as at June 30, 2020. Pro forma the Brookfield Investment, Superior has less than $100 million drawn on the credit facility and over $650 million in capacity.

MD&A and Financial Statements

Superior’s MD&A, the unaudited Interim Consolidated Financial Statements and the Notes to the Interim Consolidated Financial Statements for the three and six months ended June 30, 2020 provide a detailed explanation of Superior’s operating results. These documents are available online at Superior’s website at www.superiorplus.com under the Investor Relations section and on SEDAR under Superior’s profile at www.sedar.com.

2020 Second Quarter Conference Call

Superior will be conducting a conference call and webcast for investors, analysts, brokers and media representatives to discuss the Second Quarter Results at 10:30 a.m. EDT on Thursday, August 13, 2020. To participate in the call, dial: 1-844-389-8661. Internet users can listen to the call live, or as an archived call on Superior’s website at www.superiorplus.com under the Events section.

Non-GAAP Financial Measures

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

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

Adjusted Operating Cash Flow and Adjusted Operating Cash Flow per Share

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

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

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

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

Adjusted Gross Profit

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

Adjusted EBITDA

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

EBITDA from operations

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

Operating Expenses

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

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

Non-GAAP Financial Measures Used for bank covenant purposes

Senior Debt

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

Credit Facility EBITDA

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

Credit Facility leverage ratio

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

Forward Looking Information

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

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

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

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

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

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

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 2020 SECOND QUARTER RESULTS AUGUST 12, 2020

This Management's Discussion and Analysis (MD&A) contains information about the performance and financial position of Superior Plus Corp. (Superior) as at and for the three and six months ended June 30, 2020 and 2019, as well as forward-looking information about future periods. The information in this MD&A is current to August 12, 2020, and should be read in conjunction with Superior's second quarter 2020 unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2020 and 2019.

The accompanying unaudited condensed interim consolidated financial statements of Superior were prepared by and are the responsibility of Superior's management. Superior's unaudited condensed interim consolidated financial statements as at and for the three and six months ended June 30, 2020 and 2019 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

All financial amounts in this MD&A are expressed in millions of Canadian dollars except where otherwise noted. All tables are for the three and six months ended June 30 of the period indicated, unless otherwise stated. This MD&A includes forward-looking statements and assumptions. See "Forward-Looking Information" for more details.

Overview of Superior

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

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

Current Economic Conditions

During the first quarter, the rapid outbreak of the novel strain of the coronavirus, specifically identified as the COVID-19 pandemic, caused governments worldwide to enact emergency measures and restrictions to combat the spread of the virus. These measures and restrictions, which include the implementation of travel bans, mandated and voluntary business closures, self-imposed and mandatory quarantine periods, isolation orders and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions.

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

The future impact of these events on liquidity, volatility, credit availability and market and financial conditions generally could change at any time. The duration and ultimate impact on the economy are unknown at this time, and, as a result, it is difficult to estimate the longer-term impact on our operations and the markets for our products. At the current time, we do expect a modest impact to our business as it relates to our customers that operate in industries governments have classified as non-essential and customers required to operate at reduced capacities. In the current period, the impact of these events has caused a decrease in sales volumes for our Specialty Chemicals and Canadian Propane Distribution operating segments and to a lesser extent our U.S. Propane Distribution operating segment. Management has taken steps to reduce capital and selling, distribution and administrative costs to minimize the impact these events has to our business.

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

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

Non-GAAP Financial Measures

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

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

Forward-Looking Information

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

Forward-looking information in this document includes: future financial position, consolidated and business segment outlooks, expected Adjusted EBITDA, the duration and anticipated impact of the COVID-19 pandemic and the expected economic recession, estimates of the impact COVID-19 may have on our operations, the markets for our products and our financial results, expected total debt to Adjusted EBITDA ratio, anticipated impact from the weaker Canadian dollar, business strategy and objectives, development plans and programs, organic growth, weather, economic activity in Western Canada, product pricing and sourcing, caustic soda and hydrochloric acid markets, caustic potash customer mix, volumes and pricing, wholesale propane market fundamentals, electricity costs, exchange rates, expected synergies from the acquisition of NGL and other acquisitions, improvements and the timing associated in North American chlor-alkali markets, expected seasonality of demand, and future economic conditions. Forward-looking information is provided for the purpose of providing information about management's expectations and plans about the future and may not be appropriate for other purposes. Forward-looking information herein is based on various assumptions and expectations that Superior believes are reasonable in the circumstances. No assurance can be given that these assumptions and expectations will prove to be correct. Those assumptions and expectations are based on information currently available to Superior, including information obtained from third party industry analysts and other third-party sources, and the historic performance of Superior's businesses. Such assumptions include anticipated financial performance, current business and economic trends, the amount of future dividends paid by Superior, business prospects, utilization of tax basis, regulatory developments, currency, exchange and interest rates, future commodity prices relating to the oil and gas industry, future oil rig activity levels, trading data, cost estimates, our ability to obtain financing on acceptable terms, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior LP, the assumptions set forth under the "Financial Outlook" sections in this MD&A. The forward-looking information is also subject to the risks and uncertainties set forth below.

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

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

FINANCIAL OVERVIEW

Summary of AOCF

	Three Months Ended	June 30	Six Months Ended	June 30
(millions of dollars except per share amounts)	**2020**	2019	**2020**	2019
Revenue (1)	**450.8**	545.8	**1,291.0**	1,581.8
Gross profit (1)	**219.8**	223.7	**619.0**	652.0
EBITDA from operations (2)	**76.9**	71.4	**300.8**	320.7
Corporate administrative costs	**(7.0)**	(8.5)	**(7.6)**	(14.1)
Realized losses on foreign currency hedging contracts	**(2.2)**	(3.2)	**(6.2)**	(7.0)
Adjusted EBITDA (2)	**67.7**	59.7	**287.0**	299.6
Interest expense	**(24.3)**	(26.5)	**(51.4)**	(53.0)
Cash income tax expense	**(2.6)**	(2.2)	**(6.9)**	(4.6)
AOCF before transaction and other costs (2)	**40.8**	31.0	**228.7**	242.0
Transaction and other costs (3)	**(5.1)**	(13.2)	**(10.4)**	(18.2)
AOCF(2)	**35.7**	17.8	**218.3**	223.8
AOCF per share before transaction and other costs (2)(3)(4)	**$0.23**	$0.18	**$1.30**	$1.38
AOCF per share (2)(3)(4)	**$0.20**	$0.10	**$1.25**	$1.28
Dividends declared per share (4)	**$0.18**	$0.18	**$0.36**	$0.36

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

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

(3) Transaction and other costs for the three and six months ended June 30, 2020 and 2019 are related to acquisition activity, restructuring and the integration of acquisitions. See "Transaction and Other Costs" for further details.

(4) The weighted average number of shares outstanding for the three and six months ended June 30, 2020 was 175.6 million and 175.3 million, respectively (three and six months ended June 30, 2019 was 174.9 million). There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three and six months ended June 30, 2020 and 2019.

Comparable GAAP Financial Information

	Three Months Ended	June 30	Six Months Ended	June 30
(millions of dollars except per share amounts)	**2020**	2019	**2020**	2019
Net earnings (loss) for the period	**7.5**	(29.3)	**18.9**	127.3
Net earnings (loss) per share, basic and diluted	**$0.04**	($0.17)	**$0.11**	$0.73
Cash flows from operating activities	**187.6**	163.5	**272.4**	275.7
Cash flows from operating activities per share, basic and diluted	**$1.07**	$0.93	**$1.55**	$1.58

Segmented Information

(millions of dollars)	**Three Months Ended June 30** **2020**	2019	**Six Months Ended June 30** **2020**	2019
EBITDA from operations[1]				
Canadian Propane Distribution	**21.2**	20.0	**107.8**	104.3
U.S. Propane Distribution	**27.1**	12.8	**130.5**	138.2
Specialty Chemicals	**28.6**	38.6	**62.5**	78.2
	76.9	71.4	**300.8**	320.7

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

AOCF Reconciled to Cash Flows from Operating Activities [1]

(millions of dollars)	**Three Months Ended June 30** **2020**	2019	**Six Months Ended June 30** **2020**	2019
Cash flows from operating activities	**187.6**	163.5	**272.4**	275.7
Non-cash interest expense, loss on redemption and other	**1.8**	2.4	**4.5**	4.3
Changes in non-cash operating working capital	**(137.9)**	(127.9)	**(54.1)**	(53.9)
Income taxes paid	**6.5**	2.7	**7.0**	4.5
Interest paid	**6.4**	8.2	**51.3**	55.1
Cash income tax expense	**(2.6)**	(2.2)	**(6.9)**	(4.6)
Finance expense recognized in net earnings	**(26.1)**	(28.9)	**(55.9)**	(57.3)
AOCF[1]	**35.7**	17.8	**218.3**	223.8

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

ACQUISITIONS

On August 3, 2020, Superior acquired the assets of a retail propane distribution company, operating under the tradename, Champagne's Energy ("Champagne"), for total consideration of approximately US$27.3 million (CDN $36.5 million). The purchase price was paid primarily with cash from Superior's credit facility, as well as deferred payments. Champagne is an independent retail propane distributor delivering approximately 42 million litres of propane and distillates annually to retail and commercial customers in Maine.

Consolidated Statement of Net Earnings

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars except per share amounts)	**2020**	2019 [(1)]	**2020**	2019 [(1)]
Revenue	**450.8**	545.8	**1,291.0**	1,581.8
Cost of sales (includes products and services)	**(231.0)**	(322.1)	**(672.0)**	(929.8)
Gross profit	**219.8**	223.7	**619.0**	652.0
Expenses				
Selling, distribution and administrative costs ("SD&A")	**(214.0)**	(251.0)	**(445.1)**	(487.1)
Finance expense	**(26.1)**	(28.9)	**(55.9)**	(57.3)
Gains (losses) on derivatives and foreign currency translation of borrowings	**66.6**	9.5	**(49.4)**	38.3
	(173.5)	(270.4)	**(550.4)**	(506.1)
Earnings (loss) before income taxes	**46.3**	(46.7)	**68.6**	145.9
Income tax recovery (expense)	**(38.8)**	17.4	**(49.7)**	(18.6)
Net earnings (loss) for the period	**7.5**	(29.3)	**18.9**	127.3
Net earnings (loss) per share, basic and diluted [(2)]	**$0.04**	($0.17)	**$0.11**	$0.73

(1) Revenue and gross profit have been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim consolidated financial statements. For purposes of determining margin per litre, gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See “Non-GAAP Financial Measures”. See the unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2020 and 2019.

(2) The weighted average number of shares outstanding for the three and six months ended June 30, 2020 was 175.6 and 175.3 respectively, and in 2019 was 174.9 million shares respectively. There were no dilutive instruments with respect to AOCF and AOCF before transaction and other costs per share for the three and six months ended June 30, 2020 and 2019.

Q2 2020 Summary of Results Compared to the Prior Year Quarter

Adjusted EBITDA for the three months ended June 30, 2020 was $67.7 million, an increase of $8.0 million or 13% compared to the prior year quarter Adjusted EBITDA of $59.7 million. The increase is primarily due to higher EBITDA from operations and to a lesser extent lower realized losses on foreign currency hedging contracts and lower corporate costs. EBITDA from operations increased $5.5 million or 8% compared to the prior year quarter primarily due to higher U.S. Propane Distribution (U.S. Propane) and to a lesser extent higher Canadian Propane Distribution (Canadian Propane) EBITDA from operations partially offset by lower Specialty Chemicals EBITDA from operations. U.S. Propane EBITDA from operations was $27.1 million, an increase of $14.3 million or 112% primarily due to effective margin management in a lower wholesale price environment, cost reductions and to a lesser extent incremental synergies, the impact of the weaker Canadian dollar on U.S. denominated earnings and to a lesser extent colder weather, partially offset by decreased demand related to the impact of COVID-19. Canadian Propane EBITDA from operations was $21.2 million, an increase of $1.2 million or 6% primarily due to effective margin management in a lower wholesale price environment, partially offset by the impact of lower sales volumes related to the impact of COVID-19 and reduced oilfield activity in Western Canada. Specialty Chemicals EBITDA from operations was $28.6 million, a decrease of $10.0 million or 26% due to lower sales volumes and lower average hydrochloric acid and caustic soda sales prices compared to the prior year quarter. Superior realized a loss on foreign currency hedging contracts of $2.2 million compared to a loss of $3.2 million in the prior year quarter. Corporate administrative costs were $7.0 million, a decrease of $1.5 million from the prior year quarter of $8.5 million. The decrease is due to lower incentive plan costs and cost reductions related to COVID-19.

AOCF before transaction and other costs for the three months ended June 30, 2020 was $40.8 million, an increase of $9.8 million or 32% from the prior year AOCF before transaction and other costs of $31.0 million. The increase from the prior year quarter is primarily due to higher Adjusted EBITDA discussed above and to a lesser extent lower interest costs, partially offset by higher cash taxes. Interest expense decreased primarily due to the impact of lower average interest rates compared to the prior year quarter. AOCF per share before transaction and other costs was $0.23 per share, an increase of $0.05 per share from the prior year quarter results of $0.18 per share, primarily due to the higher AOCF before transaction and other costs discussed above, partially offset by an increase in weighted average shares outstanding. Weighted average shares outstanding were higher than the prior year quarter due to shares issued under the Dividend Reinvestment and Optional Share Purchase Plan ("DRIP").

AOCF for the three months ended June 30, 2020 was $35.7 million, an increase of $17.9 million or 101% from the prior year AOCF of $17.8 million due to increased AOCF before transaction and other costs discussed above and lower transaction and other costs. AOCF per share for the three months ended June 30, 2020 was $0.20 per share, an increase of $0.10 per share from the prior year quarter results of $0.10 per share. Transaction and other costs for the three months ended June 30, 2020 were $5.1 million, $8.1 million less than the $13.2 million in the prior year quarter. The decrease is primarily related to the lower integration costs in the current quarter compared to higher integration costs, the strategic review of Specialty Chemicals and costs related to tuck-in acquisitions in the prior year quarter.

Revenue for the three months ended June 30, 2020, was $450.8 million, a decrease of $95.0 million or 17% due to lower revenue in Canadian Propane Distribution, Specialty Chemicals and U.S. Propane Distribution segments. Canadian Propane Distribution revenue for the three months ended June 30, 2020 was $155.3 million, a decrease of $36.2 million or 19% primarily due to lower wholesale propane prices compared to the prior year, and to a lesser extent, lower sales volumes due to decreased demand related to COVID-19 and decreased oilfield activity in Western Canada. Specialty Chemicals revenue for the three months ended June 30, 2020 was $145.2 million, a decrease of $34.7 million or 19% from the prior year quarter primarily due to lower average chlor-alkali sales prices and lower sales volumes, partially offset by the impact of the weaker Canadian dollar on the translation of U.S. denominated revenues. U.S. Propane Distribution revenue for the three months ended June 30, 2020 was $150.3 million, a decrease of $24.1 million or 14% from the prior year quarter primarily due to lower wholesale propane prices compared to the prior year, partially offset by the contribution from tuck-in acquisitions completed in the prior year, as well as the impact of the weaker Canadian dollar on the translation of U.S. denominated revenues.

Gross profit was $219.8 million, a decrease of $3.9 million or 2% from $223.7 million in the prior year quarter primarily due to lower Specialty Chemicals gross profit and to a lesser extent Canadian Propane gross profit, partially offset by higher U.S. Propane gross profit. Specialty Chemicals gross profit decreased due to lower average chlor-alkali sales prices and lower sales volumes, partially offset by lower electricity costs and the impact of the weaker Canadian dollar on U.S. denominated gross profit. Canadian Propane gross profit decreased primarily due to lower sales volumes, partially offset by increased unit margins and to a lesser extent, improved market fundamentals within the supply portfolio management business. U.S. Propane Distribution gross profit increased primarily due to higher unit margins related to sales and marketing initiatives, including margin management in a lower wholesale propane price environment, and customer mix, and to a lesser extent the impact of tuck-in acquisitions completed in the prior year.

Selling, distribution and administrative costs (SD&A) were $214.0 million for the three months ended June 30, 2020, a decrease of $37.0 million or 15% from the prior year quarter primarily due to decreases in SD&A across all segments. Specialty Chemicals SD&A costs were $39.4 million for the three months ended, June 30, 2020, a decrease of $23.2 million or 37% from $62.6 million in the prior year quarter primarily due to an impairment charge and a restructuring provision recorded in the prior year quarter and to a lesser extent lower freight costs related to lower sales volumes. U.S. Propane Distribution SD&A costs were $95.3 million, a decrease of $6.3 million from $101.6 million in the prior year quarter primarily due to cost reductions in response to COVID-19, the realization of incremental synergies, lower transaction and other costs, and to a lesser extent lower volume-related expense. Canadian Propane costs were $70.3 million for the three months ended June 30, 2020, a decrease of $5.1 million or 7% from $75.4 million in the prior year due primarily to lower volume-related expenses and cost savings initiatives related to the impact of COVID-19 and decreased economic activity in Western Canada. Corporate SD&A costs were $9.0 million for the three months ended June 30, 2020, a decrease of $2.4 million or 21% from $11.4 million in the prior year quarter primarily due to lower transaction costs and incentive costs compared to the prior year quarter.

Finance expense for the three months ended June 30, 2020 was $26.1 million, a decrease of $2.8 million or 10% from $28.9 million in the prior year quarter. The decrease is primarily due lower interest rates in the U.S. and Canada.

Gains (losses) on derivative and foreign currency translation of borrowings consists of unrealized gains (losses) on derivative financial instruments and foreign currency translation of borrowings, net of realized gains (losses) on derivative financial instruments. Gains (losses) on derivatives and foreign currency translation of borrowings were $66.6 million for the three months ended June 30, 2020 compared to a gain of $9.5 million in the prior year quarter. This is mainly related to changes in market prices of commodities, timing of maturities of underlying financial instruments and foreign exchange rates relative to amounts hedged and U.S. denominated debt. For additional details, refer to Note 12 of the 2020 unaudited condensed interim consolidated financial statements.

Total income tax expense for the three months ended June 30, 2020 was $38.8 million an increase of $56.2 million from a $17.4 million income tax recovery in the prior year quarter. Current income tax expense was $2.6 million, an increase of $0.4 million from the prior year quarter. Deferred income tax expense was $36.2 million, an increase of $55.8 million from a $19.6 million income tax recovery in the prior year quarter, due to the increased net earnings before income taxes in the current period compared to the prior year quarter and the impact of U.S. tax regulations enacted in the quarter.

The net earnings for the three months ended June 30, 2020 was $7.5 million, a $36.8 million increase from the net loss of $29.3 million in the prior year quarter. The increase from the prior year quarter is primarily due to the increased unrealized gain on derivatives and foreign currency translation of borrowings recorded in the current quarter compared to the prior year quarter and lower SD&A costs, partially offset by lower gross profit. Basic and diluted earnings per share was $0.04, compared to a loss per share of $0.17 in the prior year quarter.

Year-to-date Comparison to the Prior Year-to-date

Adjusted EBITDA for the six months ended June 30, 2020 was $287.0 million, a decrease of $12.6 million or 4% compared to the prior year Adjusted EBITDA of $299.6 million. The decrease is primarily due to lower EBITDA from operations and was partially offset by lower corporate costs and realized losses on foreign currency hedging contracts. EBITDA from operations decreased $19.9 million or 6% compared to the prior year to date primarily due to lower Specialty Chemicals EBITDA from operations and to a lesser extent, lower U.S. Propane EBITDA from operations, partially offset by higher Canadian Propane EBITDA from operations. Specialty Chemicals EBITDA from operations was $62.5 million, a decrease of $15.7 million or 20% primarily due to due to lower sales volumes and lower average hydrochloric acid and caustic soda sales prices compared to the prior year, partially offset by lower power costs and the impact of the weaker Canadian dollar on translation of U.S. denominated working capital. U.S. Propane EBITDA from operations was $130.5 million, a decrease of $7.7 million or 6% primarily due to warm weather in the first quarter, partially offset by the impact of tuck-in acquisitions completed in the past twelve months, the impact of effective margin management in a declining wholesale propane price environment, and additional synergies.

Canadian Propane EBITDA from operations was $107.8 million, an increase of $3.5 million or 3% primarily due to stronger Canadian wholesale market fundamentals, and the impact of Butane losses in the prior year, effective margin management in a declining wholesale propane price environment, partially offset by lower sales volumes due to warmer weather in the first quarter, the impact of low crude oil prices and to a lesser extent the impact of COVID-19 on demand. Superior realized losses on foreign currency hedging contracts of $6.2 million compared to a loss of $7.0 million in the prior year due to the weaker Canadian dollar than the average hedge rate. Corporate administrative costs were $7.6 million compared to $14.1 million in the prior year to date period. The decrease is primarily due to lower incentive plan costs due to share price depreciation.

AOCF before transaction and other costs for the six months ended June 30, 2020 was $228.7 million, a decrease of $13.3 million or 5% from the prior year AOCF before transaction and other costs of $242.0 million. The decrease from the prior year is primarily due to lower Adjusted EBITDA discussed above and higher cash taxes, partially offset by lower interest expense. Interest expense decreased by $1.6 million or 3% primarily to due to lower average debt balances and lower variable interest rates. Cash income tax expense increased $2.3 million as a result of utilizing expiring Canadian federal tax credits and to a lesser extent the impact of the weaker Canadian dollar on the translation of U.S. denominated taxes. AOCF per share before transaction and other costs was $1.30 per share, a decrease of $0.08 per share or 6% from the prior year to date results of $1.38 per share primarily due to the lower AOCF before transaction and other costs discussed above, partially offset by an increase in weighted average shares outstanding.

AOCF for the six months ended June 30, 2020 was $218.3 million, a decrease of $5.5 million or 2% from the prior year AOCF of $223.8 million due to the decreased AOCF before transaction and other costs discussed above. AOCF per share for six months ended June 30, 2020 was $1.25 per share, a decrease of $0.03 per share or 2% from the prior year quarter results of $1.28 per share. Transaction and other costs for the six months ended June 30, 2020 were $10.4 million, $7.8 million lower than the prior year. Costs incurred in the current year related primarily to the integration of acquisitions compared to the Specialty Chemicals strategic review, the integration of acquisitions and acquisition related costs incurred in the prior comparable period.

Revenue for the six months ended June 30, 2020 was $1,291.0 million, a decrease of $290.8 million or 18% due to lower revenue in the Canadian Propane Distribution, U.S. Propane Distribution, and Specialty Chemicals segments. Canadian Propane Distribution revenue for the six months ended June 30, 2020 was $495.9 million, a decrease of $131.4 million or 21% primarily due to lower wholesale propane prices and the impact of lower sales volumes. U.S. Propane Distribution revenue for the six months ended June 30, 2020 was $492.3 million, a decrease of $110.9 million or 18% primarily due to lower sales volumes related to warmer weather in the first quarter, and the impact of lower wholesale propane prices, partially offset by the additional revenues from the tuck-in acquisitions completed in 2019 and the impact of the weaker Canadian dollar on U.S. denominated sales. Specialty Chemicals revenue for the six months ended June 30, 2020 of $302.8 million, decreased by $48.5 million or 14% primarily due to lower sales volumes and lower chlor-alkali average sales prices. Consolidated gross profit was $619.0 million, a decrease of $33.0 million or 5% from $652.0 million primarily due to lower Specialty Chemicals and Canadian Propane gross profit and to a lesser extent U.S. Propane gross profit. Gross profit decreased due to the above reasons and was partially offset by lower average power costs in the Specialty Chemical segment, effective margin management in a declining wholesale propane price environment and improved wholesale market fundamentals within the Canadian supply portfolio management business.

SD&A was $445.1 million for the six months ended June 30, 2020, a decrease of $42.0 million or 9% from the prior year, primarily due to a decrease in Specialty Chemicals SD&A and to a lesser extent Corporate, Canadian Propane and U.S. Propane SD&A. Specialty Chemicals costs of $76.0 million for the six months ended June 30, 2020, decreased by $25.7 million or 25% from $101.7 million primarily due to an impairment charge and a restructuring provision recorded in the prior year and to a lesser extent lower freight costs due to lower sales volumes and a gain on the translation of non-cash working capital, partially offset by the impact of the weaker Canadian dollar on U.S. denominated expenses. Corporate SD&A costs were $11.6 million, a decrease of $6.7 million from $18.3 million primarily due to lower incentive plan costs related to share price depreciation. Canadian Propane Distribution SD&A costs of $152.4 million a decrease of $6.7 or 4% from $159.1 million due primarily to lower volume related expenses and cost savings initiatives related to decreased economic activity in Western Canada partially offset by higher depreciation expense. U.S. Propane Distribution SD&A costs were $205.1 million, a decrease of $2.9 million or 1% from $208.0 million in the prior year primarily due to workforce optimization and to a lesser extent the realization of incremental synergies, lower transaction and restructuring costs and lower volume-related expenses partially offset by the impact of the weaker Canadian dollar on the translation of U.S. denominated SD&A.

Finance expense for the six months ended June 30, 2020 was $55.9 million, a decrease of $1.4 million or 2% from $57.3 million in the prior year. The decrease is primarily due to lower average debt balances and lower variable interest rates partially offset by the impact of the weaker Canadian dollar on the translation of U.S. denominated finance expense.

Gains (losses) on derivative and foreign currency translation of borrowings consists of unrealized gains (losses) on derivative financial instruments and foreign currency translation of borrowings, net of realized gains (losses) on derivative financial instruments. Gains (losses) on derivatives and foreign currency translation of borrowings were $49.4 million for the six months ended June 30, 2020 compared to a gain of $38.3 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 12 of the 2020 unaudited condensed interim consolidated financial statements.

Total income tax expense of $49.7 million was $31.1 million higher than the prior year’s expense of $18.6 million. Current income tax expense was $6.9 million, an increase of $2.3 million from the prior year. Deferred income tax expense was $42.8 million, an increase of $28.8 million from the prior year primarily due to the impact of U.S. tax regulations enacted in the quarter offset by a decrease in net earnings before income taxes.

The net earnings for the six months ended June 30, 2020 was $18.9 million, compared to $127.3 million in the prior year quarter. The decrease from the prior year is primarily due to the unrealized losses on derivatives and foreign currency translation of borrowings recorded in the current year to date period compared to unrealized gains on derivatives and foreign currency translation of borrowings in the prior year and lower gross profit partially offset by lower SD&A costs. Basic and diluted earnings per share was $0.11, compared to basic and diluted earnings per share of $0.73 in the prior year.

RESULTS OF SUPERIOR'S OPERATING SEGMENTS

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

CANADIAN PROPANE DISTRIBUTION

Canadian Propane Distribution's condensed operating results:

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2020**	2019	**2020**	2019
Revenue[1]	**155.3**	191.5	**495.9**	627.3
Cost of Sales[1]	**(80.2)**	(112.7)	**(270.1)**	(388.3)
Gross profit[1]	**75.1**	78.8	**225.8**	239.0
Realized losses on derivatives related to commodity risk management	**(2.5)**	(0.9)	**(2.8)**	(9.3)
Adjusted gross profit[1]	**72.6**	77.9	**223.0**	229.7
Selling, distribution and administrative costs	**(70.3)**	(75.4)	**(152.4)**	(159.1)
Add back (deduct):				
Amortization and depreciation included in selling, distribution and administrative costs	**18.6**	17.3	**36.9**	34.5
Transaction and other costs	**0.1**	0.2	**0.3**	0.2
(Gain) loss on disposal of assets and other	**0.2**	–	**–**	(1.0)
EBITDA from operations[2]	**21.2**	20.0	**107.8**	104.3
Add back (deduct):				
Gain (loss) on disposal of assets and other	**(0.2)**	–	**–**	1.0
Transaction and other costs	**(0.1)**	(0.2)	**(0.3)**	(0.2)
Amortization and depreciation included in selling, distribution and administrative costs	**(18.6)**	(17.3)	**(36.9)**	(34.5)
Unrealized gains (losses) on derivative financial instruments	**8.8**	(4.1)	**2.9**	2.6
Finance expense	**(1.0)**	(1.1)	**(2.4)**	(2.1)
Earnings (loss) before income tax	**10.1**	(2.7)	**71.1**	71.1

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

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

Revenue for three months ended June 30, 2020 was $155.3 million, a decrease of $36.2 million or 19% primarily due to lower sales volumes and to a lesser extent lower wholesale propane prices entering the second quarter. Wholesale propane supply prices were lower than the prior year entering the quarter, primarily due to continued high propane inventory levels in the U.S., driven by decreased demand as a result of warm weather in the first quarter and the impact from lower average West Texas Intermediate ("WTI") crude oil prices compared to the prior year quarter. WTI crude oil and propane prices decreased significantly at the end of the first quarter and recovered during the latter portion of the second quarter as there was more certainty around the global reaction to COVID-19 and OPEC+ countries reduced production levels. As wholesale propane prices began to increase in the second quarter, sales volumes decreased due to lower seasonal demand.

Canadian Propane Adjusted Gross Profit

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2020**	2019	**2020**	2019
Propane distribution	**72.3**	74.6	**218.3**	229.5
Realized losses on derivatives related to commodity risk management	**(2.5)**	(0.9)	**(2.8)**	(9.3)
Propane distribution adjusted gross profit	**69.8**	73.7	**215.5**	220.2
Other services	**2.8**	4.2	**7.5**	9.5
Adjusted gross profit(1)	**72.6**	77.9	**223.0**	229.7

(1) Adjusted gross profit is a Non-GAAP financial measure. See "Non-GAAP Financial Measures".

Canadian propane distribution adjusted gross profit for the three months ended June 30, 2020 was $69.8 million, a decrease of $3.9 million or 5% from the prior year quarter primarily due to lower sales volumes, and to a lesser extent, slightly weaker wholesale propane market fundamentals compared to the prior year quarter, partially offset by effective margin management in a low wholesale propane price environment.

Total sales volumes for the second quarter were 360 million litres, a decrease of 77 million litres or 18%, primarily due to the impact of COVID-19, reduced demand from Oilfield customers and economic conditions in Western Canada, partially offset by the impact of colder weather. Average weather across Canada for the second quarter of 2020, as measured by degree days was 2% colder than the prior year and 8% colder than the five-year average. Residential sales volumes increased by 1 million litres or 4% due to the impact of colder weather than the prior year quarter and increased home heating from customers working from home due to COVID-19. Commercial sales volumes decreased by 10 million litres or 18% due primarily to the impact of COVID-19 and economic conditions in Western Canada. Oilfield volumes decreased by 24 million litres or 67%, largely due to low oil prices, the impact of COVID-19, and the loss of a large customer after it was acquired by another company that is serviced by a competitor. Industrial volumes increased by 2 million litres or 4% primarily due to colder weather and increased demand from resellers filling barbeque cylinders as a result of COVID-19 keeping more customers at home. Motor fuels sales volumes decreased by 12 million litres or 27% from the prior year quarter due to reduced demand as a result of the impact of COVID-19, particularly on school bus and taxi customers. Wholesale propane volumes were 35 million litres or 17% lower compared to the prior year quarter due to lower sales volumes primarily in California due to reduced demand associated with the impact of COVID-19 and refinery shutdowns.

Average propane sales margins were 19.4 cents per litre, an increase of 15% from 16.9 cents per litre in the prior year quarter due primarily to effective margin management in a low wholesale propane price environment and customer mix as there was less demand from low-margin oilfield, industrial and wholesale customers.

Other services gross profit primarily includes equipment rental, installation, repair and maintenance and customer minimum use charges. Other services gross profit was $2.8 million, a decrease of $1.4 million or 33% from the prior year quarter primarily due to the impact of COVID-19 delaying non-essential service activity and the impact of economic conditions on service activity and equipment rentals in Western Canada.

Canadian Propane Distribution Sales Volumes

Volumes by End-Use Application (1)

(millions of litres)	Three Months Ended June 30 2020	2019	Six Months Ended June 30 2020	2019
Residential	**27**	26	**93**	101
Commercial	**47**	57	**170**	194
Oilfield	**12**	36	**61**	94
Industrial	**55**	53	**119**	121
Motor Fuels	**32**	44	**68**	84
Wholesale	**172**	207	**519**	700
Other	**15**	14	**59**	65
Total	**360**	437	**1,089**	1,359

Volumes by Region (1)

(millions of litres)	Three Months Ended June 30 2020	2019(2)	Six Months Ended June 30 2020	2019
Western Canada	**118**	147	**398**	506
Eastern Canada	**87**	104	**243**	294
Atlantic Canada	**28**	26	**72**	68
United States	**127**	160	**376**	491
Total	**360**	437	**1,089**	1,359

(1) Regions: Western Canada region consists of British Columbia, Alberta, Saskatchewan, Manitoba, Northwest Ontario, Yukon and Northwest Territories; Eastern Canada region consists of Ontario (except for Northwest Ontario) and Quebec; Atlantic Canada region consists of New Brunswick, Newfoundland & Labrador, Nova Scotia and Prince Edward Island. United States region consists primarily of California, Colorado, Delaware, Illinois, Kansas, Maine, Maryland, Michigan, Minnesota, Montana, Nevada, New Hampshire, New York, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Texas, Utah and Washington.

Selling, Distribution and Administrative Costs

SD&A costs for the three months ended June 30, 2020 were $70.3 million, a decrease of $5.1 million or 7% over the prior year quarter primarily due to lower volume related expenses and cost saving initiatives related to the decreased economic activity in Western Canada, partially offset by higher depreciation.

Earnings

Earnings before income tax of $10.1 million, increased by $12.8 million over the prior year quarter, as a result of lower SD&A related to lower volumes and cost saving initiatives, and an unrealized gain on derivative financial instruments compared to a loss in the prior year quarter partially offset by lower gross profit due to lower sales volumes.

Financial Outlook

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

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

U.S. PROPANE DISTRIBUTION

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

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2020**	2019	**2020**	2019[1]
Revenue[1]	**150.3**	174.4	**492.3**	603.2
Cost of Sales[1]	**(56.1)**	(90.8)	**(202.6)**	(312.0)
Gross profit[1]	**94.2**	83.6	**289.7**	291.2
Realized losses on derivatives related to commodity risk management	**(2.8)**	(1.0)	**(17.0)**	(5.3)
Adjusted gross profit	**91.4**	82.6	**272.7**	285.9
Selling, distribution and administrative costs	**(95.3)**	(101.6)	**(205.1)**	(208.0)
Add back (deduct):				
Amortization and depreciation included in selling, distribution and administrative costs	**27.8**	25.1	**55.0**	49.7
Transaction and other costs	**3.0**	6.1	**6.6**	9.8
Loss on disposal of assets and other	**0.2**	0.6	**1.3**	0.8
EBITDA from operations[2]	**27.1**	12.8	**130.5**	138.2
Add back (deduct):				
Loss on disposal of assets and other	**(0.2)**	(0.6)	**(1.3)**	(0.8)
Transaction and other costs	**(3.0)**	(6.1)	**(6.6)**	(9.8)
Amortization and depreciation included in selling, distribution and administrative costs	**(27.8)**	(25.1)	**(55.0)**	(49.7)
Unrealized gains (losses) on derivative financial instruments	**14.5**	(4.5)	**9.2**	1.2
Finance expense	**(1.2)**	(1.1)	**(2.9)**	(2.1)
Earnings (loss) before income tax	**9.4**	(24.6)	**73.9**	77.0

[1] Revenue, cost of sales, and gross profit has been presented excluding realized gains and losses on commodity derivative instruments and the comparative figures have been restated. These gains and losses are included in gains (losses) on derivatives and foreign currency translation of borrowings in the unaudited condensed interim financial statements. For purposes of determining margin per litre gross profit has been adjusted to include realized gains and losses on commodity derivative instruments. See "Non-GAAP Financial Measures". SD&A has been restated to adjust amortization and depreciation expense as a result of finalizing the purchase price allocation of the NGL acquisition in the second quarter of 2019. See the unaudited condensed interim consolidated financial statements and notes thereto as at and for the three and six months ended June 30, 2020 and 2019.

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

Revenue for the three months ended June 30, 2020 was $150.3 million, a decrease of $24.1 million or 14% from the prior year quarter primarily due to lower wholesale propane prices entering the second quarter and to a lesser extent lower sales volume. Wholesale propane supply prices were lower than the prior year entering the quarter primarily due to continued high propane inventory levels in the U.S., driven by decreased demand as a result of warm weather in the first quarter and the impact from lower average West Texas Intermediate ("WTI") crude oil prices compared to the prior year quarter. WTI crude oil and propane prices decreased significantly at the end of the first quarter and recovered during the latter portion of the second quarter as there was more certainty around the global reaction to COVID-19 and OPEC+ countries reduced production levels. As wholesale propane prices began to increase in the second quarter, sales volumes decreased due to lower seasonal demand.

U.S. Propane Adjusted Gross Profit

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2020**	2019	**2020**	2019
Propane distribution	**90.6**	78.8	**281.4**	280.4
Realized loss on derivatives related to commodity risk management	**(2.8)**	(1.0)	**(17.0)**	(5.3)
Propane distribution adjusted gross profit	**87.8**	77.8	**264.4**	275.1
Other services(1)	**3.6**	4.8	**8.3**	10.8
Adjusted gross profit(2)	**91.4**	82.6	**272.7**	285.9

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

(2) Adjusted gross profit from operations is a Non-GAAP financial measure. See "Non-GAAP Financial Measures".

U.S. Propane distribution adjusted gross profit for the three months ended June 30, 2020 was $87.8 million, an increase of $10.0 million or 13% from the prior year quarter primarily due to higher average propane margins, partially offset by lower sales volumes.

Total sales volumes were 190 million litres, a decrease of 11 million litres or 5% from the prior year quarter primarily due to the impact of lower commercial and wholesale volumes, partially offset by the impact of tuck-in acquisitions and the impact of colder weather on residential volumes. Average weather, as measured by degree days, across markets where U.S. propane operates for the three months ended June 30, 2020 was 30% colder than the prior year quarter and 28% colder than the five-year average. Sales volumes are highest in the first and fourth quarter due to the demand from heating end-use customers. The colder weather in the second quarter does not have a significant impact on total annual sales volumes. Residential sales volumes increased by 5 million litres or 5% from the prior year quarter primarily due to the impact of tuck-in acquisitions completed in the past twelve months and to a lesser extent the impact of colder weather. Commercial volumes decreased by 12 million litres or 12% compared to the prior year quarter primarily due to reduced demand as a result of COVID-19 and the impact of focusing on higher margin propane customers. Wholesale volumes decreased by 4 million litres or 44% due to reduced demand related to the impact of COVID-19 and the impact of focusing on higher margin propane customers.

U.S. propane average sales margins were 46.2 cents per litre an increase of 19% from 38.7 cents per litre in the prior year quarter. Average sales margins improved primarily due to the impact of focusing on higher margin propane customers, sales and marketing initiatives, including effective margin management in a low wholesale propane price environment and the impact of the weaker Canadian dollar on the translation of U.S. denominated gross profit.

Other services gross profit primarily includes equipment rental, installation, repair and maintenance charges. Other services gross profit was $3.6 million, a decrease of $1.2 million over the prior year quarter primarily due to the impact of COVID-19 delaying non-essential service activity.

U.S. Propane Distribution Sales Volumes
End-Use Application (1)

	Three Months Ended June 30		Six Months Ended June 30	
(millions of litres)	**2020**	2019(2)	**2020**	2019(2)
Residential	**97**	92	**354**	397
Commercial	**88**	100	**241**	262
Wholesale	**5**	9	**17**	31
Total	**190**	201	**612**	690

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

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

Selling, Distribution and Administrative Costs
SD&A costs for the three months ended June 30, 2020 were $95.3 million, a decrease of $6.3 million or 6% over the prior year quarter. The decrease in SD&A costs is primarily due to workforce optimization initiatives, the realization of incremental synergies, lower transaction and restructuring costs and to a lesser extent lower volume-related expenses partially offset by the impact of the weaker Canadian dollar on the translation of U.S. denominated SD&A and to a lesser extent the impact of tuck-in acquisitions.

Earnings
Earnings before tax of $9.4 million, increased by $34.0 million over the prior year quarter primarily due to the changes in adjusted gross profit and SD&A described above and the impact of an unrealized gain on derivative financial instruments in the current period compared to a loss in the prior year quarter.

Financial Outlook
EBITDA from operations in 2020 for U.S. Propane is anticipated to be consistent with 2019. The impact from the mild weather in the first quarter of 2020 and to a much lesser extent lower sales volumes related to the impact of COVID-19 are expected to be offset by the results in the current period, contributions from tuck-in acquisitions completed in 2020, the impact of the weaker Canadian dollar on the translation of U.S. denominated EBITDA and achieving incremental synergies of US$4.0 or US$24 million in run-rate synergies exiting 2020. Average weather for the remainder of 2020 in the Eastern U.S., as measured by degree days, is anticipated to be consistent with the five-year average.

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

SPECIALTY CHEMICALS

Specialty Chemicals' condensed operating results:

(millions of dollars except per metric tonne (MT) amounts)[2]	Three Months Ended June 30				Six Months Ended June 30			
	2020		2019		**2020**		2019	
		$ per MT		$ per MT		**$ per MT**		$ per MT
Revenue	**145.2**	**844**	179.9	857	**302.8**	**821**	351.3	844
Cost of Sales	**(94.7)**	**(551)**	(118.6)	(565)	**(199.3)**	**(540)**	(229.5)	(552)
Gross Profit [1]	**50.5**	**293**	61.3	292	**103.5**	**281**	121.8	292
Selling, distribution and administrative costs (SD&A)	**(39.4)**	**(229)**	(62.6)	(297)	**(76.0)**	**(206)**	(101.7)	(244)
Add back (deduct):								
Depreciation included in cost of sales	**9.8**	**57**	11.7	56	**20.0**	**54**	22.8	55
Loss on disposal of assets and impairment	**–**	**–**	16.7	79	**–**	**–**	16.6	40
Restructuring costs	**0.1**	**1**	4.2	20	**(0.2)**	**(1)**	4.2	10
Amortization and depreciation included in SD&A costs	**7.6**	**44**	7.3	35	**15.2**	**41**	14.5	35
EBITDA from operations[2]	**28.6**	**166**	38.6	185	**62.5**	**169**	78.2	188
Add back (deduct):								
Loss on disposal of assets and impairment	**–**		(16.7)		**–**		(16.6)	
Amortization and depreciation included in SD&A costs	**(7.6)**		(7.3)		**(15.2)**		(14.5)	
Depreciation included in cost of sales	**(9.8)**		(11.7)		**(20.0)**		(22.8)	
Restructuring costs	**(0.1)**		(4.2)		**0.2**		(4.2)	
Unrealized (loss) gain on foreign currency translation of lease liabilities	**1.9**		1.1		**(2.4)**		2.5	
Finance expense	**(1.9)**		(2.1)		**(3.9)**		(3.8)	
Earnings (loss) before tax	**11.1**		(2.3)		**21.2**		18.8	

(1) Gross Profit per MT after adding back depreciation included in cost of sales for the three and six months ended June 30, 2020 was $350/MT and $335/MT respectively and for the three and six months ended June 30, 2019 was $348/MT and $347/MT respectively.

(2) EBITDA from operations and per metric tonne amounts are Non-GAAP financial measures. See "Non-GAAP Financial Measures" and "Reconciliation of Net Earnings before Income Taxes to EBITDA from Operations".

Sales Volumes by Product

(thousands of MTs)	Three Months Ended June 30 **2020**	2019	Six Months Ended June 30 **2020**	2019
Sodium chlorate	**106**	120	**225**	238
Chlor-alkali	**65**	88	**142**	175
Chlorite	**1**	2	**2**	3
Total	**172**	210	**369**	416

Revenue for the three months ended June 30, 2020 was $145.2 million a decrease of $34.7 million or 19% from the prior year quarter. This was primarily due to lower sales volumes and lower average chlor-alkali selling prices and was partially offset by the impact of the weaker Canadian dollar on U.S. denominated sales and higher sodium chlorate sales prices.

Sodium chlorate sales volumes decreased by 14 MTs or 12% due primarily to the impact of COVID-19 on customer demand causing downtime at a number of customer locations and customer maintenance outages including a significant customer outage due to equipment failure. Sodium chlorate sales prices were 2% higher than the prior year quarter due to the impact of the weaker Canadian dollar on U.S. denominated sales, customer mix and contract price increases.

Chlor-alkali sales volumes decreased by 23 MTs or 26% due to lower hydrochloric acid sales volumes, and to a lesser extent, lower caustic soda and caustic potash sales volumes. Chlorine sales volumes decreased 39% due primarily to the loss of a low margin customer. Hydrochloric acid sales volumes decreased 38% due to continued lower demand from the U.S. oil and gas sector related to less rig activity and the impact of COVID-19. Caustic soda sales volumes decreased 12% primarily due to North American market fundamentals and reduced caustic soda production related to lower demand for chlorine and hydrochloric acid. Caustic potash sales volumes decreased 17% primarily due to reduced production as well. Average hydrochloric acid and caustic soda netbacks decreased by approximately 45% and 19% respectively for the aforementioned reasons partially offset by the impact of the weaker Canadian dollar on U.S. denominated sales. Chlorine netbacks increased 14% due to customer mix and the impact of the weaker Canadian dollar on U.S. denominated sales. Caustic potash sales prices were 6% lower than the prior year quarter due to customer mix partially offset with the impact of the weaker Canadian dollar on U.S. denominated sales.

Chlorite sales volumes decreased by 1 MT due to challenges associated with COVID-19 and continued lower demand into the U.S. oil and gas market.

Gross profit was $50.5 million, a decrease of $10.8 million or 18% from the prior year quarter due primarily to lower volumes and lower chlor-alkali sales prices partially offset by 12% lower North American sodium chlorate power costs and to a lesser extent the impact of the weaker Canadian dollar compared to the prior year quarter on U.S. denominated gross profit. Electricity costs were lower due to low system demand, low natural gas prices and to a lesser extent the impact of reduced production from a high cost plant in the prior year quarter.

SD&A costs were $39.4 million, a decrease of $23.2 million over the prior year quarter primarily due to an impairment charge and a restructuring provision recorded in the prior year quarter and to a lesser extent lower freight costs related to lower sales volumes, partially offset by the impact of the weaker Canadian dollar on U.S. denominated expenses. On May 31, 2019, it was announced to employees and other key stakeholders that the Specialty Chemicals segment would close its sodium chlorate manufacturing facility in Saskatoon, Saskatchewan before the end of 2019. As a result, a $4.2 million restructuring provision related primarily to severance costs and a $14.4 million asset impairment charge on the related plant and equipment were recorded in the prior year quarter.

Earnings before tax for the three months ended June 30, 2020 was $11.1 million, an increase of $13.4 million over the prior year quarter due primarily to the impairment charge and restructuring provision recorded in the prior year quarter partially offset by lower gross profit.

Financial Outlook

EBITDA from operations for Specialty Chemicals in 2020 is anticipated to be lower than 2019 due primarily to an expected decrease in chlor-alkali gross profit and to a lesser extent a decrease in sodium chlorate gross profit, partially offset by a modest decrease in SD&A costs and the impact of the weaker Canadian dollar on US denominated earnings. Chlor-alkali gross profit is anticipated to be lower than 2019 due to continued weakness in hydrochloric acid demand and pricing driven by reduced oil and gas demand, a decrease in caustic potash sales volumes and pricing related to customer mix, weakness in caustic soda pricing related to supply and demand fundamentals in North American markets and a general reduction in demand related to COVID-19. Sodium chlorate gross profit is anticipated to be lower than 2019 as lower demand due primarily to the impact of COVID-19 and customer outages will be partially offset by decreases in electricity mill rates.

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

CONSOLIDATED CAPITAL EXPENDITURE SUMMARY

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

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.

Investment in leased assets generally includes vehicles for the Energy Distribution segments to support growth and replace aging vehicles, renewing railcar leases in the Specialty Chemicals segment and the wholesale business and timing of renewing property leases across the entire company.

Superior's capital expenditures:

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2020**	2019	**2020**	2019
Efficiency, process improvement and growth-related	**15.0**	13.4	**28.7**	23.6
Maintenance capital	**11.6**	12.7	**26.6**	19.8
	26.6	26.1	**55.3**	43.4
Proceeds on disposition of assets and proceeds on refinancing	**(1.9)**	(1.4)	**(6.3)**	(3.4)
Property, plant and equipment acquired through acquisition	**–**	15.6	**8.1**	15.6
Total net capital expenditures	**24.7**	40.3	**57.1**	55.6
Investment in leased assets net of proceeds from refinanced	**6.9**	8.9	**22.6**	10.3
Total expenditures including finance leases	**31.6**	49.2	**79.7**	65.9

Efficiency, process improvement and growth-related expenditures were $15.0 million for the three months ended June 30, 2020 compared to $13.4 million in the prior year quarter. The increase over the prior year quarter is primarily due to costs incurred to expand chlorate plants located in Quebec and Georgia, and to a lesser extent integration activity and timing of expenditures.

Maintenance capital expenditures were $11.6 million for the three months ended June 30, 2020 compared to $12.7 million in the prior year quarter, consisting primarily of required maintenance and general capital across Superior's segments. The decrease is primarily due to timing of expenditures.

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

Superior entered into new leases with capital-equivalent value of $10.5 million and refinanced previously acquired vehicles for gross proceeds of $3.6 million for the three months ended June 30, 2020. The net investment was $6.9 million, compared to $8.9 million in the prior year quarter. The decrease is primarily due to timing of renewing property, railcar and vehicles leases.

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

Corporate Administration Costs

Corporate administration costs included in Adjusted EBITDA exclude depreciation, amortization and transaction and other costs. Corporate administration costs are $7.0 for the three months ended June 30, 2020 a decrease of $1.5 million, compared to $8.5 million in the prior year quarter. The decrease from the prior year quarter is primarily due to lower discretionary spending due to the impact of COVID-19 and lower incentive plan costs related to the decline in the share price.

Finance Expense

Finance expense was $26.1 million for the three months ended June 30, 2020 a decrease of $2.8 million, compared to $28.9 million in the prior year quarter. The decrease is primarily due to lower average debt balances, lower variable interest rates compared to the prior comparable quarter and lower non-cash financing charges.

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:

	Three Months Ended June 30		Six Months Ended June 30	
(millions of dollars)	**2020**	2019	**2020**	2019
Total transaction and other costs	**5.1**	13.2	**10.4**	18.2

For the three months ended June 30, 2020, Superior incurred $5.1 million in costs related primarily to the integration of NGL and tuck-in acquisitions and other acquisition activity. The costs in the prior year quarter related primarily to the integration of NGL, the strategic review of Specialty Chemicals and tuck-in acquisitions.

Income Taxes

Consistent with prior periods, Superior recognizes a provision for income taxes for its subsidiaries that are subject to current and deferred income taxes, including Canadian, U.S., Luxembourg, and Chilean income tax.

Total income tax expense for the three months ended June 30, 2020 of $38.8 million, was comprised of $2.6 million cash income tax expense and $36.2 million deferred income tax expense. This compares to a total income tax recovery of $17.4 million in the prior period, which consisted of cash income tax expense of $2.2 million and $19.6 million deferred income tax recovery.

Cash income taxes for the three months ended June 30, 2020 was $2.6 million (2019 – $2.2 million), consisting of income taxes in Canada of $1.7 million (2019 – $0.1 million), income tax recovery in the U.S. of $0.5 million (2019 – $0.6 million expense), income taxes in Chile of $0.8 million (2019 – $0.8 million), and income taxes in Luxembourg of $0.6 million (2019 – $0.7 million). Deferred income tax expense for the three months ended June 30, 2020 was $36.2 million (2019 – $19.6 million recovery), resulting in a net deferred income tax liability of $34.2 million as at June 30, 2020.

Financial Outlook

Based on the management's evaluation of the anticipated impacts from the COVID-19 pandemic and reduced oil and gas drilling activity in North America, as well as the impact of the significantly warmer weather in the first quarter, Superior continues to expect Adjusted EBITDA to remain within the previously disclosed guidance range of $475 million to $515 million, albeit near the lower end of the range consistent with the guidance provided after the first quarter. As a result of the ongoing impact of the COVID-19 pandemic and the impact from reduced oil and gas drilling activity to the broader macro-economy, results may differ from these assumptions.

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

- Weather for the remainder of 2020 is expected to be consistent with the average temperature for the last five years;
- Economic growth in Canada and the U.S. is expected to be negative in Q2 and begin stabilizing in Q4;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior estimates maintenance and non-recurring capital expenditures net of disposals and including vehicle leases to be in the range of $110 million to $130 million in 2020;
- Superior is substantively hedged for its estimated U.S. dollar exposure for 2020, and due to the hedge position, a change in the Canadian to U.S, dollar exchange rate for 2020 would not have a material impact to Superior.
- The foreign currency exchange rate between the Canadian dollar and U.S. dollar is expected to average $0.74 for the remainder of 2020 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Canadian, Chilean and U.S. based cash taxes are expected to be in the range of $10 million to $20 million for 2020 based on existing statutory income tax rates and the ability to use available tax basis.

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

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

Specialty Chemicals
- Chlor-Alkali netbacks for caustic soda and hydrochloric acid are anticipated to be lower than 2019 but are expected to start to recover in the latter portion of 2020;
- Average plant utilization will approximate 85%-90% in 2020.

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

LIQUIDITY AND CAPITAL RESOURCES

Debt Management Update

Superior remains focused on managing both its debt and its Total Debt to Adjusted EBITDA Leverage Ratio. Superior's Total Debt to Adjusted EBITDA Leverage Ratio for the trailing twelve months was 3.7x as at June 30, 2020, consistent with the Leverage Ratio at December 31, 2019 and lower than 4.0x as at March 31, 2020. The total Debt to Adjusted EBITDA Leverage Ratio is consistent with December 31, 2019 as the impact of the weaker Canadian dollar on the translation of Superior's U.S. denominated debt, entering new or extending leases and to a lesser extent the acquisition of Western was fully offset by cash generated from operations.

On July 13, 2020, Superior announced the issuance of 260,000 Preferred Shares in its wholly owned subsidiary Superior Plus US Holdings for gross proceeds of US$260 million to an affiliate of Brookfield Asset Management Inc. ("Brookfield"). The Preferred Shares entitle the holders to a cumulative monthly dividend, which equates to 7.25% per annum through to the end of Superior's second fiscal quarter in 2027. If dividends are paid on the common shares then Superior is required to pay the dividend in cash on the Preferred Shares otherwise, the Preferred Share dividends can be paid or accrued at Superior's option. In the event that Superior declares a dividend on its common shares in excess of $0.06 per month, the holders of the Preferred Shares shall be entitled to an equivalent amount. Superior has the option to redeem the Preferred Shares at par in 2027. If Superior does not redeem the Preferred Shares, the dividend rate increases by 0.75% per annum for the next four years to a maximum of 10.25%. If the dividends are not paid in cash, the cumulative dividend increases by 1.0% per annum for a maximum of four years.

The Preferred Shares may be exchanged, at Brookfield's option, into approximately 30 million common shares of Superior or at Superior's option, on or after the third anniversary of the issue date if the volume-weighted average share price of Superior's common shares during the then preceding 30 consecutive trading day period, converted to U.S. dollars at the applicable exchange rate, must be greater than 145% of the exchange price. On an as-exchanged basis, the investment by Brookfield currently represents approximately 15% of the pro forma fully diluted outstanding common shares.

The investment by Brookfield will be treated as an equity transaction. The initial proceeds will be recorded as a non-controlling interest within equity and will be subsequently adjusted for dividends paid and income attributed to the non-controlling interest. As a result of the pro forma impact of this investment, Superior's Total Debt to Adjusted EBITDA Leverage Ratio for the trailing twelve months as at June 30, 2020 would be approximately 3.0x.

Superior anticipates its Total Debt to Adjusted EBITDA Leverage Ratio to be in the range of 3.0x to 3.5x as at December 31, 2020, which is consistent with Superior's targeted range.

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

Borrowing

Superior's revolving syndicated bank facility (credit facility), term loans and lease obligations (collectively borrowing) before deferred financing fees was $1,881.7 million as at June 30, 2020, a decrease of $74.4 million from $1,956.1 million as at December 31, 2019. The decrease is a result of using cash flows from operations to pay down borrowing partially offset by the impact of the weaker Canadian dollar on U.S. denominated debt, new leases and the Western acquisition.

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

	As at June 30, 2020			
(millions of dollars)	Total Amount	Borrowing	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities[1]	750.0	351.9	40.3	357.8
Term loans[1]	1,245.2	1,245.2	–	–
Other debt [2]	28.1	28.1	–	–
Lease liabilities	256.5	256.5	–	–
Total	**2,279.8**	**1,881.7**	**40.3**	**357.8**

(1) Revolving term bank credit facilities and term loan balances are presented before deferred financing fees.
(2) Accounts receivable factoring and deferred consideration.

Net Working Capital

Consolidated net working capital was $(0.8) million as at June 30, 2020, a decrease of $50.7 million from $49.9 million as at December 31, 2019. Consolidated net working capital decreased by $49.6 million from $48.8 million as at June 30, 2019. The decrease from the prior year is due to the weaker Canadian dollar on US denominated working capital, the impact of decreasing propane prices and timing of customer receipts compared to disbursements.

Compliance

In accordance with the credit facility, Superior must maintain certain covenants and ratios that represent Non-GAAP financial measures. Superior is in compliance with the lender covenants as at June 30, 2020 and the covenant details are found in the credit facility documents filed in the System for Electronic Document Analysis and Retrieval ("SEDAR").

Pension Plans

As at June 30, 2020, Superior had an estimated net defined benefit going concern surplus of approximately $16.6 million (December 31, 2019 – $25.9 million surplus) and a net pension solvency deficiency of approximately $3.2 million (December 31, 2019 – $11.0 million surplus) between its two defined benefit pension plans. 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

		As at June 30, 2020				
(millions of dollars)	Note [1]	Total	Current	Years 2-3	Years 4-5	Thereafter
Borrowing	10	1,625.2	7.4	14.1	1,128.5	475.2
Lease Liabilities	12	256.5	49.4	84.4	56.6	66.1
Operating leases[2]	12	9.1	3.9	5.1	0.1	–
US$ foreign currency forward sales contracts	12	465.2	120.2	262.0	83.0	–
US$/CAD call options[3]	12	42.0	–	24.0	18.0	–
Natural gas, diesel, WTI, butane, propane, and heating oil [4]	12	101.7	54.4	47.3	–	–
Total contractual obligations		**2,499.7**	**235.3**	**436.9**	**1,286.2**	**541.3**

(1) Notes to the June 30, 2020 unaudited condensed interim consolidated financial statements.
(2) Operating leases comprise Superior's off-balance-sheet obligations and are contracts that do not meet the definition of a lease under IFRS 16 or are exempt.
(3) USD/CAD call options expiring in December 2023 with strikes ranging from 1.40 to 1.47 settling in 2024.
(4) Does not include the impact of financial derivatives.

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

SHAREHOLDERS' CAPITAL

As at June 30, 2020, the following common shares were issued and outstanding:

	Issued number of common shares (Millions)	Share capital
Balance as at December 31, 2019	174.9	$2,339.9
Common shares issued under dividend reinvestment plan	1.1	10.4
Balance as at June 30, 2020	**176.0**	**$2,350.3**

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

Dividends declared to shareholders for the three months ended June 30, 2020 were $31.8 million or $0.18 per share compared to $31.5 million or $0.18 for the prior year quarter. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

Superior has a Dividend Reinvestment and Optional Share Purchase Plan ("DRIP") that was not utilized in 2019. On January 28, 2020 Superior reinstated the DRIP that commenced with the February dividend which was paid on March 13, 2020. On June 8, 2020 Superior announced that it will suspend the DRIP after payment of the May dividend on June 15, 2020. Superior's DRIP program will remain in place should Superior elect to reactivate the DRIP, subject to regulatory approval, at a future date.

On July 13, 2020, Superior announced the issuance of 260,000 Preferred Shares in its wholly owned subsidiary Superior Plus US Holdings for gross proceeds of US$260 million. Details and the impact of the Preferred Share issuance is further discussed above in the Liquidity and Capital Resources section of this MD&A.

SUMMARY OF CASH FLOW

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

	Three Months Ended June 30		**Six Months Ended June 30**	
(millions of dollars)	**2020**	2019	**2020**	2019
Cash flows from operating activities	**187.6**	163.5	**272.4**	275.7
Investing activities:				
Purchase of property, plant and equipment and intangible assets	**(26.6)**	(26.1)	**(55.3)**	(43.4)
Proceeds on disposal of property, plant and equipment	**1.9**	1.4	**6.3**	3.4
Acquisitions, net of cash acquired	**–**	(41.1)	**(23.7)**	(41.1)
Cash flows used in investing activities	**(24.7)**	(65.8)	**(72.7)**	(81.1)
Financing activities:				
Net repayment of revolving term bank credits and other debt	**(146.3)**	(51.4)	**(146.2)**	(109.3)
Proceeds received from vehicle refinancing	**3.6**	–	**17.3**	–
Principal repayment of lease obligations	**(13.2)**	(8.3)	**(25.2)**	(21.7)
Debt issuance costs	**–**	(0.5)	**–**	(0.5)
Dividends paid to shareholders	**(24.0)**	(31.5)	**(52.5)**	(63.0)
Cash flows used in financing activities	**(179.9)**	(91.7)	**(206.6)**	(194.5)
Net increase (decrease) in cash and cash equivalents during the period	**(17.0)**	6.0	**(6.9)**	0.1
Cash and cash equivalents, beginning of the period	**34.3**	17.4	**26.5**	23.9
Effect of translation of foreign currency-denominated cash and cash equivalents	**3.5**	0.5	**1.2**	(0.1)
Cash and cash equivalents, end of the period	**20.8**	23.9	**20.8**	23.9

Cash flows from operating activities for the three months ended June 30, 2020 was $187.6 million, an increase of $24.1 million from the prior year quarter. The increase is primarily a result of a higher EBITDA from operations compared to the prior year quarter and higher cash-inflows from changes in non-cash operating working capital compared to the prior year quarter due to timing of customer receipts relative to supplier payments.

Cash flow used in investing activities for the three months ended June 30, 2020 was $24.7 million, a decrease from the prior year quarter since there was no acquisition during the current period with consistent capital expenditures from the prior year quarter.

Cash flow used in financing activities for the three months ended June 30, 2020 was $179.9 million, an increase of $88.2 million from the prior year quarter, due to a net repayment of the revolving term bank credit facilities since acquisition activity decreased compared to the prior year quarter, partially offset by lower dividends paid as a result of the DRIP.

FINANCIAL INSTRUMENTS – RISK MANAGEMENT

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

As at June 30, 2020 Superior has hedged approximately 100% of estimated U.S. dollar exposure for calendar 2020 and approximately 62.2% for calendar 2021. A summary of Superior's U.S. dollar forward contracts and options for the rolling twelve months is provided in the table below.

	As at June 30, 2020					
(US$ millions except exchange rates)	Current	2022	2023	2024	2025	Total
Net US$ forward sales	120.2	184.5	77.5	59.0	24.0	465.2
Sold USD/CAD Call Options	–	–	24.0	18.0	–	42.0
Net average external US$/CDN$ exchange rate	1.34	1.33	1.32	1.37	1.34	1.34

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's unaudited condensed interim consolidated financial statements, summary of fair values, notional balances, effective rates and terms, and significant assumptions used in the calculation of the fair value of Superior's financial instruments, see Note 12 to the unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020.

DISCLOSURE CONTROLS AND PROCEDURES AND INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

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

Changes in Internal Controls over Financial Reporting
No changes were made in Superior's ICFR that have materially affected, or are reasonably likely to materially affect, Superior's ICFR in the period ended June 30, 2020.

Effectiveness
An evaluation of the effectiveness of Superior's DC&P and ICFR was conducted as at June 30, 2020 by and under the supervision of Superior's management, including the CEO and CFO. Based on this evaluation, the CEO and CFO have concluded that Superior's DC&P and ICFR were effective at June 30, 2020.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Superior's audited consolidated financial statements were prepared in accordance with IFRS. The significant accounting policies are described in the audited consolidated financial statements for the year ended December 31, 2019. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Superior's critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, deferred income tax assets and liabilities, the valuation of financial and non-financial derivatives, asset impairments, the purchase price allocation for business combinations and the assessment of potential provision for asset retirement obligations.

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

NON-GAAP FINANCIAL MEASURES

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

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

AOCF and AOCF per Share
AOCF is equal to cash flow from operating activities as defined by IFRS, adjusted for changes in non-cash working capital, other expenses, non-cash interest expense, current income taxes and finance costs. Interest expense included in AOCF is equal to finance expense as defined by IFRS, adjusted for unwinding of discount on debentures, borrowing and decommissioning liabilities and other non-recurring items. Superior may deduct or include additional items in

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

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

AOCF is 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.

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

Adjusted EBITDA

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

Adjusted EBITDA is a significant performance measure used by management and investors to evaluate Superior's ongoing performance of its businesses. Adjusted EBITDA 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 Adjusted EBITDA.

EBITDA from operations

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

Adjusted Gross Profit

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

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

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

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

Per metric tonne amounts

The amounts shown on a per metric tonne (MT) basis are calculated by dividing the dollar amount by the total sales volumes for that respective period. This information is provided for amounts included in the Speciality Chemicals condensed operating results. This information assists users of the financial information to determine trends such as pricing or the average cost to manufacture a MT in the current period compared to prior periods.

QUARTERLY FINANCIAL AND OPERATING INFORMATION

GAAP Measures

(millions of dollars, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue [2]	**450.8**	840.2	821.0	450.1	545.8	1036.0	889.2	486.7
Gross profit [2]	**219.8**	399.2	366.0	195.0	223.7	428.3	323.5	174.6
Net earnings (loss)	**7.5**	11.4	74.6	(59.3)	(29.3)	156.6	(48.3)	(39.8)
Per share, basic	**$0.04**	0.07	0.43	(0.34)	(0.17)	0.90	(0.28)	(0.23)
Per share, diluted	**$0.04**	0.07	0.43	(0.34)	(0.17)	0.90	(0.28)	(0.23)
Net working capital (deficit) [1]	**$(0.8)**	144.7	49.9	14.1	48.8	189.1	97.3	(10.6)

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

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

Non-GAAP Financial Measures [1]

(millions of dollars, except per share amounts)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Adjusted EBITDA	**$67.7**	219.3	176.7	48.2	59.7	239.9	153.0	25.9
AOCF before transaction and other costs	**$40.8**	187.9	145.0	19.2	31.0	211.0	132.7	2.2
Per share, basic	**$0.23**	1.07	0.83	0.11	0.18	1.21	0.76	0.01
Per share, diluted	**$0.23**	1.07	0.83	0.11	0.18	1.21	0.76	0.01
AOCF	**$35.7**	182.6	139.4	13.1	17.8	206.0	125.2	(13.4)
Per share, basic	**$0.20**	1.04	0.80	0.07	0.10	1.18	0.72	(0.08)
Per share, diluted	**$0.20**	1.04	0.80	0.07	0.10	1.18	0.72	(0.08)

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

Fluctuations in Superior's individual quarterly results is subject to seasonality. Sales typically peak in the first quarter when approximately one-third of annual propane and other refined fuels sales volumes and gross profits are generated due to the demand of heating from end-use customers. They then decline through the second and third quarters, rising seasonally again in the fourth quarter with heating demand. In addition, acquisitions and divestitures may impact quarterly results. For information on acquisitions see Note 4 in the 2020 unaudited condensed interim consolidated financial statements.

Volumes

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Canadian propane sales volumes (millions of litres)	**360**	729	753	393	437	922	765	340
U.S. propane sales volumes (millions of litres)	**190**	422	361	158	201	489	391	161
Chemical sales volumes (thousands of MT)	**172**	197	199	210	210	206	202	212

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

(millions of litres)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Residential	**27**	66	59	20	26	75	59	20
Commercial	**47**	123	102	42	57	137	105	45
Oilfield	**12**	49	55	35	36	58	59	46
Industrial	**55**	64	58	52	53	68	60	51
Motor Fuels	**32**	36	41	42	44	40	44	45
Wholesale	**172**	347	375	190	207	493	385	121
Other	**15**	44	63	12	14	51	53	12
Total	**360**	729	753	393	437	922	765	340

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

(millions of litres)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Residential	**97**	257	215	61	92	305	239	78
Commercial	**88**	153	137	90	100	162	132	68
Wholesale	**5**	12	9	7	9	22	20	15
Total	**190**	422	361	158	201	489	391	161

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

Specialty Chemicals sales volumes by product are as follows:

(thousands of MT)	**Q2 2020**	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Sodium chlorate	**106**	119	120	122	120	118	117	121
Chlor-alkali	**65**	77	78	86	88	87	84	88
Chlorite	**1**	1	1	2	2	1	1	3
Total	**172**	197	199	210	210	206	202	212

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

(millions of dollars) **For the Three Months Ended June 30, 2020**	**Canadian Propane Distribution**	**U.S. Propane Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Earnings before income taxes	**10.1**	**9.4**	**11.1**	**15.7**	**46.3**
Add: Depreciation and amortization included in selling, distribution and administrative costs	**18.6**	**27.8**	**7.6**	**0.1**	**54.1**
Depreciation included in cost of sales	**–**	**–**	**9.8**	**–**	**9.8**
Loss on disposal of assets and other	**0.2**	**0.2**	**–**	**–**	**0.4**
Finance expense	**1.0**	**1.2**	**1.9**	**22.0**	**26.1**
Unrealized gains on derivative financial instruments	**(8.8)**	**(14.5)**	**(1.9)**	**(48.9)**	**(74.1)**
Transaction and other costs	**0.1**	**3.0**	**0.1**	**1.9**	**5.1**
Adjusted EBITDA	**21.2**	**27.1**	**28.6**	**(9.2)**	**67.7**

(millions of dollars) For the Three Months Ended June 30, 2019	**Canadian Propane Distribution**	**U.S. Propane Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Loss before income taxes	(2.7)	(24.6)	(2.3)	(17.1)	(46.7)
Add: Depreciation and amortization included in selling, distribution and administrative costs	17.3	25.1	7.3	0.2	49.9
Depreciation included in cost of sales	–	–	11.7	–	11.7
Loss on disposal of assets and other	–	0.6	16.7	–	17.3
Finance expense	1.1	1.1	2.1	24.6	28.9
Unrealized (gains) losses on derivative financial instruments	4.1	4.5	(1.1)	(22.1)	(14.6)
Transaction and other costs	0.2	6.1	4.2	2.7	13.2
Adjusted EBITDA	20.0	12.8	38.6	(11.7)	59.7

(millions of dollars) **For the Six Months Ended June 30, 2020**	**Canadian Propane Distribution**	**U.S. Propane Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Earnings (loss) before income taxes	**71.1**	**73.9**	**21.2**	**(97.6)**	**68.6**
Add: Depreciation and amortization included in selling, distribution and administrative costs	**36.9**	**55.0**	**15.2**	**0.3**	**107.4**
Depreciation included in cost of sales	**–**	**–**	**20.0**	**–**	**20.0**
Loss on disposal of assets and other	**–**	**1.3**	**–**	**–**	**1.3**
Finance expense	**2.4**	**2.9**	**3.9**	**46.7**	**55.9**
Unrealized (gain) loss on derivative financial instruments	**(2.9)**	**(9.2)**	**2.4**	**33.1**	**23.4**
Transaction and other costs	**0.3**	**6.6**	**(0.2)**	**3.7**	**10.4**
Adjusted EBITDA	**107.8**	**130.5**	**62.5**	**(13.8)**	**287.0**

(millions of dollars) For the Six Months Ended June 30, 2019	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Earnings (loss) before income taxes	71.1	77.0	18.8	(21.0)	145.9
Add: Depreciation and amortization included in selling, distribution and administrative costs	34.5	49.7	14.5	0.2	98.9
Depreciation included in cost of sales	–	–	22.8	–	22.8
(Gain) loss on disposal of assets and other	(1.0)	0.8	16.6	–	16.4
Finance expense	2.1	2.1	3.8	49.3	57.3
Unrealized gain on derivative financial instruments	(2.6)	(1.2)	(2.5)	(53.6)	(59.9)
Transaction and other costs	0.2	9.8	4.2	4	18.2
Adjusted EBITDA	104.3	138.2	78.2	(21.1)	299.6

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 most recent Annual Information Form ("AIF") under "Risks associated with our business" which is filed on the Canadian Securities Administrators' website, www.sedar.com, and on Superior's website, www.superiorplus.com. The AIF describes some of the most material risks to Superior's business by type of risk: financial; strategic; operational; and legal.

General risks to Superior are as follow:

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

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

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

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

Additional Shares

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

Access to Capital

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

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

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

Interest Rates

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

Foreign Exchange Risk

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

Changes in Legislation and Expected Tax Profile

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

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

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

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

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

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

Risks to Superior's Segments

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

Canadian Propane Distribution and U.S. Propane Distribution

Competition

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

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

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

Volume Variability, Weather Conditions and Economic Demand

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

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

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

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

Demand, Supply and Pricing
Superior offers its customers various fixed-price propane and heating oil programs. In order to mitigate the price risk from offering these services, Superior uses its physical inventory position, supplemented by forward commodity transactions with various third parties having terms and volumes substantially the same as its customer's contracts. In periods of high propane price volatility, the fixed-price programs create exposure to over or under-supply positions as the demand from customers may significantly exceed or fall short of supply procured. In addition, if propane prices decline significantly subsequent to customers signing up for a fixed-price program, there is a risk that customers will default on their commitments. Current unit margins may not be sustainable if market conditions change significantly.

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

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

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

Employee and Labour Relations
Approximately 20% of Superior's Canadian propane distribution business employees and 3% of the U.S. propane distribution business employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the renegotiation process that could have an adverse impact on Superior.

SPECIALTY CHEMICALS

Risks associated with the Specialty Chemicals business are as follows:

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

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

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

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

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

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

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

Employee and Labour Relations
Approximately 35% of Specialty Chemicals' employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the negotiation process that could have an adverse impact on Superior.

Superior Plus Corp.
Condensed Consolidated Balance Sheets

(Unaudited, millions of Canadian dollars)	Note	As at June 30 2020	As at December 31 2019
Assets			
Current Assets			
Cash and cash equivalents		**20.8**	26.5
Trade and other receivables	**5**	**179.2**	329.2
Prepaids and deposits		**46.5**	57.1
Inventories	**6**	**95.7**	116.2
Other current financial assets	**12**	**8.6**	5.4
Total Current Assets		**350.8**	534.4
Non-Current Assets			
Property, plant and equipment	**4**	**1,601.2**	1,575.6
Intangible assets	**4**	**391.9**	388.8
Goodwill	**4**	**1,133.3**	1,080.9
Notes, finance lease receivables and other investments		**2.1**	2.8
Employee future benefits		**10.3**	12.0
Deferred tax assets	**13**	**35.1**	41.2
Other non-current financial assets	**12**	**4.2**	2.3
Total Non-Current Assets		**3,178.1**	3,103.6
Total Assets		**3,528.9**	3,638.0
Liabilities and Equity			
Current Liabilities			
Trade and other payables	**8**	**295.0**	424.0
Contract liabilities		**16.6**	18.1
Lease liabilities	**11**	**50.0**	52.4
Borrowings	**10**	**7.4**	10.1
Dividends payable		**10.6**	10.5
Other current financial liabilities	**12**	**15.2**	23.7
Total Current Liabilities		**394.8**	538.8
Non-Current Liabilities			
Lease liabilities	**11**	**206.5**	182.0
Borrowings	**10**	**1,593.0**	1,684.3
Other liabilities	**9**	**26.7**	29.7
Provisions	**7**	**136.1**	112.9
Employee future benefits		**21.9**	21.2
Deferred tax liabilities	**13**	**69.3**	28.5
Other non-current financial liabilities	**12**	**10.8**	1.6
Total Non-Current Liabilities		**2,064.3**	2,060.2
Total Liabilities		**2,459.1**	2,599.0
Equity			
Capital		**2,350.3**	2,339.9
Deficit		**(1,450.3)**	(1,406.2)
Accumulated other comprehensive earnings		**169.8**	105.3
Total Equity	**14**	**1,069.8**	1,039.0
Total Liabilities and Equity		**3,528.9**	3,638.0

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statements of Changes in Equity

(Unaudited, millions of Canadian dollars)	Share capital (Note 14)	Contributed surplus	**Total capital**	**Deficit**	**Accumulated other comprehensive earnings**	**Total**
As at January 1, 2020	**2,338.7**	**1.2**	**2,339.9**	**(1,406.2)**	**105.3**	**1,039.0**
Net earnings for the period	**–**	**–**	**–**	**18.9**	**–**	**18.9**
Unrealized foreign currency gain on translation of foreign operations	**–**	**–**	**–**	**–**	**66.5**	**66.5**
Actuarial defined-benefit loss	**–**	**–**	**–**	**–**	**(2.7)**	**(2.7)**
Income tax recovery on other comprehensive loss	**–**	**–**	**–**	**–**	**0.7**	**0.7**
Total comprehensive earnings	**–**	**–**	**–**	**18.9**	**64.5**	**83.4**
Common shares issued under dividend reinvestment plan	**10.4**	**–**	**10.4**	**–**	**–**	**10.4**
Dividends and dividend equivalent declared to shareholders	**–**	**–**	**–**	**(63.0)**	**–**	**(63.0)**
As at June 30, 2020	**2,349.1**	**1.2**	**2,350.3**	**(1,450.3)**	**169.8**	**1,069.8**
As at January 1, 2019	2,338.7	1.2	2,339.9	(1,422.9)	171.9	1,088.9
Net earnings for the period	–	–	–	127.3	–	127.3
Unrealized foreign currency loss on translation of foreign operations	–	–	–	–	(62.6)	(62.6)
Actuarial defined-benefit loss	–	–	–	–	(1.2)	(1.2)
Income tax recovery on other comprehensive loss	–	–	–	–	0.4	0.4
Total comprehensive earnings (loss)	–	–	–	127.3	(63.4)	63.9
Dividends and dividend equivalent declared to shareholders	–	–	–	(63.0)	–	(63.0)
As at June 30, 2019	2,338.7	1.2	2,339.9	(1,358.6)	108.5	1,089.8

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.

Condensed Consolidated Statements of Net Earnings (Loss) and Total Comprehensive Earnings (Loss)

		Three Months Ended June 30		Six Months Ended June 30	
(Unaudited, millions of Canadian dollars, except per share amounts)	**Note**	**2020**	2019[(i)]	**2020**	2019[(i)]
Revenue	**15, 17**	**450.8**	545.8	**1,291.0**	1,581.8
Cost of sales (includes products and services)	**15**	**(231.0)**	(322.1)	**(672.0)**	(929.8)
Gross profit		**219.8**	223.7	**619.0**	652.0
Expenses					
Selling, distribution and administrative costs	**15**	**(214.0)**	(251.0)	**(445.1)**	(487.1)
Finance expense	**15**	**(26.1)**	(28.9)	**(55.9)**	(57.3)
Gains (losses) on derivatives and foreign currency translation of borrowings	**12, 15**	**66.6**	9.5	**(49.4)**	38.3
		(173.5)	(270.4)	**(550.4)**	(506.1)
Earnings (loss) before income taxes	**15**	**46.3**	(46.7)	**68.6**	145.9
Income tax recovery (expense)	**13**	**(38.8)**	17.4	**(49.7)**	(18.6)
Net earnings (loss) for the period	**15**	**7.5**	(29.3)	**18.9**	127.3
Other comprehensive earnings (loss)					
Items that may be reclassified subsequently to net earnings (loss)					
Unrealized foreign currency (loss) gain on translation of foreign operations		**(57.9)**	(29.8)	**66.5**	(62.6)
Items that will not be reclassified to net earnings (loss)					
Actuarial defined-benefit loss		**(2.5)**	(9.1)	**(2.7)**	(1.2)
Income tax recovery on other comprehensive loss		**0.7**	2.5	**0.7**	0.4
Other comprehensive earnings (loss) for the period		**(59.7)**	(36.4)	**64.5**	(63.4)
Total comprehensive earnings (loss) for the period		**(52.2)**	(65.7)	**83.4**	63.9
Net earnings (loss) per share, basic and diluted	**16**	**$0.04**	$(0.17)	**$0.11**	$0.73

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

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

Superior Plus Corp.
Condensed Consolidated Statements of Cash Flows

(Unaudited, millions of Canadian dollars)	Note	Three Months Ended June 30 2020	Three Months Ended June 30 2019	Six Months Ended June 30 2020	Six Months Ended June 30 2019
OPERATING ACTIVITIES					
Net earnings (loss) for the period		**7.5**	(29.3)	**18.9**	127.3
Adjustments for:					
Depreciation included in selling, distribution and administrative costs		**30.8**	27.2	**58.8**	52.0
Depreciation of right-of-use assets included in selling, distribution and administrative costs		**9.4**	7.7	**18.5**	15.6
Depreciation included in cost of sales		**9.8**	11.7	**20.0**	22.8
Amortization of intangible assets		**13.9**	15.0	**30.1**	31.3
Loss on disposal of assets, impairments, and other non-cash items		**0.4**	17.3	**1.3**	16.4
Unrealized loss (gain) on financial and non-financial derivatives and foreign currency translation	**12**	**(74.1)**	(14.6)	**23.4**	(59.9)
Finance expense recognized in net earnings (loss)		**26.1**	28.9	**55.9**	57.3
Income tax expense (recovery) recognized in net earnings (loss)	**13**	**38.8**	(17.4)	**49.7**	18.6
Changes in non-cash operating working capital and other	**18**	**137.9**	127.9	**54.1**	53.9
Net cash flows from operating activities before income taxes and interest paid		**200.5**	174.4	**330.7**	335.3
Income taxes paid		**(6.5)**	(2.7)	**(7.0)**	(4.5)
Interest paid		**(6.4)**	(8.2)	**(51.3)**	(55.1)
Cash flows from operating activities		**187.6**	163.5	**272.4**	275.7
INVESTING ACTIVITIES					
Acquisitions, net of cash acquired	**4**	**–**	(41.1)	**(23.7)**	(41.1)
Purchase of property, plant and equipment and intangible assets	**19**	**(26.6)**	(26.1)	**(55.3)**	(43.4)
Proceeds on disposal of property, plant and equipment		**1.9**	1.4	**6.3**	3.4
Cash flows used in investing activities		**(24.7)**	(65.8)	**(72.7)**	(81.1)
FINANCING ACTIVITIES					
Proceeds of revolving term bank credits and other debt		**541.1**	310.8	**1,084.5**	882.0
Repayment of revolving term bank credits and other debt		**(687.4)**	(362.2)	**(1,230.7)**	(991.3)
Proceeds received from vehicle refinancing		**3.6**	–	**17.3**	–
Principal repayment of lease obligations		**(13.2)**	(8.3)	**(25.2)**	(21.7)
Debt issue costs		**–**	(0.5)	**–**	(0.5)
Dividends paid to shareholders		**(24.0)**	(31.5)	**(52.5)**	(63.0)
Cash flows used in financing activities		**(179.9)**	(91.7)	**(206.6)**	(194.5)
Net increase (decrease) in cash and cash equivalents during the period		**(17.0)**	6.0	**(6.9)**	0.1
Cash and cash equivalents, beginning of the period		**34.3**	17.4	**26.5**	23.9
Effect of translation of foreign currency-denominated cash and cash equivalents		**3.5**	0.5	**1.2**	(0.1)
Cash and cash equivalents, end of the period		**20.8**	23.9	**20.8**	23.9

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

1. ORGANIZATION

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

These unaudited condensed consolidated financial statements were authorized for issue by the Board of Directors on August 12, 2020.

Reportable Operating Segments

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

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

2. BASIS OF PRESENTATION

(a) Preparation of Condensed Consolidated Financial Statements

The accompanying unaudited condensed consolidated financial statements were prepared in accordance with International Accounting Standards ("IAS") 34, *Interim Financial Reporting*, as issued by the International Accounting Standards Board ("IASB") using the accounting policies Superior adopted in its annual consolidated financial statements as at and for the year ended December 31, 2019, except for the adoption of new standards effective as of January 1, 2020.

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

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

(b) Reclassification of Comparative Figures and Restatement

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

(c) Changes in Accounting Policies and Disclosures

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

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

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

(d) Standards Issued But Not Yet Effective

Amendments to IAS 1, *Presentation of Financial Statements* ("IAS 1"), to Clarify Requirements for Classifying Liabilities as Current or Non-current

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

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

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

Amendments to IAS 37, *Provisions, Contingent Liabilities and Contingent Assets* ("IAS 37"), "Onerous Contracts – Costs of Fulfilling a Contract"

On May 2020, the IASB issued amendments to IAS 37 to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making.

The amendments to IAS 37 apply a "directly related cost approach". The costs that relate directly to a contract to provide goods or services include both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract as well as costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The new guidance will be effective for annual periods starting on or after January 1, 2022 and must be applied prospectively to contracts for which an entity has not yet fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. Superior plans to adopt the amendments to IAS 37 beginning January 1, 2022 and the adoption is not expected to have a significant impact on the Company's condensed consolidated financial statements.

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

(e) Significant Accounting Judgments, Estimates and Assumptions

The preparation of Superior's condensed consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and various other factors deemed reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the condensed consolidated financial statements are consistent with those disclosed in Superior's 2019 annual consolidated financial statements, except for the following:

COVID-19

The outbreak of the novel strain of the coronavirus, specifically identified as the COVID-19 pandemic, has caused governments worldwide to enact emergency measures to combat the spread of the virus. These measures, which include the implementation of travel bans, self-imposed quarantine periods and social distancing, have caused material disruption to businesses globally resulting in an economic slowdown. Global equity markets have experienced significant volatility and weakness. Governments and central banks have reacted with significant monetary and fiscal interventions designed to stabilize economic conditions. COVID-19 did not significantly impact the carrying values of the Company's assets and liabilities as at June 30, 2020, except for the property, plant and equipment and provisions in relation to the decommissioning costs that were affected by lower interest rates; the impact of the change in discount rate is disclosed in Note 7. At this time, given the uncertainty in the developments surrounding COVID-19, it is not possible to reliably estimate the full impact this will have on Superior's financial position and operating results. Judgments, estimates and assumptions made by management during the preparation of these condensed consolidated financial statements may also change as conditions related to the COVID-19 change. Changes in assumptions including, but not limited to, foreign exchange rates, interest rates and commodity prices could impact the measurement of items including derivative and non-derivative instruments, allowance for doubtful accounts, provisions and employee future benefits.

3. SEASONALITY OF OPERATIONS

Energy Distribution

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

For the 12 months ended June 30, 2020, Energy Distribution reported gross profit of $961.8 million (June 30, 2019 – $910.2 million) and net earnings of $206.5 million (June 30, 2019 – $132.6 million).

4. ACQUISITIONS

Acquisition in 2020

Western Propane Services ("Western")

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

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

The purchase price allocation is considered preliminary, and as a result, may be adjusted during the 12-month period following the acquisition once all the required information pertaining to working capital and customer attrition is obtained and assessed. Superior has allocated the purchase price to the identified assets and liabilities based on their current book value and fair value estimates based on available information. The amounts presented are based on their estimated fair value, management expects that any further changes will relate to finalizing the fair value of property, plant and equipment, intangible assets and goodwill. The goodwill recognized represents the expected synergies from operations and the intangible assets that do not qualify for separate recognition. Goodwill forms part of the Energy Distribution segment and is not deductible for tax purposes. Costs directly attributable to the acquisition are expensed and included in selling, distribution and administrative costs.

Revenue and net earnings for the three and six months ended June 30, 2020, would have been $451.3 million and $7.5 million; and $1,291.5 million and $18.9 million, respectively, if the acquisition had occurred on January 1, 2020. Subsequent to the acquisition date of January 9, 2020, the acquisition contributed revenue and net earnings of $3.5 million and $0.6 million; and $9.0 million and $1.8 million, respectively, to the U.S. Propane Distribution segment for the three and six months ended June 30, 2020.

Acquisitions in 2019

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

5. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	June 30 2020	December 31 2019
Trade receivables, net of allowances	**169.0**	320.7
Accounts receivable – other	**10.2**	8.5
Trade and other receivables	**179.2**	329.2

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

	June 30 2020	December 31 2019
Current	**113.6**	235.2
Past due less than 90 days	**43.3**	84.5
Past due over 90 days	**23.3**	10.3
Trade receivables	**180.2**	330.0

The current portion of Superior's trade receivables is neither impaired nor past due and there are no indications as of the reporting date that the debtors will not make payment. Superior's trade receivables are stated after deducting an allowance of $11.2 million as at June 30, 2020 (December 31, 2019 – $9.3 million). The movement in the allowance for doubtful accounts is as follows:

	June 30 2020	December 31 2019
Allowance for doubtful accounts, January 1	**(9.3)**	(11.2)
Impairment losses recognized on receivables	**(4.4)**	(2.5)
Amounts written off during the period as uncollectible	**2.5**	3.5
Amounts recovered	**0.2**	0.9
Foreign exchange impact	**(0.2)**	–
Allowance for doubtful accounts, end of the period	**(11.2)**	(9.3)

6. INVENTORIES

	June 30 2020	December 31 2019
Propane, heating oil and other refined fuels	**32.7**	55.5
Propane retailing materials, supplies, appliances and other	**12.6**	13.2
Chemical finished goods and raw materials	**31.5**	30.2
Chemical stores, supplies and other	**18.9**	17.3
	95.7	116.2

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Cost of inventories recognized as an expense	**252.9**	242.6	**598.3**	774.4
Inventory write-downs to (reversals from) cost of sales	**0.9**	0.9	**1.8**	(3.4)

7. PROVISIONS

	Restructuring	Decommissioning	Other	Total
Balance as at December 31, 2019	4.9	108.4	7.2	120.5
Additions	**0.1**	**1.3**	–	**1.4**
Utilization	**(2.8)**	**(0.4)**	**(0.9)**	**(4.1)**
Amounts reversed during the period	**(0.3)**	–	–	**(0.3)**
Unwinding of discount	–	**0.9**	–	**0.9**
Impact of change in discount rate	–	**20.3**	–	**20.3**
Net foreign currency exchange difference	–	**1.8**	**0.1**	**1.9**
Balance as at June 30, 2020	**1.9**	**132.3**	**6.4**	**140.6**

	June 30 2020	December 31 2019
Current (Note 8)	**4.5**	7.6
Non-current	**136.1**	112.9
	140.6	120.5

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

8. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	June 30 2020	December 31 2019
Trade payables	**180.6**	307.1
Provisions (Note 7)	**4.5**	7.6
Other payables	**84.1**	92.5
Current taxes payable	**16.6**	11.1
Share-based payments, current portion	**9.2**	5.7
Trade and other payables	**295.0**	424.0

9. Other Liabilities

	June 30 2020	December 31 2019
Quebec cap and trade payable	**9.2**	7.8
California cap and trade payable	**9.2**	7.2
Nova Scotia cap and trade payable	**0.6**	0.4
Share-based payments and others	**7.7**	14.3
Other liabilities	**26.7**	29.7

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

10. BORROWINGS

	Year of Maturity	Effective Interest Rate	**June 30 2020**	December 31 2019
Revolving Term Bank Credit Facilities [(1)]				
Bankers' Acceptances ("BA")	2024	Floating BA rate plus 1.70%	**215.0**	5.0
Canadian Prime Rate Loan (Prime and Swing line)	2024	Prime rate plus 0.70%	**2.0**	14.9
LIBOR Loans (US$90.0 million; 2019 – US$332.0 million)	2024	Floating LIBOR rate plus 1.70%	**122.2**	431.3
U.S. Base Rate Loans (Prime and Swing line) (US$9.4 million; 2019 – US$14.0 million)	2024	U.S. Prime rate plus 0.70%	**12.7**	18.1
			351.9	469.3
Other Debt				
Accounts receivable factoring program[(2)]		Floating BA plus 1.625%	**–**	3.9
Deferred consideration and other	2020–2025	Non-interest bearing	**28.1**	23.8
			28.1	27.7
Senior Unsecured Notes				
Senior unsecured notes[(3)]	2024	5.25%	**400.0**	400.0
Senior unsecured notes[(4)]	2025	5.125%	**370.0**	370.0
Senior unsecured notes[(5)]	2026	7.000%	**475.2**	454.7
			1,245.2	1,224.7
Total borrowings before deferred financing fees			**1,625.2**	1,721.7
Deferred financing fees and discounts			**(24.8)**	(27.3)
Total borrowings before current maturities			**1,600.4**	1,694.4
Current maturities			**(7.4)**	(10.1)
Total non-current borrowings			**1,593.0**	1,684.3

(1) As at June 30, 2020, Superior had $40.3 million of outstanding letters of credit (December 31, 2019 – $31.3 million) and $299.4 million of outstanding financial guarantees on behalf of its businesses (December 31, 2019 – $241.0 million). The fair value of Superior's revolving term bank credit facilities, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market-based interest rates and the short-term nature of the underlying debt instruments. On May 8, 2019, Superior extended and restated its syndicated credit facility with ten lenders, with no material changes to the financial covenants and extended its maturity to May 8, 2024. The credit facilities are secured by substantially all of the assets of Superior. The lender commitments remain the same at $750.0 million and can be expanded further to $1,050.0 million on condition that no event of default has occurred and lender consent is provided.

(2) Superior had a Master Receivables Purchase Agreement with a financial institution that expired and was settled in May 2020.

(3) These senior unsecured notes were issued at par value and mature on February 27, 2024. The senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. Interest is payable semi-annually on February 27 and August 27, and commenced August 27, 2017. The fair value of the senior unsecured notes is $400.5 million (December 31, 2019 – $410.0 million), based on prevailing market prices.

(4) These senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The fair value of the senior unsecured notes is $366.3 million (December 31, 2019 – $374.9 million), based on prevailing market prices.

(5) These US$350 million senior unsecured notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the senior unsecured notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. The fair value of the senior unsecured notes is $495.0 million (December 31, 2019 – $489.0 million), based on prevailing market prices. During the three and six months ended June 30, 2020, foreign exchange translation gain (loss) amounted to $16.7 million and ($26.2) million, respectively (three and six months ended June 30, 2019 – $9.9 million and $26.8 million foreign exchange translation gain, respectively), see Note 12.

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

Current maturities	7.4
2021–2022	7.4
2022–2023	6.7
2023–2024	756.4
2024–2025	372.1
2025–2026	475.2
Total	1,625.2

11. LEASING ARRANGEMENTS

The lease liabilities by operating segment are as follows:

	Propane Distribution		**Specialty**		
	Canada	**U.S.**	**Chemicals**	**Corporate**	**Total**
Lease liabilities as at December 31, 2019	72.7	46.3	113.9	1.5	234.4
Lease liabilities assumed as part of a business combination	**–**	**2.3**	**–**	**–**	**2.3**
Additions	**9.0**	**28.3**	**2.6**	**–**	**39.9**
Finance expense on lease liabilities	**2.1**	**1.8**	**3.1**	**0.1**	**7.1**
Lease payments	**(9.8)**	**(9.1)**	**(13.2)**	**(0.2)**	**(32.3)**
Impact of changes in foreign exchange rates and other	**0.4**	**1.4**	**3.3**	**–**	**5.1**
Lease liabilities as at June 30, 2020	**74.4**	**71.0**	**109.7**	**1.4**	**256.5**

	June 30 2020	December 31 2019
Current portion of lease liabilities	**50.0**	52.4
Non-current portion of lease liabilities	**206.5**	182.0
Total lease liabilities	**256.5**	234.4

Included in the above lease liabilities, as at June 30, 2020, are vehicle and other fleet lease obligations of $86.5 million (December 31, 2019 – $73.0 million).

12. FINANCIAL INSTRUMENTS

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

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

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

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

All financial and non-financial derivatives are designated as fair value through profit or loss ("FVTPL") upon their initial recognition.

For items that are recognized at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing their classification at the end of each reporting period. During the June 30, 2020, there were no transfers between Level 1 and Level 2 fair value measurements, and no transfers into or out of Level 3 fair value measurements.

				As at June 30, 2020
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Foreign currency forward contracts, net sale	**5.3**	**–**	**–**	**5.3**
Equity derivative contract	**–**	**3.3**	**–**	**3.3**
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**4.2**	**–**	**4.2**
Total assets	**5.3**	**7.5**	**–**	**12.8**
Liabilities				
Foreign currency options, USD/CAD sold calls	**1.7**	**–**	**–**	**1.7**
Foreign currency forward contracts, net sale	**16.7**	**–**	**–**	**16.7**
Equity derivative contract	**–**	**1.6**	**–**	**1.6**
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	**–**	**6.0**	**–**	**6.0**
Total liabilities	**18.4**	**7.6**	**–**	**26.0**
Total net liabilities	**(13.1)**	**(0.1)**	**–**	**(13.2)**
Current portion of assets	**2.3**	**6.3**	**–**	**8.6**
Current portion of liabilities	**8.1**	**7.1**	**–**	**15.2**

				As at December 31, 2019
	Level 1	Level 2	Level 3	Total
Assets				
Foreign currency forward contracts, net sale	3.5	–	–	3.5
Equity derivative contract	–	0.9	–	0.9
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	3.3	–	3.3
Total assets	3.5	4.2	–	7.7
Liabilities				
Foreign currency forward contracts	3.2	–	–	3.2
Cross-currency interest rate exchange agreements	5.8	–	–	5.8
Propane, diesel, butane and heating oil wholesale purchase and sale contracts, net sale – Energy Distribution	–	16.3	–	16.3
Total liabilities	9.0	16.3	–	25.3
Total net liabilities	(5.5)	(12.1)	–	(17.6)
Current portion of assets	2.1	3.3	–	5.4
Current portion of liabilities	7.8	15.9	–	23.7

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

Description	Notional	Term	Effective Rates	Valuation Technique(s) and Key Input(s)
Level 1 fair value hierarchy:				
Foreign currency forward contracts, net sale	US$465.2	2020 –2024	$1.33	Quoted bid prices in the active market.
Foreign currency options sold USD/CAD calls	US$42.0	2024	$1.40– $1.47	Quoted bid prices in the active market.
Cross-currency interest rate exchange agreements(i)	US$170.0	2020	$1.30	Quoted bid prices in the active market.
Level 2 fair value hierarchy:				
Equity derivative contracts	C$21.1	2020–2022	$10.29	Discounted cash flows – Future cash flows are estimated based on the share price.
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	105.2 USG(ii)	2020–2023	$0.45– $1.80	Quoted bid prices for similar products in an active market.

(i) Fully settled in the second quarter of 2020.

(ii) Millions of United States gallons ("USG") purchased.

Superior's realized and unrealized financial instrument gains (losses) for the three and six months ended June 30, 2020 and 2019 are as follows:

	Three Months Ended June 30 2020			Three Months Ended June 30 2019		
Description	**Realized Loss**	**Unrealized Gain (Loss)**	**Total**	Realized Loss	Unrealized Gain (Loss)	Total
Foreign currency forward contracts, net sale and foreign currency options, USD/CAD sold calls	**(2.2)**	**25.7**	**23.5**	(3.2)	10.3	7.1
Cross-currency interest rate swaps	**–**	**0.2**	**0.2**	–	(0.8)	(0.8)
Equity derivative contracts	**–**	**6.3**	**6.3**	–	2.6	2.6
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	**(5.3)**	**23.3**	**18.0**	(1.9)	(8.5)	(10.4)
Total gains (losses) on financial and non-financial derivatives	**(7.5)**	**55.5**	**48.0**	(5.1)	3.6	(1.5)
Foreign exchange gain (loss) on U.S. dollar debt and lease liabilities	**–**	**18.6**	**18.6**	–	11.0	11.0
Total gains (losses)	**(7.5)**	**74.1**	**66.6**	(5.1)	14.6	9.5

	Six Months Ended June 30 2020			Six Months Ended June 30 2019		
Description	**Realized Loss**	**Unrealized Gain (Loss)**	**Total**	Realized Loss	Unrealized Gain (Loss)	Total
Foreign currency forward contracts – net sale and foreign currency options, USD/CAD sold calls	**(6.2)**	**(13.5)**	**(19.7)**	(7.0)	29.2	22.2
Cross-currency interest rate swaps	**–**	**5.8**	**5.8**	–	(8.4)	(8.4)
Equity derivative contracts	**–**	**0.8**	**0.8**	–	5.4	5.4
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	**(19.8)**	**12.1**	**(7.7)**	(14.6)	4.4	(10.2)
Total gains (losses) on financial and non-financial derivatives	**(26.0)**	**5.2**	**(20.8)**	(21.6)	30.6	9.0
Foreign exchange gain (loss) on U.S. dollar debt and lease liabilities	**–**	**(28.6)**	**(28.6)**	–	29.3	29.3
Total gains (losses)	**(26.0)**	**(23.4)**	**(49.4)**	(21.6)	59.9	38.3

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

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

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

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

Offsetting of Financial Instruments

Financial assets and liabilities are offset and the net amount reported on the condensed consolidated balance sheets when Superior currently has a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. In the normal course of business, Superior enters into various master netting agreements or other similar arrangements that do not meet the criteria for offsetting, but do, however, still allow for the related amount to be set off in certain circumstances, such as bankruptcy or the termination of contracts. As at June 30, 2020 and December 31, 2019, Superior has not recorded any amount against other current and non-current financial liabilities.

Financial Instruments – Risk Management

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

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

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

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

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

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

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

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

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

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

As at June 30, 2020, Superior estimates that a 10% increase in its share price would have resulted in a $2.3 million increase in earnings due to the revaluation of equity derivative contracts.

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

		12 months ended June 30						
	Current	2022	2023	2024	2025	2026	Thereafter	Total
Borrowings	7.4	7.4	6.7	756.4	372.1	475.2	–	1,625.2
Lease liabilities	49.4	47.3	37.1	31.2	25.4	11.9	54.2	256.5
Non-cancellable, low-value, short-term leases and leases with variable lease payments	3.9	3.0	2.1	0.1	–	–	–	9.1
USD-foreign currency forward sales contracts	120.2	184.5	77.5	59.0	24.0	–	–	465.2
USD/CAD call options[i]	–	–	24.0	18.0	–	–	–	42.0
Propane, WTI, butane, heating oil and diesel wholesale purchase and sale contracts – Energy Distribution	54.4	44.9	2.4	–	–	–	–	101.7

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

Superior's contractual obligations are considered normal-course operating commitments and do not include the impact of mark-to-market fair values on financial and non-financial derivatives. Superior expects to fund these obligations through a combination of cash flows from operations, proceeds on revolving term bank credit facilities and proceeds on the issuance of share capital. Superior's financial instruments' sensitivities are consistent as at June 30, 2020 and December 31, 2019.

13. INCOME TAXES

Consistent with prior periods, Superior recognizes a provision for income taxes for its subsidiaries that are subject to current and deferred income taxes, including Canadian, U.S. income taxes, Chilean and Luxembourg income taxes.

As a result of the enactment of new tax legislation, deferred tax assets of approximately $15.0 million previously recognized at December 31, 2019 were derecognized in the three months period ended June 30, 2020.

Total income tax expense (recovery), composed of current income taxes and deferred income taxes for the three and six months ended June 30, 2020, was $38.8 million and $49.7 million, respectively, compared to ($17.4) million and $18.6 million in the comparative periods. For the three and six months ended June 30, 2020, deferred income tax expense was $36.2 million and $42.8 million, respectively, which resulted in a corresponding total net deferred income tax liabilities of $34.2 million as at June 30, 2020 (December 31, 2019 – $12.7 million net deferred income tax assets).

14. TOTAL EQUITY

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

	Issued Number of Common Shares (Millions)	Total Capital	Total Equity
As at December 31, 2019	174.9	2,339.9	1,039.0
Issuance of common shares	**1.1**	**10.4**	**10.4**
Net earnings for the period	**–**	**–**	**18.9**
Other comprehensive earnings	**–**	**–**	**64.5**
Dividends declared to shareholders	**–**	**–**	**(63.0)**
As at June 30, 2020	**176.0**	**2,350.3**	**1,069.8**

During the three and six months ended June 30, 2020, Superior issued 0.8 million and 1.1 million shares, respectively, under the Dividend Reinvestment Plan and Optional Share Purchase Program ("DRIP") for total gross proceeds of $7.7 million and $10.4 million, respectively (three and six months ended June 30, 2019 – nil).

On June 8, 2020, Superior announced the suspension of the active operation of its DRIP after payment of the May dividend, paid on June 15, 2020. Shareholders participating in the DRIP will begin receiving a cash payment for future dividends declared. Superior's DRIP program will remain in place should Superior elect to reactivate the DRIP at a future date, subject to regulatory approval.

15. SUPPLEMENTAL DISCLOSURE OF CONDENSED CONSOLIDATED STATEMENTS OF NET EARNINGS (LOSS) AND TOTAL COMPREHENSIVE EARNINGS (LOSS)

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019[i]	**2020**	2019[i]
Revenue				
Revenue from products	**428.5**	517.0	**1,233.6**	1,512.7
Revenue from the rendering of services	**11.4**	18.0	**35.7**	47.9
Tank and equipment rental	**10.9**	10.8	**21.7**	21.2
	450.8	545.8	**1,291.0**	1,581.8
Cost of sales (includes products and services)				
Cost of products and services[ii]	**(221.2)**	(310.4)	**(652.0)**	(907.0)
Depreciation included in cost of sales	**(9.8)**	(11.7)	**(20.0)**	(22.8)
	(231.0)	(322.1)	**(672.0)**	(929.8)
Selling, distribution and administrative costs				
Other selling, distribution and administrative costs	**(55.6)**	(62.0)	**(115.3)**	(125.8)
Restructuring, transaction and other costs	**(5.1)**	(13.2)	**(10.4)**	(18.2)
Employee future benefit expense	**(0.6)**	(0.6)	**(1.1)**	(1.1)
Employee costs	**(81.3)**	(88.6)	**(174.2)**	(184.1)
Vehicle operating costs	**(13.6)**	(16.2)	**(31.6)**	(36.3)
Facilities maintenance expense	**(1.4)**	(1.9)	**(3.7)**	(3.6)
Depreciation of right-of-use assets	**(9.4)**	(7.7)	**(18.5)**	(15.6)
Depreciation included in selling, distribution and administrative costs	**(30.8)**	(27.2)	**(58.8)**	(52.0)
Amortization of intangible assets	**(13.9)**	(15.0)	**(30.1)**	(31.3)
Low value, short-term and variable lease payments	**(0.7)**	(0.4)	**(1.4)**	(0.9)
Loss on disposal of assets	**(0.4)**	(0.9)	**(1.3)**	–
Impairment of Specialty Chemicals equipment	**–**	(16.4)	**–**	(16.4)
Realized gain (loss) on the translation of U.S.- denominated net working capital	**(1.2)**	(0.9)	**1.3**	(1.8)
	(214.0)	(251.0)	**(445.1)**	(487.1)
Finance expense				
Interest on borrowings	**(20.6)**	(23.2)	**(44.3)**	(46.5)
Interest on lease liability	**(3.7)**	(3.3)	**(7.1)**	(6.5)
Unwinding of discount on decommissioning liabilities and non-cash financing expenses	**(1.8)**	(2.4)	**(4.5)**	(4.3)
	(26.1)	(28.9)	**(55.9)**	(57.3)
Gains (losses) on derivatives and foreign currency translation of borrowings				
Realized loss on financial and non-financial derivatives and foreign currency translation	**(7.5)**	(5.1)	**(26.0)**	(21.6)
Unrealized gain (loss) on financial and non-financial derivatives and foreign currency translation	**74.1**	14.6	**(23.4)**	59.9
	66.6	9.5	**(49.4)**	38.3
Earnings (loss) before income taxes	**46.3**	(46.7)	**68.6**	145.9
Income tax (expense) recovery				
Current income tax expense	**(2.6)**	(2.2)	**(6.9)**	(4.6)
Deferred income tax (expense) recovery	**(36.2)**	19.6	**(42.8)**	(14.0)
	(38.8)	17.4	**(49.7)**	(18.6)
Net earnings (loss) for the period	**7.5**	(29.3)	**18.9**	127.3

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

(ii) During the three and six months ended June 30, 2020, the cost of products and services include low value, short-term and variable lease payments of $0.8 million and $1.4 million, respectively (three and six months ended June 30, 2019 – $1.5 million and $3.4 million, respectively).

16. NET EARNINGS (LOSS) PER SHARE, BASIC AND DILUTED

	Three Months Ended June 30		Six Months Ended June 30	
	2020	2019	**2020**	2019
Net earnings (loss) for the period	**$7.5**	$(29.3)	**$18.9**	$127.3
Weighted average shares outstanding (millions)	**175.6**	174.9	**175.3**	174.9
Net earnings (loss) per share, basic and diluted	**$0.04**	$(0.17)	**$0.11**	$0.73

17. DISAGGREGATION OF REVENUE

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

For the Three Months Ended June 30, 2020				**Propane Distribution**
	Canada	**U.S.**	**Other**	**Total**
Revenue from sale of products	**105.4**	**178.7**	**–**	**284.1**
Revenue from services	**6.1**	**4.5**	**–**	**10.6**
Tank and equipment rental	**6.6**	**4.3**	**–**	**10.9**
Total revenue	**118.1**	**187.5**	**–**	**305.6**

				Specialty Chemicals
	Canada	**U.S.**	**Other**	**Total**
Revenue from sale of chemicals	**32.5**	**88.2**	**23.7**	**144.4**
Revenue from services	**0.7**	**0.1**	**–**	**0.8**
Total revenue	**33.2**	**88.3**	**23.7**	**145.2**

For the Six Months Ended June 30, 2020				**Propane Distribution**
	Canada	**U.S.**	**Other**	**Total**
Revenue from sale of products	**342.1**	**590.6**	**–**	**932.7**
Revenue from services	**18.7**	**15.1**	**–**	**33.8**
Tank and equipment rental	**13.8**	**7.9**	**–**	**21.7**
Total revenue	**374.6**	**613.6**	**–**	**988.2**

				Specialty Chemicals
	Canada	**U.S.**	**Other**	**Total**
Revenue from sale of chemicals	**68.6**	**180.8**	**51.5**	**300.9**
Revenue from services	**1.5**	**0.4**	**–**	**1.9**
Total revenue	**70.1**	**181.2**	**51.5**	**302.8**

For the Three Months Ended June 30, 2019				Propane Distribution
	Canada	U.S.	Other	Total
Revenue from sale of products	128.2	209.3	–	337.5
Revenue from services	7.7	9.9	–	17.6
Tank and equipment rental	7.9	2.9	–	10.8
Total revenue	143.8	222.1	–	365.9

				Specialty Chemicals
	Canada	U.S.	Other	Total
Revenue from sale of chemicals	37.9	112.7	28.9	179.5
Revenue from services	0.1	0.3	–	0.4
Total revenue	38.0	113.0	28.9	179.9

For the Six Months Ended June 30, 2019				Propane Distribution
	Canada	U.S.	Other	Total
Revenue from sale of products	416.4	747.4	–	1,163.8
Revenue from services	21.3	24.2	–	45.5
Tank and equipment rental	16.5	4.7	–	21.2
Total revenue	454.2	776.3	–	1,230.5

				Specialty Chemicals
	Canada	U.S.	Other	Total
Revenue from sale of chemicals	80.6	214.8	53.5	348.9
Revenue from services	0.4	2.0	–	2.4
Total revenue	81.0	216.8	53.5	351.3

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

	Three Months Ended June 30		**Six Months Ended June 30**	
	2020	2019	**2020**	2019
Changes in non-cash operating working capital and other				
Trade and other receivables, prepaids and deposits	**142.4**	227.1	**176.8**	172.0
Inventories	**(1.8)**	14.7	**23.9**	61.0
Trade and other payables and other liabilities	**(2.7)**	(113.9)	**(146.6)**	(179.1)
	137.9	127.9	**54.1**	53.9

19. REPORTABLE SEGMENT INFORMATION

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

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

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

Three Months Ended June 30, 2020	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	**155.3**	**150.3**	**145.2**	**–**	**450.8**
Cost of sales (includes products and services)	**(80.2)**	**(56.1)**	**(94.7)**	**–**	**(231.0)**
Gross profit	**75.1**	**94.2**	**50.5**	**–**	**219.8**
Expenses					
Depreciation included in selling, distribution and administrative costs	**(10.9)**	**(17.9)**	**(1.9)**	**(0.1)**	**(30.8)**
Depreciation of right-of-use assets	**(2.7)**	**(1.3)**	**(5.4)**	**–**	**(9.4)**
Amortization of intangible assets included in selling, distribution and administrative costs	**(5.0)**	**(8.6)**	**(0.3)**	**–**	**(13.9)**
Selling, distribution and administrative costs	**(51.7)**	**(67.5)**	**(31.8)**	**(8.9)**	**(159.9)**
Finance expense	**(1.0)**	**(1.2)**	**(1.9)**	**(22.0)**	**(26.1)**
Gains on derivatives and foreign currency translation of borrowings	**6.3**	**11.7**	**1.9**	**46.7**	**66.6**
	(65.0)	**(84.8)**	**(39.4)**	**15.7**	**(173.5)**
Earnings before income taxes	**10.1**	**9.4**	**11.1**	**15.7**	**46.3**
Income tax expense	**–**	**–**	**–**	**(38.8)**	**(38.8)**
Net earnings (loss) for the period	**10.1**	**9.4**	**11.1**	**(23.1)**	**7.5**

Six Months Ended June 30, 2020	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	**495.9**	**492.3**	**302.8**	**–**	**1,291.0**
Cost of sales (includes products and services)	**(270.1)**	**(202.6)**	**(199.3)**	**–**	**(672.0)**
Gross profit	**225.8**	**289.7**	**103.5**	**–**	**619.0**
Expenses					
Depreciation included in selling, distribution and administrative costs	**(21.1)**	**(33.6)**	**(3.9)**	**(0.2)**	**(58.8)**
Depreciation of right-of-use assets	**(5.2)**	**(2.5)**	**(10.7)**	**(0.1)**	**(18.5)**
Amortization of intangible assets included in selling, distribution and administrative costs	**(10.6)**	**(18.9)**	**(0.6)**	**–**	**(30.1)**
Selling, distribution and administrative costs	**(115.5)**	**(150.1)**	**(60.8)**	**(11.3)**	**(337.7)**
Finance expense	**(2.4)**	**(2.9)**	**(3.9)**	**(46.7)**	**(55.9)**
Gains (losses) on derivatives and foreign currency translation of borrowings	**0.1**	**(7.8)**	**(2.4)**	**(39.3)**	**(49.4)**
	(154.7)	**(215.8)**	**(82.3)**	**(97.6)**	**(550.4)**
Earnings (loss) before income taxes	**71.1**	**73.9**	**21.2**	**(97.6)**	**68.6**
Income tax expense	**–**	**–**	**–**	**(49.7)**	**(49.7)**
Net earnings (loss) for the period	**71.1**	**73.9**	**21.2**	**(147.3)**	**18.9**

Three Months Ended June 30, 2019[i]	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	191.5	174.4	179.9	–	545.8
Cost of sales (includes products and services)	(112.7)	(90.8)	(118.6)	–	(322.1)
Gross profit	78.8	83.6	61.3	–	223.7
Expenses					
Depreciation included in selling, distribution and administrative costs	(10.2)	(15.0)	(2.0)	–	(27.2)
Depreciation of right-of-use assets	(1.7)	(0.8)	(5.1)	(0.1)	(7.7)
Amortization of intangible assets included in selling, distribution and administrative costs	(5.4)	(9.3)	(0.2)	(0.1)	(15.0)
Selling, distribution and administrative costs	(58.1)	(76.5)	(55.3)	(11.2)	(201.1)
Finance expense	(1.1)	(1.1)	(2.1)	(24.6)	(28.9)
Gains (losses) on derivatives and foreign currency translation of borrowings	(5.0)	(5.5)	1.1	18.9	9.5
	(81.5)	(108.2)	(63.6)	(17.1)	(270.4)
Loss before income taxes	(2.7)	(24.6)	(2.3)	(17.1)	(46.7)
Income tax recovery	–	–	–	17.4	17.4
Net earnings (loss) for the period	(2.7)	(24.6)	(2.3)	0.3	(29.3)

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

Six Months Ended June 30, 2019[i]	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
Revenue	627.3	603.2	351.3	–	1,581.8
Cost of sales (includes products and services)	(388.3)	(312.0)	(229.5)	–	(929.8)
Gross profit	239.0	291.2	121.8	–	652.0
Expenses					
Depreciation included in selling, distribution and administrative costs	(19.3)	(28.9)	(3.8)	–	(52.0)
Depreciation of right-of-use assets	(3.7)	(1.6)	(10.2)	(0.1)	(15.6)
Amortization of intangible assets included in selling, distribution and administrative costs	(11.5)	(19.2)	(0.5)	(0.1)	(31.3)
Selling, distribution and administrative costs	(124.6)	(158.3)	(87.2)	(18.1)	(388.2)
Finance expense	(2.1)	(2.1)	(3.8)	(49.3)	(57.3)
Gains (losses) on derivatives and foreign currency translation of borrowings	(6.7)	(4.1)	2.5	46.6	38.3
	(167.9)	(214.2)	(103.0)	(21.0)	(506.1)
Earnings (loss) before income taxes	71.1	77.0	18.8	(21.0)	145.9
Income tax expense	–	–	–	(18.6)	(18.6)
Net earnings (loss) for the period	71.1	77.0	18.8	(39.6)	127.3

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

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

	Canadian Propane Distribution	U.S. Propane Distribution	Specialty Chemicals	Corporate	Total
As at June 30, 2020					
Net working capital[(i)]	**11.2**	**(18.4)**	**54.0**	**(47.6)**	**(0.8)**
Total assets	**1,038.8**	**1,613.8**	**805.0**	**71.3**	**3,528.9**
Total liabilities	**213.3**	**254.6**	**353.3**	**1,637.9**	**2,459.1**
As at December 31, 2019					
Net working capital[(i)]	42.0	(0.4)	56.9	(48.6)	49.9
Total assets	1,167.7	1,600.2	797.8	72.3	3,638.0
Total liabilities	295.1	268.8	338.8	1,696.3	2,599.0
For the Three Months Ended June 30, 2020					
Purchase of property, plant and equipment and intangible assets	**10.5**	**7.0**	**9.1**	**–**	**26.6**
For the Three Months Ended June 30, 2019					
Purchase of property, plant and equipment and intangible assets	11.5	8.4	6.2	–	26.1
For the Six Months Ended June 30, 2020					
Purchase of property, plant and equipment and intangible assets	**19.1**	**17.3**	**18.0**	**0.9**	**55.3**
For the Six Months Ended June 30, 2019					
Purchase of property, plant and equipment and intangible assets	16.1	16.9	10.4	–	43.4

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

20. GEOGRAPHICAL INFORMATION

	Canada	U.S.	Other	Total Consolidated
Revenue for the three months ended June 30, 2020	**151.3**	**275.8**	**23.7**	**450.8**
Revenue for the six months ended June 30, 2020	**444.7**	**794.8**	**51.5**	**1,291.0**
Property, plant and equipment as at June 30, 2020	**603.0**	**698.3**	**39.5**	**1,340.8**
Right-of-use assets as at June 30, 2020	**135.2**	**124.3**	**0.9**	**260.4**
Intangible assets as at June 30, 2020	**150.9**	**241.0**	**–**	**391.9**
Goodwill as at June 30, 2020	**325.8**	**807.5**	**–**	**1,133.3**
Total assets as at June 30, 2020	**1,425.6**	**2,036.6**	**66.7**	**3,528.9**
Revenue for the three months ended June 30, 2019[(i)]	181.8	335.1	28.9	545.8
Revenue for the six months ended June 30, 2019[(i)]	535.2	993.1	53.5	1,581.8
Property, plant and equipment as at December 31, 2019	596.9	696.0	38.8	1,331.7
Right-of-use assets as at December 31, 2019	146.0	97.1	0.8	243.9
Intangible assets as at December 31, 2019	152.3	236.5	–	388.8
Goodwill as at December 31, 2019	325.8	755.1	–	1,080.9
Total assets as at December 31, 2019	1,562.3	2,021.5	54.2	3,638.0

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

21. SUBSEQUENT EVENTS

Issuance of Preferred Shares

On July 13, 2020, Superior announced the issuance of 260,000 Preferred Shares by its wholly owned subsidiary Superior Plus US Holdings for gross proceeds of US$260 million. The investment was made by an affiliate of Brookfield Asset Management Inc. ("Brookfield").

The Preferred Shares entitle the holders to a cumulative dividend of 7.25% per annum through to the end of Superior's second fiscal quarter in 2027. If dividends are paid on the common shares, Superior is required to pay the dividend in cash on the Preferred Shares, otherwise, the Preferred Share dividends can be paid or accrued at Superior's option. In the event that Superior declares a dividend on its common shares in excess of $0.06 per month, the holders of the Preferred Shares shall be entitled to an equivalent amount. Superior has the option to redeem the Preferred Shares at par in 2027. If Superior does not redeem the Preferred Shares, the dividend rate increases by 0.75% per annum for the next four years to a maximum of 10.25%. If the dividends are not paid in cash, the cumulative dividend increases by 1.0% per annum for a maximum of four years.

The Preferred Shares may be exchanged, at Brookfield's option, into 30 million common shares of Superior ("Common Shares") or at Superior's option, on or after the third anniversary of the issue date if the volume-weighted average price of Superior's common shares during the then preceding 30 consecutive trading day period, converted to U.S. dollars at the applicable exchange rate, must be greater than 145% of the exchange price. On an as-exchanged basis, the investment by Brookfield currently represents approximately 15% of the pro forma fully diluted outstanding Common Shares. The exchange price of the Preferred Shares will be subject to adjustment from time to time in accordance with the terms of the Preferred Shares.

Holders of Preferred Shares will be entitled to vote on an as-exchanged basis for all matters on which holders of Common Shares vote, and to the greatest extent possible, will vote with the holders of Common Shares as a single class.

The investment by Brookfield will be treated as an equity transaction. The initial proceeds will be recorded as a non-controlling interest within equity and subsequently will be adjusted for dividends paid and income attributed to the non-controlling interest.

Acquisition

On August 3, 2020, Superior acquired the assets of a retail propane distribution company, operating under the tradename, Champagne's Energy ("Champagne"), for total consideration of approximately US$27.3 million (CDN $36.5 million). The purchase price was paid primarily with cash from Superior's credit facility, as well as deferred payments. Champagne is an independent retail propane distributor delivering approximately 42 million litres of propane and distillates annually to retail and commercial customers in Maine.