Superior Plus Corp.
Condensed Consolidated Balance Sheets

(unaudited, millions of Canadian dollars)	Note	As at March 31 2018	As at December 31 2017
Assets			
Current Assets			
Cash and cash equivalents		**20.5**	31.8
Trade and other receivables	**5**	**325.4**	318.5
Prepaid expenses		**25.9**	29.4
Inventories	**6**	**86.9**	137.0
Other current financial assets	**12**	**9.4**	30.0
Assets held for sale	**21**	**84.4**	14.8
Total Current Assets		**552.5**	561.5
Non-Current Assets			
Property, plant and equipment	**7**	**1,041.1**	1,077.1
Intangible assets		**86.6**	85.3
Goodwill		**503.4**	504.5
Notes and finance lease receivables		**1.5**	2.7
Employee future benefits		**8.6**	8.1
Deferred tax assets	**13**	**82.5**	87.4
Other non-current financial assets	**12**	**3.8**	10.1
Total Non-Current Assets		**1,727.5**	1,775.2
Total Assets		**2,280.0**	2,336.7
Liabilities and Equity			
Current Liabilities			
Trade and other payables	**9**	**271.2**	350.7
Contract liabilities		**14.4**	9.9
Borrowing	**11**	**17.6**	28.7
Dividends and interest payable		**8.6**	8.6
Other current financial liabilities	**12**	**12.2**	21.8
Liabilities held for sale	**21**	**6.0**	–
Total Current Liabilities		**330.0**	419.7
Non-Current Liabilities			
Borrowing	**11**	**1,021.4**	1,024.1
Other liabilities	**10**	**5.4**	4.0
Provisions	**8**	**67.9**	69.9
Employee future benefits		**20.4**	21.0
Deferred tax liabilities	**13**	**25.3**	17.5
Other non-current financial liabilities	**12**	**5.2**	4.5
Total Non-Current Liabilities		**1,145.6**	1,141.0
Total Liabilities		**1,475.6**	1,560.7
Equity			
Capital		**1,953.5**	1,953.5
Deficit		**(1,252.9)**	(1,266.9)
Accumulated other comprehensive income		**103.8**	89.4
Total Equity	**14**	**804.4**	776.0
Total Liabilities and Equity		**2,280.0**	2,336.7

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	Contributed surplus	**Total capital**	**Deficit**	**Accumulated other comprehensive income**	**Total**
As at December 31, 2017	1,952.3	1.2	**1,953.5**	**(1,266.9)**	**89.4**	**776.0**
Net earnings	–	–	–	**47.3**	**–**	**47.3**
Change in accounting policies (Note 2)	–	–	–	**(7.6)**	**–**	**(7.6)**
Unrealized foreign currency gain on translation of foreign operations	–	–	–	–	**13.6**	**13.6**
Actuarial defined benefit gains	–	–	–	–	**1.1**	**1.1**
Income tax expense on other comprehensive income	–	–	–	–	**(0.3)**	**(0.3)**
Total comprehensive income				**39.7**	**14.4**	**54.1**
Dividends declared to shareholders				**(25.7)**	–	**(25.7)**
As at March 31, 2018	1,952.3	1.2	**1,953.5**	**(1,252.9)**	**103.8**	**804.4**
As at December 31, 2016	1,952.3	1.2	1,953.5	(1,136.2)	111.3	928.6
Net earnings	–	–	–	53.2	–	53.2
Unrealized foreign currency loss on translation of foreign operations	.–	–	–	–	(2.9)	(2.9)
Actuarial defined benefit gains	–	–	–	–	0.4	0.4
Income tax recovery on other comprehensive income	–	–	–	–	0.1	0.1
Total comprehensive income (loss)	–	–	–	53.2	(2.4)	50.8
Dividends declared to shareholders	–	–	–	(25.7)	–	(25.7)
As at March 31, 2017	1,952.3	1.2	1,953.5	(1,108.7)	108.9	953.7

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

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

(unaudited, millions of Canadian dollars, except per share amounts)	Notes	2018	Three months ended March 31 2017
Revenue	**17,18**	**874.9**	675.7
Cost of sales (includes products and services)	**18**	**(585.7)**	(450.0)
Gross profit		**289.2**	225.7
Expenses			
Selling, distribution and administrative costs	**18**	**(175.4)**	(137.4)
Finance expense	**18**	**(26.7)**	(9.9)
Unrealized losses on derivative financial instruments	**12,18**	**(23.6)**	(6.4)
		(225.7)	(153.7)
Earnings before income taxes		**63.5**	72.0
Income tax expense	**13**	**(16.2)**	(18.8)
Net earnings for the period		**47.3**	53.2
Other comprehensive income (loss):			
Items that may be reclassified subsequently to net earnings			
Unrealized foreign currency gain (loss) on translation of foreign operations		**13.6**	(2.9)
		13.6	(2.9)
Items that will not be reclassified to net earnings			
Actuarial defined benefit gains		**1.1**	0.4
Income tax (expense) recovery on other comprehensive income		**(0.3)**	0.1
		0.8	0.5
Other comprehensive income (loss) for the period		**14.4**	(2.4)
Total comprehensive income for the period		**61.7**	50.8
Net earnings per share:			
Basic	**15**	**$0.33**	$0.37
Diluted	**15**	**$0.33**	$0.34

Notes to the Unaudited Condensed Consolidated Financial Statements

Superior Plus Corp.
Condensed Consolidated Statements of Cash Flows

(unaudited, millions of Canadian dollars)	Notes	Three months ended March 31 2018	2017
Operating Activities			
Net earnings for the period		**47.3**	53.2
Adjustments for:			
Depreciation included in selling, distribution and administrative costs	**7**	**15.4**	13.3
Amortization of intangible assets	**18**	**4.4**	1.5
Depreciation included in cost of sales	**7**	**11.9**	13.2
Gain on disposal of assets and other non-cash items		**(0.3)**	(0.4)
Unrealized losses on derivative financial instruments	**12**	**23.6**	6.4
Finance expense recognized in net earnings	**18**	**26.7**	9.9
Income tax expense recognized in net earnings	**13**	**16.2**	18.8
Changes in non-cash operating working capital	**16**	**(67.4)**	(24.2)
Net cash flows from operating activities before income taxes and interest paid		**77.8**	91.7
Income tax received		**–**	(1.7)
Interest paid		**(17.2)**	(6.0)
Cash flows from operating activities		**60.6**	84.0
Investing Activities			
Purchase of property, plant and equipment	**19**	**(10.4)**	(10.2)
Proceeds from disposal of property, plant and equipment and intangible assets		**1.3**	1.2
Acquisitions, net of cash acquired and assets sold	**4**	**(5.9)**	(434.8)
Cash flows used in investing activities		**(15.0)**	(443.8)
Financing Activities			
Net (repayment) proceeds of revolving term bank credits and other debt		**(32.4)**	141.5
Redemption of 6.5% senior unsecured notes		**(209.8)**	–
Repayment of finance lease obligations		**(4.4)**	(3.9)
Debt issue costs		**(4.5)**	–
Proceeds from issuance of 5.25% senior unsecured notes		**–**	250.0
Proceeds from 5.125% senior secured notes		**220.0**	–
Dividends paid to shareholders		**(25.7)**	(25.7)
Cash flows (used in) from financing activities		**(56.8)**	361.9
Net (decrease) increase in cash and cash equivalents during the period		**(11.2)**	2.1
Cash and cash equivalents, beginning of period		**31.8**	5.0
Effect of translation of foreign currency-denominated cash and cash equivalents		**(0.1)**	(0.1)
Cash and cash equivalents, end of period		**20.5**	7.0

See accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

1. ORGANIZATION

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

The accompanying unaudited condensed consolidated financial statements (consolidated financial statements) of Superior as at March 31, 2018 and for the three months ended March 31, 2018 and 2017 were authorized for issuance by the Board of Directors on May 8, 2018.

Reportable Operating Segments

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

2. BASIS OF PRESENTATION

Preparation of Consolidated Financial Statements

The accompanying consolidated financial statements were prepared in accordance with International Accounting Standard (IAS) 34, *Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) using the accounting policies Superior adopted in its annual condensed consolidated financial statements as at and for the year ended December 31, 2017, except as for the adoption of new standards effective as of January 1, 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective. The accounting policies are based on the International Financial Reporting Standards (IFRS) and International Financial Reporting Interpretations Committee interpretations that were applicable at that time. These accounting policies have been applied consistently to all periods presented in these consolidated financial statements, except as disclosed below, and have been applied consistently throughout the consolidated entities.

The consolidated financial statements are presented in Canadian dollars. All financial information presented in Canadian dollars has been rounded to the nearest hundred thousand. These consolidated financial statements should be read in conjunction with Superior's 2017 annual consolidated financial statements.

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

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

Changes in Accounting Policies

(i) IFRS 9 Financial Instruments

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

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

(ii) IFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

(i) *Revenue from sale of propane*

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

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

(ii) *Transportation revenue*

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

The Company's accounting policies after the adoption of IFRS 9 and IFRS 15 are as follows:

(i) Financial instruments and derivative financial instruments

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

Classification

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

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

For classification of the Company's financial assets and financial liabilities, refer to Note 12.

Measurement

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

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

Impairment

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

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

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

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

Derivative Financial Instruments

Superior enters into a variety of derivative and non-financial derivative instruments to manage its exposure to certain financial risks. Such instruments arise from contracts comprising natural gas financial swaps, electricity financial swaps, fixed-price electricity purchase, propane forward purchase and sale, foreign currency forwards, and interest rate swaps. For commodity contracts, if physical delivery is effected based on Superior’s expected procurement, sale or usage requirements, the requirements of the so-called “own use exemption” under IFRS 9 are met, which do not represent derivative financial instruments in terms of IFRS 9, but represent pending purchase and sale transactions, which are assessed for possible impending losses in accordance with the requirements of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. If the requirements for the own use exemption are not met (for example, by transactions for short-term optimization), the contracts are recorded as derivatives in accordance with IFRS 9. Further details of derivative and non-financial derivative instruments are disclosed in Note 12.

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

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

Classification as Debt or Equity

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

Equity Instruments

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

Derecognition of Financial Liabilities

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

Financial Guarantees at FVTPL

Financial guarantees are classified as FVTPL when the financial liability is designated as FVTPL upon initial recognition. Financial guarantees at FVTPL are stated at fair value with any resulting gain or loss recognized in net earnings. Fair value is determined in the manner described in Note 12.

(ii) Revenue recognition

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

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

Energy Distribution

(i) Propane distribution business

Propane sales contracts include supply of propane along with the loaning of storage tanks, equipment and related servicing and maintenance activities provided by the Company. Revenue from sale of propane is recognized when control of the goods has transferred, being when the goods are delivered to the customer (which occurs when the goods have been shipped to the specific location), the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Revenue from loaning of storage tanks and maintenance activities is recognized as the performance obligations are satisfied over time, which is generally in accordance with the terms of the contract. The customer does not control the storage tank during the term of the contract. The customer does not have the right to direct the use of the storage tank, and there is no practical or contractual restriction on the Company's ability to transfer the storage tank to another customer. The Company is able to redirect the storage tank to another customer at little or no additional cost and therefore it has an alternative use to the Company. In many cases, propane sales and the loaning of storage tanks is included under one sales contract. Propane sales prices are consistent based on the customer geography and type and therefore, the residual amount is related to loaning of storage tanks.

(ii) U.S. refined fuels distribution business

This business is involved in the distribution of liquid fuels and propane gas, heating oil and refined fuels in the northeastern United States. Its products are generally used in home heating, water heating and motor vehicle fuel. Revenue from sale of refined fuels is also recognized when control of the goods has transferred, being when the goods are delivered to the customer (which occurs when the goods have been shipped to the specific location), the customer has full discretion over the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

Specialty Chemicals

Specialty Chemicals is involved in the distribution of sodium chlorate and environmentally preferred chlorine dioxide technology to the pulp and paper industries as well as a supplier of potassium and chlor-alkali products. Revenue from sale of specialty chemicals is also recognized when control of the goods has transferred, and customer has full discretion over the goods.

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

Significant Accounting Judgments, Estimates and Assumptions

The preparation of Superior's consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of assets, liabilities, net earnings and related disclosure. The estimates and associated assumptions are based on historical experience and various other factors deemed reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the consolidated financial statements are consistent with those disclosed in Superior's 2017 annual consolidated financial statements.

Revenue from sale of specialty chemicals

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

Revenue from sale of propane, including storage tanks

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

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

New and revised IFRS standards issued but not yet effective

IFRS 16 – *Leases*

On January 13, 2016, the IASB issued IFRS 16 *Leases*, which replaces IAS 17 *Leases* and related interpretations. IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, except those that meet limited exception criteria. IFRS 16 will be applied retrospectively for annual periods beginning on or after January 1, 2019. It is not yet possible to make a reliable estimate of the impact of the new standard on the consolidated financial statements.

3. SEASONALITY OF OPERATIONS

Energy Distribution

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

4. ACQUISITIONS

	Hi-Grade Oil	Canwest Propane
Current assets	1.0	58.5[(1)]
Property, plant and equipment	2.3	116.5
Other assets	–	3.9
Intangibles	3.7	7.1
Assets held for sale	2.4	11.1
Accounts payable and accrued liabilities	(0.5)	(16.1)
Contract liabilities	(0.6)	(2.5)
Provisions	–	(7.7)
Deferred tax liability	–	(24.1)
Net identifiable assets and liabilities	**8.3**	**146.7**
Goodwill arising on acquisition	–	285.7
Total consideration	**8.3**	**432.4**

(1) Canwest Propane acquisition includes cash of $39.2 million in current assets.

Hi-Grade Oil (Hi-Grade)

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

Revenue and net earnings for three months ended March 31, 2018 would have been $1.2 million and $0.5 million, respectively, if the acquisition had occurred on January 1, 2018. Subsequent to the acquisition date of February 2, 2018, the acquisition contributed revenue and net earnings of $0.7 million and $0.3 million, respectively, to the Energy Distribution segment for the three months ended March 31, 2018.

Canwest Propane (Canwest)

On March 1, 2017, Superior entered into certain agreements to purchase 100% of the entities that carry on the industrial propane business of Canwest from Gibson Energy ULC (the Canwest Option) for cash consideration of $412.0 million plus $20.4 million of working capital. The acquisition was subject to the satisfaction of certain conditions, including the receipt of customary regulatory approvals. On September 27, 2017, Superior received regulatory approval from the Competition Bureau and closed the acquisition of Canwest subject to certain conditions. As outlined in the consent agreement registered with the Competition Bureau, Superior agreed to divest five local branches and nine satellite locations from the combined Superior Propane and Canwest Propane organization. The assets associated with the consent agreement have been separated and treated as assets held for sale on the balance sheet. As at March 31, 2018, this included $12.6 million of assets from Canwest and $1.6 million of assets from Superior included in assets held for sale. Subsequent to March 31, 2018, these assets were sold for $11.2M plus working capital of approximately $2.0 million.

The purchase price allocation is considered preliminary, and as a result, will be adjusted during the 12-month period following the acquisition once all the required information is obtained and assessed. Superior has allocated the purchase price to the identified assets and liabilities acquired based on their current book value as an estimated fair value at the time of acquisition.

5. TRADE AND OTHER RECEIVABLES

A summary of trade and other receivables is as follows:

	March 31 2018	December 31 2017
Trade receivables, net of allowances	**297.2**	292.9
Accounts receivable – other	**28.2**	25.6
Trade and other receivables	**325.4**	318.5

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

	March 31 2018	December 31 2017
Current	**191.8**	212.4
Past due less than 90 days	**102.6**	80.4
Past due over 90 days	**11.4**	7.0
Total trade receivables	**305.8**	299.8

The current portion of Superior's trade receivables is neither impaired nor past due and there are no indications as of the reporting date that the debtors will not make payment. Superior's trade receivables are stated after deducting a provision of $8.6 million as at March 31, 2018 (December 31, 2017 – $6.9 million). The movement in the provision for doubtful accounts is as follows:

	March 31 2018	December 31 2017
Allowance for doubtful accounts, at the beginning of the period	**(6.9)**	(4.3)
Opening adjustment due to acquisitions	**–**	(3.1)
Impairment losses recognized on receivables	**(2.0)**	(4.0)
Amounts written off during the year as uncollectible	**–**	2.3
Amounts recovered	**0.3**	2.2
Allowance for doubtful accounts, at the end of the period	**(8.6)**	(6.9)

6. INVENTORIES

	March 31 2018	December 31 2017
Propane, heating oil and other refined fuels	**38.3**	85.6
Propane retailing materials, supplies, appliances and other	**7.1**	8.0
Chemical finished goods and raw materials	**25.9**	28.3
Chemical stores, supplies and other	**15.6**	15.1
	86.9	137.0

	Three months ended March 31, 2018	2017
Cost of inventories recognized as an expense	**522.7**	400.1
Inventory write-downs	**1.6**	0.2
Write-down reversals	**–**	0.1

7. PROPERTY, PLANT AND EQUIPMENT

Cost	**Land**	**Buildings**	**Energy Distribution Retailing Equipment**	**Specialty Chemicals Plant and Equipment**	**Leasehold Improvements**	**Total**
Balance as at December 31, 2017	48.3	257.7	934.5	961.3	8.6	2,210.4
Balance as at March 31, 2018	**47.2**	**251.1**	**893.4**	**975.9**	**8.3**	**2,175.9**
Accumulated Depreciation						
Balance as at December 31, 2017	–	85.4	471.7	571.9	4.3	1,133.3
Balance as at March 31, 2018	**–**	**83.3**	**459.6**	**587.2**	**4.7**	**1,134.8**
Carrying Amount						
Balance as at December 31, 2017	48.3	172.3	462.8	389.4	4.3	1,077.1
Balance as at March 31, 2018	**47.2**	**167.8**	**433.8**	**388.7**	**3.6**	**1,041.1**

Depreciation per cost category:

	Three months ended March 31, 2018	2017
Cost of sales	**11.9**	13.2
Selling, distribution and administrative costs	**15.4**	13.3
Total	**27.3**	26.5

The carrying amount of Superior's property, plant and equipment includes $62.6 million of leased assets as at March 31, 2018 (December 31, 2017 – $63.9 million).

8. PROVISIONS

	Restructuring	**Decommissioning**	**Other**	**Total**
Balance as at December 31, 2017	13.4	64.0	7.8	85.2
Utilization	(2.1)	–	–	(2.1)
Amounts reversed during the year	(0.2)	(0.3)	(1.0)	(1.5)
Unwinding of discount	–	0.4	–	0.4
Impact of change in discount rate	–	0.6	–	0.6
Classified as liabilities held for sale	–	(2.6)	–	(2.6)
Net foreign currency exchange difference	–	0.6	(0.1)	0.5
Balance as at March 31, 2018	**11.1**	**62.7**	**6.7**	**80.5**

	March 31 2018	December 31 2017
Current (included in trade and other payables)	**12.6**	15.3
Non-current	**67.9**	69.9
	80.5	85.2

Restructuring

Provisions for restructuring are recorded in provisions, except for the current portion, which is recorded in trade and other payables. As at March 31, 2018, the current portion of restructuring costs was $11.1 million (December 31, 2017 – $13.4 million). The restructuring provisions relate primarily to the Canwest acquisition and is included in the Energy Distribution operating segment. The provision is primarily for severance, lease costs and consulting fees.

Decommissioning

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

Specialty Chemicals

Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. As at March 31, 2018, the discount rate used in Superior's calculation was 2.23% (December 31, 2017 – 2.26%). Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $116.2 million (December 31, 2017 – $115.0 million), which will be paid over the next one to 40 years. While Superior's provision for decommissioning costs is based on the best estimate of future costs and the economic lives of the chemical facilities, the amount and timing of these costs is uncertain.

Energy Distribution

Superior records a provision for the future costs of decommissioning certain assets associated with the Energy Distribution segment. Superior estimates the total undiscounted expenditures required to settle its decommissioning liabilities to be approximately $8.4 million as at March 31, 2018 (December 31, 2017 – $8.5 million) which will be paid over the next 15 years. The discount rate of 2.23% at March 31, 2018 (December 31, 2017 – 2.50%) was used to calculate the present value of the estimated cash flows. Approximately $3.8 million of the undiscounted expenditures were included in the divestitures disclosed in Note 21.

Other

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

Supply contract
As part of the bidding process to acquire Canwest, Superior was required to enter into a five-year supply agreement with the seller. The supply agreement was for terms that were unfavourable to Superior based on current supply arrangements under contract. As a result, Superior has recorded a provision of $6.7 million as at March 31, 2018 (December 31, 2017 – $7.7 million) related to this contract.

Other claims

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

9. TRADE AND OTHER PAYABLES

A summary of trade and other payables is as follows:

	March 31 2018	December 31 2017
Trade payables	**179.4**	228.5
Provisions	**12.6**	15.3
Other accrued liabilities	**53.0**	82.5
Current portion of the Quebec cap and trade payable	**8.9**	8.9
Share-based payments	**17.3**	15.5
Trade and other payables	**271.2**	350.7

10. OTHER LIABILITIES

	March 31 2018	December 31 2017
Supply agreement	**1.9**	2.5
Quebec cap and trade payable	**0.9**	–
Ontario cap and trade payable	**2.6**	1.5
	5.4	4.0

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

Superior transports propane to and from Québec and Ontario and therefore must purchase compliance instruments to comply with the Québec Cap and Trade regulations (Québec) and Ontario Cap and Trade regulations (Ontario). Intangible assets are recorded when purchased, and cap and trade liabilities are recorded upon the import of propane. The liability as at March 31, 2018 is $0.9 million for Québec (December 31, 2017 – nil as $8.9 million was reclassified to trade and other payables) and $2.6 million (December 31, 2017 – $1.5 million) for Ontario.

Superior is required to settle the compliance instruments with the Québec and Ontario provincial governments at the end of each compliance period.

11. BORROWING

	Year of Maturity	Effective Interest Rate	March 31 2018	December 31 2017
Revolving Term Bank Credit Facilities [1]				
Bankers' Acceptances (BA)	2022	Floating BA rate plus 1.70%	**25.0**	31.0
Canadian Prime Rate Loan (Prime and Swingline)	2022	Prime rate plus 0.70%	**5.1**	–
LIBOR Loans (U.S. $244.0 million; 2017 – U.S. $267.0 million)	2022	Floating LIBOR rate plus 1.70%	**314.8**	335.6
U.S. Base Rate Loans (U.S. $15.0 million; 2017 – U.S. $16.3 million)	2022	US Prime rate plus 0.70%	**19.4**	20.5
			364.3	387.1
Other Debt				
Accounts receivable factoring program[2]		Floating BA plus 1.63%	**2.0**	2.1
Deferred consideration	2018 – 2022	Non-interest bearing	**7.6**	11.1
			9.6	13.2
Senior Unsecured Notes				
Senior unsecured notes [3]	2021	6.50%	**–**	200.0
Senior unsecured notes [4]	2024	5.25%	**400.0**	400.0
Senior unsecured notes [3]	2025	5.125%	**220.0**	–
			620.0	600.0
Finance Lease Obligations				
Finance lease obligation			**56.9**	63.1
Total borrowing before deferred financing fees			**1,050.8**	1,063.4
Deferred financing fees			**(11.8)**	(10.6)
Borrowing			**1,039.0**	1,052.8
Current maturities			**(17.6)**	(28.7)
Borrowing			**1,021.4**	1,024.1

(1) As at March 31, 2018, Superior had $30.8 million of outstanding letters of credit (December 31, 2017 – $31.7 million) and $172.0 million of outstanding financial guarantees on behalf of its businesses (December 31, 2017 – $157.0 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, the short-term nature of the underlying debt instruments and other related factors. On May 8, 2018, Superior extended and restated its syndicated credit facility with ten lenders, maintaining the size of the facility at $620 million, with no changes to the financial covenants. The facility matures on May 8, 2023 and can be expanded up to $920 million.

(2) Superior has entered into a Master Receivables Purchase Agreement with a financial institution by which it may purchase from time to time, on an uncommitted revolving basis, 100% interest in receivables from Superior. The maximum aggregate amount of purchased receivables purchased by the financial institution under this agreement and outstanding at any time is limited to $15.0 million. As at March 31, 2018, the accounts receivable factoring program totaled $2.0 million (December 31, 2017 – $2.1 million).

(3) On February 1, 2018, Superior LP closed a private placement of $220 million in senior unsecured notes bearing interest at 5.125% and due August 27, 2025. The net proceeds reduced the outstanding balance of its $200.0 million in 6.50% senior unsecured notes (the senior notes) in accordance with the indenture governing the 6.50% notes on March 8, 2018. As a result of redeeming the $200 million 6.5% senior unsecured note, the company incurred a $9.8 million early call premium. The early call premium is included in financing expenses for the three months ended March 31, 2018.

(4) On February 27, 2017, Superior completed an offering of $250.0 million in 5.25% senior unsecured notes (the notes). The notes were issued at par value and mature on February 27, 2024. The notes contain certain early redemption options under which Superior has the option to redeem all or a portion of the notes at various redemption prices, which include the principal plus accrued and unpaid interest, if any, to the application redemption date. Interest is payable semi-annually on February 27 and August 27, and commenced August 27, 2017. On October 16, 2017, Superior issued an additional $150.0 million in notes due on February 27, 2024. Superior used the net proceeds to fund the redemption of Superior's issued and outstanding 6.0% convertible unsecured subordinated debentures.

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

	$
Current maturities	**17.3**
Due in 2019	**18.4**
Due in 2020	**16.6**
Due in 2021	**10.7**
Due in 2022	**364.9**
Due in 2023	**2.9**
Subsequent to 2023	**620.0**
Total	**1,050.8**

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 held-for-trading upon their initial recognition.

As at				**March 31, 2018**
	Level 1	**Level 2**	**Level 3**	**Total**
Assets				
Foreign currency forward contracts	**4.3**	**–**	**–**	**4.3**
Natural gas financial swaps – AECO	**–**	**3.2**	**–**	**3.2**
Propane wholesale purchase and sale contracts – Energy Distribution	**–**	**5.0**	**–**	**5.0**
Heating oil purchase and sale – Energy Distribution	**–**	**0.7**	**–**	**0.7**
Total assets	**4.3**	**8.9**	**–**	**13.2**
Liabilities				
Natural gas financial swaps – AECO	**–**	**3.2**	**–**	**3.2**
Foreign currency forward contracts	**12.1**	**–**	**–**	**12.1**
Equity derivative contract	**–**	**0.3**	**–**	**0.3**
Propane wholesale purchase and sale contracts – Energy Distribution	**–**	**1.7**	**–**	**1.7**
WTI wholesale purchase and sale contracts – Energy Distribution	**–**	**0.1**	**–**	**0.1**
Total liabilities	**12.1**	**5.3**	**–**	**17.4**
Total net (liabilities) assets	**(7.8)**	**3.6**	**–**	**(4.2)**
Current portion of assets	**1.8**	**7.6**	**–**	**9.4**
Current portion of liabilities	**8.0**	**4.2**	**–**	**12.2**

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

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

Description	Notional	Term	Effective Rate	Valuation Technique(s) and Key Input(s)
Level 1 fair value hierarchy:				
Foreign currency forward contracts, net sale	US$365.0	2018 – 2021	$1.26	Quoted bid prices in the active market.
Cross currency interest rate exchange agreements	US$237.4	2018	$1.34	Quoted bid prices in the active market.
Level 2 fair value hierarchy:				
Natural gas financial swaps –AECO	–	2018 – 2020	–	Discounted cash flows – Future cash flows are estimated based on forward market prices (from observable yield curves at the end of the reporting period) applied to contract volumes, discounted at a rate that reflects the credit risk of various counterparties. Impact of sleeve transactions entered into in 2016 result in a notional amount and effective rate of $nil.
Equity derivative contracts	$13.8	2018	$12.58	Discounted cash flows – Future cash flows are estimated based on equity derivative contracts.
Heating oil, diesel and propane wholesale purchase and sale contracts, net sale – Energy Distribution	22.92 USG[1]	2018 – 2020	$0.73 – $1.91	Quoted bid prices for similar products in the active market.

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

	For the three months ended March 31, 2018		For the three months ended March 31, 2017	
Description	**Realized Gain (Loss)**	**Unrealized Gain (Loss)**	Realized Gain (Loss)	Unrealized Gain (Loss)
Natural gas financial swaps – AECO	**–**	**–**	–	(0.1)
Foreign currency forward contracts, net sale	**–**	**(11.4)**	(0.7)	4.7
Cross-currency interest rate swaps	**–**	**(0.2)**	–	0.9
Equity derivative contracts	**0.1**	**0.6**	0.2	–
Energy Distribution propane wholesale purchase and sale contracts	**(0.7)**	**(12.1)**	5.4	(6.3)
Energy Distribution WTI wholesale purchase and sale contracts	**(0.3)**	**–**	–	–
Energy Distribution butane wholesale purchase and sale contracts	**0.1**	**0.4**	(0.5)	0.5
Energy Distribution heating oil purchase and sale contracts	**2.6**	**(0.9)**	3.5	(0.7)
Energy Distribution diesel wholesale purchase and sale contracts	**–**	**–**	–	(0.2)
Specialty Chemicals fixed-price electricity purchase agreements	**–**	**–**	(0.1)	(0.1)
Total gains (losses) on financial and non-financial derivatives	**1.8**	**(23.6)**	7.8	(1.3)
Foreign currency translation on borrowings	**–**	**–**	–	(0.4)
Unrealized change in fair value of debenture-embedded derivative	**–**	**–**	–	(4.7)
Total gains (losses)	**1.8**	**(23.6)**	7.8	(6.4)

Realized gains or losses on financial and non-financial derivatives and foreign currency translation gains or losses on the revaluation of Canadian domiciled U.S. denominated working capital have been classified on the condensed statements of net earnings and total comprehensive income based on the underlying nature of the consolidated financial statement line item and/or the economic exposure being managed.

Offsetting of financial instruments

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

Financial Instruments – Risk Management

Market Risk

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

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

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

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

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

Credit Risk

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

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

Liquidity Risk

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

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

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

Equity Price Risk

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

As at March 31, 2018, Superior estimates that a 10% increase in its share price would have resulted in a $1.4 million increase in earnings due to the revaluation of equity derivative contracts.

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

	Current	2019	2020	2021	2022	2023 and thereafter	Total
Borrowing	**17.3**	18.4	16.6	10.7	364.9	622.9	**1,050.8**
Operating leases	**28.3**	30.7	26.5	23.4	19.4	55.9	**184.2**
US$ foreign currency forward sales contracts	**114.0**	157.0	64.0	30.0	–	–	**365.0**
Natural gas, butane, propane, heating oil and diesel purchases	**62.3**	18.6	0.8	0.3	–	–	**82.0**

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

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 United States income taxes, United States non-resident withholding taxes, Chilean and Luxembourg income taxes.

Total income tax expense, composed of current taxes and deferred taxes for the three months ended March 31, 2018 was $16.2 million, compared to $18.8 million in the comparative period. For the three months ended March 31, 2018, deferred income tax expense from operations in Canada, the United States and Chile was $14.8 million (for the three months ended March 31, 2017 – $17.6 million), which resulted in a corresponding total net deferred income tax asset of $57.2 million as at March 31, 2018 (December 31, 2017 – $69.9 million).

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.

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

	Issued Number of Common Shares (millions)	**Total Equity**
Total Equity, December 31, 2017	**142.8**	**776.0**
Net earnings	**–**	**47.3**
Change in accounting policies (Note 2)	**–**	**(7.6)**
Other comprehensive income	**–**	**14.4**
Dividends declared to shareholders (1)	**–**	**(25.7)**
Total Equity, March 31, 2018	**142.8**	**804.4**

(1) Dividends to shareholders are declared at the discretion of Superior's Board of Directors. During the three months ended March 31, 2018 Superior paid cash dividends of $25.7 million or $0.18 per share (three months ended March 31, 2017 – $25.7 million or $0.18 per share).

	March 31 2018	December 31 2017
Accumulated other comprehensive income before reclassification		
Currency translation adjustment		
Balance at the beginning of the period	**98.9**	123.6
Unrealized foreign currency gain (loss) on translation of foreign operations	**13.6**	(24.7)
Balance at the end of the period	**112.5**	98.9
Actuarial defined benefits		
Balance at the beginning of the period	**(2.4)**	(5.2)
Actuarial defined benefit gains	**1.1**	3.8
Income tax expense on actuarial gains	**(0.3)**	(1.0)
Balance at the end of the period	**(1.6)**	(2.4)
Total accumulated other comprehensive income before reclassification	**110.9**	96.5
Amounts reclassified from accumulated other comprehensive income		
Accumulated derivative losses	**(7.1)**	(7.1)
Accumulated other comprehensive income at the end of the period	**103.8**	89.4

Other Capital Disclosures

Additional Capital Disclosure

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

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

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

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

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

15. NET EARNINGS PER SHARE

	Three months ended March 31,	
	2018	2017
Net earnings per share computation, basic		
Net earnings for the period	**$47.3**	$53.2
Weighted average shares outstanding (millions)	**142.8**	142.8
Net earnings per share, basic	**$0.33**	$0.37

	2018	2017
Net earnings per share computation, diluted		
Net earnings for the period	**$47.3**	$50.7
Weighted average shares outstanding (millions)	**142.8**	148.6
Net earnings per share, diluted	**$0.33**	$0.34

16. SUPPLEMENTAL DISCLOSURE OF CHANGES IN NON-CASH OPERATING WORKING CAPITAL

	Three months ended March 31,	
	2018	2017
Changes in non-cash operating working capital:		
Trade and other receivables	**(11.9)**	15.6
Inventories	**29.6**	20.5
Trade and other payables	**(89.9)**	(56.2)
Other	**4.8**	(4.1)
	(67.4)	(24.2)

17. DISAGGREGATION OF REVENUE

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

Three months ended March 31, 2018				**Energy Distribution**
	Canada	**USA**	**Other**	**Total**
Revenue from sale of products	**339.5**	**340.5**	–	**680.0**
Revenue from services	**13.0**	**5.0**	**–**	**18.0**
Tank and equipment rental	**8.9**	**-**	–	**8.9**
Derivative financial instruments	**(0.3)**	**(0.5)**	–	**(0.8)**
Total revenue	**361.1**	**345.0**	–	**706.1**

				Specialty Chemicals
	Canada	**USA**	**Other**	**Total**
Revenue from sale of chemicals	**40.2**	**106.0**	**22.3**	**168.5**
Revenue from services	**0.1**	**0.2**	**–**	**0.3**
Total revenue	**40.3**	**106.2**	**22.3**	**168.8**

Three months ended March 31, 2017				Energy Distribution
	Canada	USA	Other	Total
Revenue from sale of products	228.3	268.5	–	496.8
Revenue from services	6.5	5.8	–	12.3
Tank and equipment rental	4.2	–	–	4.2
Derivative financial instruments	4.3	–	–	4.3
Total revenue	243.3	274.3	–	517.6

				Specialty Chemicals
	Canada	USA	Other	Total
Revenue from sale of chemicals	38.9	92.9	26.5	158.3
Revenue from services	0.1	0.2	0.1	0.4
Total revenue	39.0	93.1	26.6	158.7

18. SUPPLEMENTAL DISCLOSURE OF CONSOLIDATED STATEMENTS OF NET EARNINGS AND TOTAL COMPREHENSIVE INCOME

	Three months ended March 31,	
	2018	2017
Revenue		
Revenue from products	**848.5**	654.5
Revenue from the rendering of services	**18.3**	12.7
Rental revenue	**8.9**	4.2
Realized (losses) gains on derivative financial instruments	**(0.8)**	4.3
	874.9	675.7
Cost of sales (includes products and services)		
Cost of products and services	**(576.4)**	(440.2)
Depreciation included in cost of sales	**(11.9)**	(13.2)
Realized gains on derivative financial instruments	**2.6**	3.4
	(585.7)	(450.0)
Selling, distribution and administrative costs		
Employee costs	**(69.4)**	(62.0)
Other selling, distribution and administrative costs	**(60.1)**	(50.3)
Depreciation included in selling, distribution and administrative costs	**(15.4)**	(13.3)
Vehicle operating costs	**(15.4)**	(11.4)
Restructuring, transaction and other costs	**(7.4)**	(1.5)
Amortization of intangible assets	**(4.4)**	(1.5)
Employee future benefit expense	**(3.0)**	(0.7)
Facilities maintenance expense	**(1.5)**	(1.3)
Gain on disposal of assets	**0.3**	0.4
Realized gains (losses) on the translation of U.S.-denominated net working capital	**0.9**	(0.4)
Net earnings from Canwest Propane	**–**	4.4
Realized gains on long-term incentive program	**–**	0.2
	(175.4)	(137.4)
Finance expense		
Interest on convertible unsecured subordinated debentures	**–**	(1.4)
Interest on obligations under finance leases	**(0.8)**	(1.0)
Interest on borrowing	**(12.3)**	(6.2)
Unwinding of discount on debentures, borrowing and decommissioning liabilities	**(3.8)**	(1.3)
Premium paid on redemption of 6.5% debenture (see Note 11)	**(9.8)**	–
	(26.7)	(9.9)
Unrealized losses on derivative financial instruments	**(23.6)**	(6.4)
Earnings before income taxes	**63.5**	72.0
Income tax expense	**(16.2)**	(18.8)
Net earnings	**47.3**	53.2

19. REPORTABLE SEGMENT INFORMATION

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

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

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

For the three months ended March 31, 2018	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Revenue	**706.1**	**168.8**	**–**	**874.9**
Cost of sales (includes products and services)	**(476.8)**	**(108.9)**	**–**	**(585.7)**
Gross Profit	**229.3**	**59.9**	**–**	**289.2**
Expenses				
Depreciation included in selling, distribution and administrative costs	**(15.3)**	**–**	**(0.1)**	**(15.4)**
Amortization of intangible assets	**(4.1)**	**(0.3)**	**–**	**(4.4)**
Selling, distribution and administrative costs	**(113.1)**	**(33.7)**	**(8.8)**	**(155.6)**
Finance expense	**(1.1)**	**(0.3)**	**(25.3)**	**(26.7)**
Unrealized losses on derivative financial instruments	**(12.6)**	**–**	**(11.0)**	**(23.6)**
	(146.2)	**(34.3)**	**(45.2)**	**(225.7)**
Earnings (loss) before income taxes	**83.1**	**25.6**	**(45.2)**	**63.5**
Income tax expense	**–**	**–**	**(16.2)**	**(16.2)**
Net earnings (loss)	**83.1**	**25.6**	**(61.4)**	**47.3**

For the three months ended March 31, 2017	**Energy Distribution**	**Specialty Chemicals**	**Corporate**	**Total**
Revenue	517.6	158.7	(0.6)	675.7
Cost of sales (includes products and services)	(345.8)	(104.2)	–	(450.0)
Gross Profit	171.8	54.5	(0.6)	225.7
Expenses				
Depreciation included in selling, distribution and administrative costs	(13.2)	–	(0.1)	(13.3)
Amortization of intangible assets	(1.5)	–	–	(1.5)
Selling, distribution and administrative costs	(80.9)	(34.8)	(6.9)	(122.6)
Finance expense	(1.1)	(0.1)	(8.7)	(9.9)
Unrealized gains (losses) on derivative financial instruments	(6.6)	(0.1)	0.3	(6.4)
	(103.3)	(35.0)	(15.4)	(153.7)
Earnings (loss) before income taxes	68.5	19.5	(16.0)	72.0
Income tax expense	–	–	(18.8)	(18.8)
Net earnings (loss)	68.5	19.5	(34.8)	53.2

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

	Energy Distribution	Specialty Chemicals	Corporate	Total
As at March 31, 2018				
Net working capital[(1)]	**106.4**	**62.2**	**(24.6)**	**144.0**
Total assets	**1,485.3**	**686.4**	**108.3**	**2,280.0**
Total liabilities	**302.7**	**185.0**	**987.9**	**1,475.6**
As at December 31, 2017				
Net working capital[(1)]	88.4	54.3	(27.0)	115.7
Total assets	1,529.5	682.5	124.7	2,336.7
Total liabilities	387.4	201.0	972.3	1,560.7
For the three months ended March 31, 2018				
Purchase of property, plant and equipment	**6.6**	**3.7**	**0.1**	**10.4**
For the three months ended March 31, 2017				
Purchase of property, plant and equipment	6.5	3.7	–	10.2

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

20. GEOGRAPHICAL INFORMATION

	Canada	United States	Other	Total Consolidated
Revenue for the three months ended March 31, 2018	**401.4**	**451.2**	**22.3**	**874.9**
Property, plant and equipment as at March 31, 2018	**602.0**	**393.1**	**46.0**	**1,041.1**
Intangible assets as at March 31, 2018	**36.0**	**50.6**	**–**	**86.6**
Goodwill as at March 31, 2018	**478.0**	**25.4**	**–**	**503.4**
Total assets as at March 31, 2018	**1,517.6**	**709.1**	**53.3**	**2,280.0**
Revenue for the three months ended March 31, 2017	281.7	367.4	26.6	675.7
Property, plant and equipment as at December 31, 2017	608.7	423.1	45.3	1,077.1
Intangible assets as at December 31, 2017	39.8	45.5	–	85.3
Goodwill as at December 31, 2017	479.1	25.4	–	504.5
Total assets as at December 31, 2017	1,562.4	720.7	53.6	2,336.7

21. SUBSEQUENT EVENTS

On April 3, 2018, Superior sold certain retail distillate assets in Pennsylvania to a third party for total cash consideration of $20.7 million (US$16.1 million). As at March 31, 2018, the assets related to this transaction totaling $11.2 million (US$8.7 million) were recorded as held for sale and liabilities totaling $2.1 million (US$1.6 million) were recorded as held for sale.

On April 25, 2018, Superior sold certain wholesale refined fuels business assets located across five states in the northeast U.S., and three pipeline connected terminals located in New York to Sunoco LP for cash consideration of approximately $51.0 million (US$39.5 million), plus net working capital of approximately $20.6 (US$16.0 million). As at March 31, 2018, the assets related to this transaction totaling $59.0 million (US$45.7 million) and liabilities totaling $3.9 (US$3.0 million) were recorded as held for sale.

On April 30, 2018, Superior completed the Canwest asset sales pursuant to the Consent Agreement with the Government of Canada's Competition Bureau in the amount of $11.2M plus working capital of approximately $2.0 million. As at March 31, 2018, the assets related to this transaction totaling $14.2 million were recorded as held for sale.

On May 1, 2018, Superior closed the acquisition of the propane distribution assets of Blue Flame Gas Service, an independent propane distributor in Pennsylvania for $14.1 million (US$11.0 million).

On May 8, 2018, Superior extended and restated its syndicated credit facility with ten lenders, maintaining the size of the facility at $620 million, with no changes to the financial covenants. The facility matures on May 8, 2023 and can be expanded up to $920 million.

On May 8, 2018 the Toronto Stock Exchange (the “TSX”) accepted a notice filed by Superior of its intention to commence a normal course issuer bid (the “NCIB”) with respect to its common shares (“Common Shares”). Under the NCIB, Superior may purchase up to 7.1 million Common Shares, such amount representing 5% of the 142.8 million Common Shares issued and outstanding as at May 1, 2018. The NCIB is subject to additional standard regulatory requirements as set out herein.