2012 ANNUAL REPORT

STRATEGY » EXECUTION » RESULTS

Superior Plus

2012

PERFORMANCE HIGHLIGHTS

Financial Results

(millions of dollars)	2012	2011
Revenues	3,624.3	3,925.6
Gross profit	846.3	827.5
EBITDA from operations [(1)]	282.5	273.0
Adjusted operating cash flow [(1)]	193.5	180.4
Net income (loss)	93.1	(302.6)
Dividends	67.1	136.7
(dollar per basic share except shares outstanding)		
EBITDA from operations [(1)]	2.52	2.50
Adjusted operating cash flow [(1)]	1.73	1.65
Net income (loss)	0.83	(2.77)
Dividends	0.60	1.17
Weighted average shares outstanding (millions)	111.9	109.2

Financial Position

(millions of dollars except debt ratios)	2012	2011
Total assets	2,036.3	2,193.4
Total liabilities	1,653.4	1,843.8
Net capital expenditures	39.3	35.0
Acquisitions	5.5	14.8
Senior debt [(2)]	489.6	612.1
Total debt [(2)]	1,181.1	1,353.5
Senior debt/Compliance EBITDA [(3)]	1.8x	2.3x
Total debt/Compliance EBITDA [(3)]	4.4x	5.1x

(1) Earnings before interest, taxes, depreciation and amortization (EBITDA), EBITDA from operations and adjusted operating cash flow (AOCF) are not recognized financial measures under International Financial Reporting Standards (IFRS). See Superior's Management's Discussion and Analysis, "Non-IFRS Financial Measures" for additional details.

(2) Senior debt and total debt are stated before deferred issue costs.

(3) See Superior's Management's Discussion and Analysis for additional details and Superior's Consolidated Financial Statements for the calculation of Compliance EBITDA.

President's Message

"The one single factor that assures me our organization is going to continue to improve is the genuine commitment and active involvement that I see from the leadership of our businesses."

Luc Desjardins President and Chief Executive Officer

I am pleased to report that 2012 was a year of significant accomplishments for Superior as we delivered improvements in our financial and operational performance. Superior recorded adjusted operating cash flow of $1.73 per share in 2012 compared to $1.65 per share in the prior year. In addition, Superior reduced its total leverage to 4.4x at December 31, 2012 from 5.1x at December 31, 2011. The business environment in 2012 continued to be challenging due in part to ongoing global economic uncertainty. Despite this environment, Superior's businesses continue to enjoy strong fundamentals and I am confident that our financial performance will continue to improve in 2013 and beyond.

During 2012 Superior executed a number of operational improvements which I view as key steps in improving not only our future financial performance but in meeting our goal of becoming a best-in-class operator in all our business segments. Areas where improvements were made in 2012 include:

- Upgrading the talent across the entire organization to ensure we have the right people to execute our business plans;
- Transitioning the Canadian Propane operations to a regional model from a centralized model;
- Addressing the information system requirements at our Canadian Propane operations which will result in the implementation of the ADD IT system throughout 2013 to facilitate ongoing improvements in customer service, forecasting, logistics and invoicing;
- Assessment of the Construction Products Distribution segment's branch network, which resulted in adoption of a hub-and-spoke model to service large regional markets, enabling the closure of 15 individual branches at a cost of $6.5 million; and
- Approval of $42 million in capital expenditure to double the hydrochloric acid production capabilities in our Specialty Chemicals business.

Destination 2015

As part of Superior's business transformation into a best-in-class organization we have implemented a number of business initiatives throughout our operations. This transformation is internally entitled *Destination 2015*. By developing a culture of continuous improvement, *Destination 2015* is intended to deliver ongoing improvements in operating and financial performance.

I want to stress to our shareholders that *Destination 2015* is not just an exercise in cost cutting. It is true that the improvements in our day-to-day processes will ensure that we run our businesses as efficiently as possible, which will translate into cost reductions in the years to come. The broader focus of *Destination 2015* is, however, to invest in our businesses to facilitate operational improvements and create a strong platform for future growth.

Enhancing our Core Competencies

Although we remain committed to making improvements under *Destination 2015*, we will not lose sight of our core competencies. In fact, we intend to lever what we already do well as the basis for our future improvements. Our Energy Services and Construction Products Distribution businesses are distribution based and, therefore, it is important that we continue to focus on building best-in-class logistics capabilities within these business. Delivering our products and services on an accurate and timely basis is imperative.

Our Specialty Chemicals business not only manufactures high quality chemicals, but just as importantly, is a developer of technology that improves the operations of Superior and its customers. We will continue to foster and develop all of these competencies in 2013 and beyond.

Committed to Execution

Destination 2015 and the execution of our long-term business plan will not be without challenges and I want to assure all of our shareholders that we are up to the task. Superior's senior leadership team and I are fully committed to ensuring we execute in a timely and successful manner. Although the work will be arduous, the importance is simply too great. We can and will meet our objectives. We will do so by continuing to focus on execution of our initiatives, a central feature of which is holding those responsible for execution accountable across the entire organization. Accountability on our initiatives is the responsibility of our senior leadership team, and is based on the collective efforts of our whole organization. By providing our teams the appropriate leadership and sharing best practices across our entire organization, we are providing ourselves with the necessary framework and tools to ensure we meet our goal of becoming a best-in-class organization.

2013 Priorities

Our priorities for 2013 are as follows:

- Superior will remain committed to executing on the initiatives that underpin *Destination 2015*;
- Superior will continue to focus on reducing the Company's total debt;
- Superior will continue to focus on improving asset productivity, inventory turnover and overall working capital management;

- Superior will continue to focus on streamlining processes and improving management information systems to facilitate improved day-to-day management decisions and cost reduction initiatives, including the implementation of the ADD IT system in the Canadian Propane operations and an integration of the IT systems in the Construction Products Distribution business;
- Superior will continue to work towards building a customer-centric culture;
    - It is vital that we understand the true costs of serving our customers, so we can intelligently price our services, while at the same time differentiating our services to our customers, thereby providing us with a competitive advantage; and
- Superior will continue to assess talent to ensure the business has the right people in key positions to facilitate and lead the execution of Superior's short and long-term business plans. Accountability for execution will be a priority across the entire organization.

Conclusion

There is no doubt that 2013 will be a year of heavy lifting for Superior, but despite the challenges Superior is likely to encounter throughout this period, we will remain acutely focused on the execution of the initiatives underpinning *Destination 2015*. We will balance the need for timely execution of our long-term objectives with our awareness of the need to remain focused on the importance of our day-to-day operations.

By continuing to develop and build a cohesive leadership team we will develop and foster a culture of accountability and continuous improvement, which I view as the cornerstone of every best-in-class business. By achieving the goals of our business improvement initiatives, I am confident that we will complete our transformation into a best-in-class operator, realizing a range of operational and financial improvements over the short-term, medium-term and long-term.

Acknowledgements

Superior's success will ultimately be due to the hard work and dedication of our more than 4,500 employees. I would like to thank each of our employees for your commitment to your respective businesses. I look forward to working with all of Superior's employees as well as each of Superior's directors in the coming year. On behalf of the entire organization, I would like to thank our securityholders for your continued support and confidence in Superior.

On behalf of the Board of Directors,

(signed) "Luc Desjardins"

Luc Desjardins
President and Chief Executive Officer

February 14, 2013

Management Team

Luc Desjardins

President and Chief Executive Officer

Mr. Desjardins joined Superior Plus as President and CEO in 2011. Prior to joining Superior Plus, Mr. Desjardins was a partner of the Sterling Group LLP, a private equity firm. Mr. Desjardins also served as President and CEO at Transcontinental Inc. from 2004 to 2008 and COO from 2000 to 2004. Mr. Desjardins holds a Masters of Business Administration degree from the University of Quebec and has taken the Harvard Business School Management Development Program.

Wayne M. Bingham

Executive Vice-President and Chief Financial Officer

Mr. Bingham joined Superior in 2006. He previously was Chief Financial Officer at Finning International Inc. and Ontario Power Generation. He has extensive experience in financial reporting, strategy, compliance, risk management, treasury and supply chain operations. Mr. Bingham holds a B. Comm. (Honours) and is a Chartered Accountant.

Greg L. McCamus

President, Energy Services and Superior Propane

Mr. McCamus joined Superior Energy Management as President in 2005 before being appointed President, Energy Services and Superior Propane in 2012. He previously was President of Sprint Canada Business Solutions and held various executive positions within the deregulated telecom industry over a 20–year period. He holds B.A. and M.B.A. designations.

Paul S. Timmons

President, Specialty Chemicals

Mr. Timmons has been with the Specialty Chemicals business or its predecessor organization, ERCO Worldwide, for 30 years, and was appointed as President in 2001. Mr. Timmons holds an Engineering Diploma from St. Francis Xavier University and a degree in Metallurgical Engineering from Technical University of Nova Scotia.

Dave Tims

President, Energy Supply and Oilfield

Mr. Tims joined Superior in 2009. Prior to joining Superior Plus he was CEO of a natural gas storage development company. Mr. Tims has extensive energy marketing, trading and risk management experience as a Managing Director with BMO Nesbitt Burns and prior to that as Director of Supply Services with TransCanada. Mr. Tims holds a B.A. from the University of Calgary and an M.B.A. in Finance from the Simon School of Business at the University of Rochester.

Paul J. Vanderberg

President, Construction Products Distribution

Mr. Vanderberg has been President of the Building Products Distribution business or its predecessor organization, Winroc, since 2000. He previously held various executive positions in general management and business development at USG Corporation, a leading building products manufacturer. Mr. Vanderberg holds B.A. and M.B.A. degrees.

Keith Wrisley

President, U.S. Refined Fuels

Mr. Wrisley joined Superior in 2009 as Director, U.S. Refined Fuels and was subsequently named President in 2012. Mr. Wrisley has held various executive positions within the energy sector over the past 25 years, most recently with Sunoco. Mr. Wrisley is a graduate of the State University of New York and the Leadership Philadelphia program.

Board of Directors

Catherine (Kay) Best [1]

Director since 2007; Corporate Director and Consultant; former Executive Vice-President, Risk Management and Chief Financial Officer of the Calgary Health Region; previous partner with Ernst & Young; Director of Canadian Natural Resources Limited, AltaGas Ltd., Aston Hill Financial Inc. and Wawanesa Insurance.

Grant D. Billing

Chairman and Chief Executive Officer of Superior since July 2006; On November 14, 2011, Mr. Billing retired as Chief Executive Officer and continues to serve as non-executive Chairman; prior to he was Executive Chairman since 1998; previously, President and CEO of Norcen Energy Resources Limited; Director of Pembina Pipeline Corporation.

Luc Desjardins

President and Chief Executive Officer of Superior since November 14, 2011; Previously, Mr. Desjardins was a partner of the Sterling Group, a private equity firm; Mr. Desjardins also served as CEO at Transcontinental Inc. from 2004 to 2008 and President and COO from 2000 to 2004; Mr. Desjardins is also a director of CIBC, a Canadian chartered bank.

Robert J. Engbloom, Q.C. [2]

Director since 1996; Deputy Chair and Partner of Norton Rose Canada LLP, formerly Macleod Dixon LLP; Director of Parex Resources Inc.

Randall J. Findlay [2]

Director since 2007; Corporate Director; Past President of Provident Energy from 2001 through 2006; Director of HNZ Group Inc., Pembina Pipelines Corporation, Whitemud Resources Inc. and Charger Energy Inc.

Norman R. Gish [3]

Director since 2003; Corporate Director and Independent Businessman; Previous Chairman, President and CEO of Alliance Pipeline Ltd. and Aux Sable Liquid Products Inc.; Chairman of ICG Propane Inc., from 1998 to 2000; Chair of the Compensation Committee.

Peter A.W. Green [1] [2]

Lead Director since 2003; Director since 1996; Corporate Director and Business Advisor; Chairman of Frog Hollow Group Inc., international business advisors; Director of Gore Mutual Insurance Company; Chair of the Governance and Nominating Committee.

James S.A. MacDonald [3]

Director in 1998 and since 2000; Corporate Director and Chairman of Cormark Securities Inc.; former Chairman and Managing Partner of Enterprise Capital Management Inc.; Director of ICG Propane Inc. from 1998 to 2000; Director of Cymbria Inc.

Walentin (Val) Mirosh [3]

Director since 2007; Corporate Director and President of Mircan Resources Ltd.; former Vice-President and Special Advisor to the President and COO of Nova Chemicals Corp.; former Partner at Macleod Dixon LLP; Director of TC Pipelines LP and Murphy Oil Corporation.

David P. Smith [1]

Director since 1998; Corporate Director; former Managing Partner of Enterprise Capital Management Inc.; Director of Xinergy Ltd.; Chair of the Audit Committee.

Committee

(1) Audit Committee
(2) Governance and Nominating Committee
(3) Compensation Committee

Corporate Governance

The Board of Directors ("Board") and senior management of Superior Plus Corp. ("Superior") consider good corporate governance to be central to the effective and efficient operation of Superior.

Superior strives to conduct its business ethically and in conformance with applicable laws and regulations. As such, Superior has earned a well-deserved reputation for honesty, integrity and maintaining a high standard of business conduct. To preserve and build upon that reputation, Superior continues to strengthen its governance processes, and foster a good governance culture throughout the organization.

The Board has general authority over Superior's business and affairs. Superior owns all of the Class A limited partnership units of Superior Plus LP ("Superior LP") and all of the common shares of Superior General Partner Inc. ("Superior GP"), the general partner of Superior LP. Superior LP is a diversified limited partnership with three operating segments comprised of the following businesses: Energy Services, Specialty Chemicals, and Construction Products Distribution.

The Board's fundamental objectives are to enhance Superior's investments and ensure that Superior and Superior GP meet their obligations and operate the underlying businesses of Superior LP in a responsible, reliable and safe manner. The Board works with management of the businesses to identify business risks and to oversee the appropriate strategies to maximize shareholder value, while seeking to reduce the environmental impacts of our operations and products.

The Board is comprised of 10 members, eight of whom are considered independent. Grant Billing, Chairman, is not considered to be independent until three years following his November 2011 retirement as Chief Executive Officer. Luc Desjardins is not considered to be independent as he is the President and Chief Executive Officer. Since 2003, Peter Green has served as Lead Director to strengthen the independence of the Board from management. The responsibilities of the Board are set forth in a written mandate of the Board which the Board reviews annually and changes as appropriate. Superior is governed by a Code of Business Conduct and Ethics, along with well-defined policies and procedures such as the Communication and Disclosure, Insider Trading and Whistleblower policies, all designed to promote honesty and integrity throughout Superior.

To assist the Board with its fiduciary responsibilities, the Board is supported by an Audit Committee, a Compensation Committee and by a Governance and Nominating Committee. Only independent directors serve on board committees. Each committee has a mandate that sets out its duties and responsibilities. Each committee makes regular reports to the Board. The Board reviews Superior's policies upon the recommendation of the Corporate Governance Committee. As we move forward, the Board will continue to be committed to a high standard in corporate governance and corporate conduct.

In further keeping with our commitment to high standards of corporate governance, Superior has Advisory Committees for each of Superior LP's businesses. The Advisory Committees are composed of two to three independent directors and senior corporate management. The Advisory Committees were formed with the intent of allowing for more detailed operational reviews at the different business levels which would result in a more focused strategic review at the Board level. In addition, each of Superior's businesses maintains appropriate programs and standards pertaining to quality, health and safety, while being committed to environmental and social responsibility and support for their local communities. These and other programs are also monitored through the Advisory Committees.

Although not formal Board committees, the Advisory Committee structure provides the directors with additional time to address social, environmental and regulatory matters, business opportunities, risks, strategies and challenges and allows the members of the Advisory Committee to provide advice where appropriate and act as the sounding board prior to bringing strategic matters and initiatives to the Board. Membership rotation for the Advisory Committees occurs from time to time in order to provide each Board member with maximum exposure to each of the businesses of Superior LP.

For complete information on our corporate governance practices, please read our 2012 Information Circular. All Committee mandates, including those for the Audit, Compensation and Governance and Nominating Committees, our Code of Business Conduct and Ethics and our corporate governance policies and categorical standards are available at www.superiorplus.com.

Management's Discussion and Analysis

The following Management's Discussion and Analysis (MD&A) is a review of the financial performance and position of Superior Plus Corp. (Superior) as at December 31, 2012 and for the years ended December 31, 2012 and 2011. The information in this MD&A is current to February 14, 2013. This MD&A should be read in conjunction with Superior's audited consolidated financial statements and notes thereto as at and for the years ended December 31, 2012 and 2011.

The accompanying audited consolidated financial statements of Superior were prepared by and are the responsibility of Superior's management. Superior's audited consolidated financial statements as at and for the years ended December 31, 2012 and 2011 were prepared in accordance with *International Financial Reporting Standards (IFRS)* as issued by the International Accounting Standards Board (IASB). Dollar amounts in this MD&A are expressed in Canadian dollars and millions except where otherwise noted. All tables and graphs are for the 12 months ended December 31 of the year indicated, unless otherwise stated.

Overview of Superior

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

Summary of Adjusted Operating Cash Flow

(millions of dollars except per share amounts)	**2012**	2011
EBITDA from operations: (1)		
Energy Services	**134.2**	133.6
Specialty Chemicals	**127.5**	115.2
Construction Products Distribution	**20.8**	24.2
	282.5	273.0
Interest expense	**(71.7)**	(79.2)
Cash income tax expense	**(1.1)**	(1.5)
Corporate costs	**(16.2)**	(11.9)
Adjusted operating cash flow (1)	**193.5**	180.4
Adjusted operating cash flow per share (2), basic (2) and diluted (3)	**$1.73**	$1.65

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

(2) The weighted average number of shares outstanding for the year ended December 31, 2012, is 111.9 million (2011 – 109.2 million).

(3) For the years ended December 31, 2012 and 2011, there were no dilutive instruments.

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

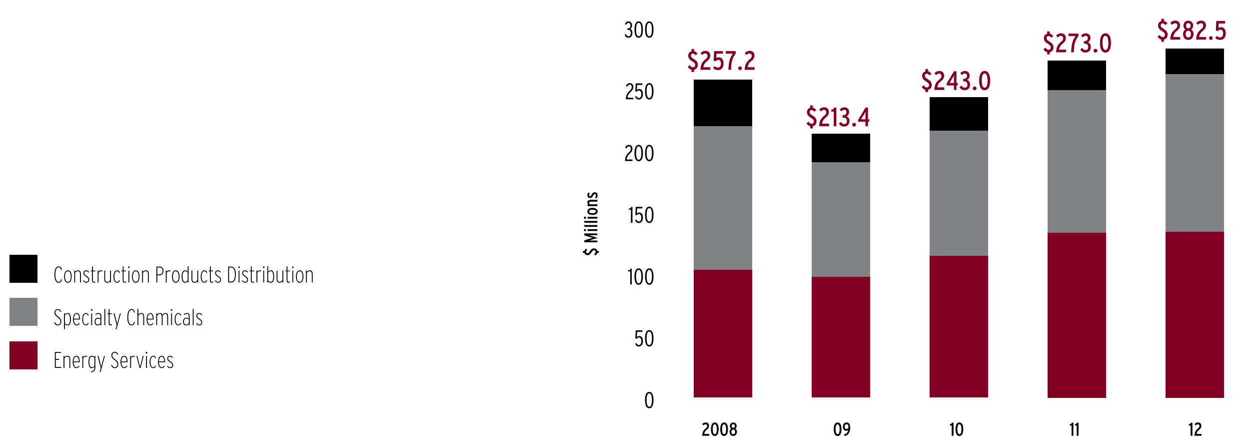
(millions of dollars)		2012	2011
Net cash flow from operating activities		**347.9**	291.2
Add:	Non cash interest expense	**6.7**	8.0
Less:	Decrease in non-cash working capital	**(81.6)**	(30.1)
	Income tax expense	**(1.1)**	(1.5)
	Finance costs recognized in net earnings	**(77.6)**	(85.5)
	Gain on debenture redemption	**(0.8)**	(1.7)
Adjusted operating cash flow		**193.5**	180.4

(1) See the audited consolidated financial statements for net cash flow from operating activities and changes in non-cash working capital.

Adjusted operating cash flow for the year ended December 31, 2012 was $193.5 million, an increase of $13.1 million or 7% from the prior year. The increase in adjusted operating cash flow was due to increased EBITDA from operations of Specialty Chemicals and lower interest costs offset in part by lower EBITDA from operations of Construction Products Distribution and higher corporate costs. Adjusted operating cash flow per share was $1.73 per share for the year ended December 31, 2012, an increase of $0.08 per share or 5% due to the increase in adjusted operating cash flow as noted above, offset in part by a 2% increase in the weighted average number of shares outstanding. The average number of shares outstanding increased in 2012 as a result of shares issued from Superior's Dividend Reinvestment Program and Optional Share Purchase Plan (DRIP).

As demonstrated in the following chart, Superior is well diversified with Energy Services, Specialty Chemicals and Construction Products Distribution contributing 48%, 45%, and 7% of EBITDA from operations in 2012, respectively.

EBITDA from Operations



Superior had net earnings of $93.1 million for 2012, compared to a net loss of $302.6 million for 2011. The increase in net earnings was due to a reduction in impairments as the prior year included an impairment charge of $378.6 million, higher gross profits, lower operating costs and gains on financial instruments. Consolidated revenues of $3,624.3 million in 2012 were $301.3 million lower than in the prior year. This was due primarily to lower Energy Services revenue as a result of lower commodity prices and sales volumes, offset in part by higher Specialty Chemicals revenue due to a more profitable sales mix and higher sales volumes and higher Construction Products Distribution revenue due to improved sales volumes and the introduction of new products. Gross profit of $846.3 million was $18.8 million higher than in the prior year due to improved gross profit at Specialty Chemicals and Construction Products Distribution due to increased sales volumes, offset in part by lower gross profit at Energy Services due to lower sales volumes.

Operating expenses of $694.0 million in 2012 were $12.7 million lower than in the prior year, due to the reduced amortization expense offset in part by restructuring costs incurred by Construction Products Distribution and higher corporate costs. The decrease in amortization expense was due to the impairment of Energy Services intangible assets, which was recorded in 2011. Restructuring costs of $6.5 million were incurred by Construction Products Distribution as part of its efforts to optimize the cost structure and $4.2 million was incurred at Energy Services. Corporate costs were higher than in the prior year due to increased long-term incentive costs, which resulted from the increase in Superior's share price and severance costs offset in part by year-end accrual adjustments. Total interest expense of $77.6 million was $7.9 million lower than in the prior year due principally to lower average debt throughout the year due to lower net working capital and higher cash flow. Unrealized gains on financial instruments were $32.1 million in 2012 compared to unrealized losses of $9.7 million in the prior year. The increase in unrealized gains from the prior year is primarily due to higher unrealized gains in the current year on natural gas forward contracts due to fluctuations in the spot prices of natural gas. Gains or losses on Superior's various financial instruments are without consideration of the fair value of the underlying customer or supplier commitment. Total income tax expense was $9.0 million for 2012 compared to a recovery of $50.4 million for 2011. The increase in income tax expense was due to higher net earnings in 2012 as the prior year included an impairment charge recorded to intangible assets and goodwill which resulted in a net loss.

Annual Financial Results Of Superior's Operating Segments

Energy Services

Energy Services' condensed operating results for 2012 and 2011:

(millions of dollars)	2012	2011
Revenue [1]	**2,301.6**	2,686.1
Cost of sales [1]	**(1,854.2)**	(2,230.9)
Gross profit	**447.4**	455.2
Less: Cash operating and administrative costs [1]	**(313.2)**	(321.6)
EBITDA from operations	**134.2**	133.6

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

Revenues were $2,301.6 million in 2012, a decrease of $384.5 million from revenues of $2,686.1 million in 2011. The decrease in revenues is primarily due to lower commodity prices and sales volumes. Total gross profit for 2012 was $447.4 million, a decrease of $7.8 million or 2% from the prior year. The decrease in gross profit is due to lower sales volumes within U.S. refined fuels and lower gross profits from the fixed-price energy services businesses largely offset by higher gross profit within the Canadian propane distribution business due to higher gross margins. A summary and detailed review of gross profit is provided below.

Gross Profit Detail

(millions of dollars)	**2012**	2011
Canadian propane distribution	**235.7**	223.0
U.S. refined fuels distribution	**123.1**	137.7
Other services	**39.6**	42.3
Supply portfolio management	**18.3**	15.1
Fixed-price energy services	**30.7**	37.1
Total gross profit	**447.4**	455.2

Canadian Propane Distribution

Canadian propane distribution gross profit for 2012 was $235.7 million, an increase of $12.7 million or 6% from 2011, due to higher gross margins offset in part by lower sales volumes. Residential and commercial sales volumes in 2012 were 14 million litres or 4% lower than in the prior year due to warm weather during the first quarter of 2012, offset in part by colder weather and increased demand during the fourth quarter of 2012. Average weather across Canada for the year, as measured by degree days, was 3% warmer than in the prior year and 3% warmer than the five-year average. Industrial volumes increased by 12 million litres or 2%, primarily due to increased oilfield services demand and agent demand. Automotive propane volumes declined by 4 million litres or 5%. This is lower than the structural decline experienced in prior years in this end-use market, due to the favourable price spread between propane and gasoline.

Average propane sales margins for 2012 increased to 18.2 cents per litre from 17.1 cents per litre in the prior year. The increase was principally due to the implementation of price increases to industrial and commercial sales contracts during the first quarter of 2012 and improved pricing management, offset in part by unfavourable movement in the sales mix as 2012 included a higher proportion of lower-margin sales volumes.

Canadian Propane Distribution Sales Volumes

Volumes by End-Use Application

(millions of litres)	**2012**	2011
Residential	**121**	128
Commercial	**255**	262
Agricultural	**60**	67
Industrial	**781**	769
Automotive	**75**	79
	1,292	1,305

Volumes by Region (1)

(millions of litres)	**2012**	2011
Western Canada	**751**	738
Eastern Canada	**440**	460
Atlantic Canada	**101**	107
	1,292	1,305

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

U.S. Refined Fuels Distribution

U.S. refined fuels gross profit for 2012 was $123.1 million, a decrease of $14.6 million or 11% from the prior year. The decrease in gross profit was due to lower sales volumes and lower gross margins. Sales volumes of 1,599 million litres decreased by 142 million litres or 8% from the prior year. The decrease was primarily due to warm weather during the first quarter, higher customer attrition and lack of continuous heating degree days to trigger deliveries. Weather as measured by heating degree days for the year was 10% warmer than the prior year. Average U.S. refined fuels sales margins of 7.7 cents per litre decreased slightly from the 7.9 cents per litre recorded in the prior year. The decrease in sales margins was due to higher transportation costs incurred to secure supply offset in part by continued strong propane margins.

U.S. Refined Fuels Distribution Sales Volumes

Volumes by End-Use Application (1)

(millions of litres)	**2012**	2011
Residential	**274**	336
Commercial	**764**	892
Automotive	**561**	513
	1,599	1,741

Volumes by Region (2)

(millions of litres)	**2012**	2011
Northeast United States	**1,599**	1,741
	1,599	1,741

(1) **Volume:** Volume of heating oil, propane, diesel and gasoline sold (millions of litres).
(2) **Regions:** Northeast United States region consists of Pennsylvania, Connecticut, New York, and Rhode Island.

Other Services

Other services gross profit was $39.6 million in 2012, a decrease of $2.7 million or 6% from the prior year. The decrease in other services gross profit is due to lower customer demand and service calls.

Supply Portfolio Management

Supply portfolio management gross profits were $18.3 million in 2012, an increase of $3.2 million from the prior year due to improved market-related opportunities and gains realized on fixed-price settlements.

Fixed-Price Energy Services

Fixed-Price Energy Services Gross Profit

	2012			2011		
(millions of dollars except volume and per unit amounts)	**Gross Profit**	**Volume**	**Per Unit**	Gross Profit	Volume	Per Unit
Natural gas (1)	**21.5**	**18.7 GJ**	**115.0 ¢/GJ**	31.0	21.1 GJ	146.9 ¢/GJ
Electricity (2)	**9.2**	**816.7 KWh**	**1.13 ¢/KWh**	6.1	606.3 KWh	1.01 ¢/KWh
Total	**30.7**			37.1		

(1) Natural gas volumes are expressed in millions of gigajoules (GJ).
(2) Electricity volumes are expressed in thousands of kilowatt hours (KWh).

Fixed-price energy services gross profit was $30.7 million in 2012, a decrease of $6.4 million (17%) from $37.1 million in the prior year. Natural gas gross profit was $21.5 million, a decrease of $9.5 million from the prior year due to lower margins and sales volumes. Gross profit per unit was 115.0 cents per gigajoule (GJ), a decrease of 31.9 cents per GJ (22%) from the prior year. The decrease in natural gas gross margins was due to the loss of higher-margin residential customers. Sales volumes of natural gas were 18.7 million GJ, 2.4 million GJ or 11% lower than in the prior year due a continued decline in residential volumes as a result of focusing marketing efforts towards the commercial segment, declines in the residential customer base and continued low natural gas prices. Electricity gross profit in 2012 was $9.2 million, an increase of $3.1 million or 51% from the prior year due to the aggregation of additional commercial customers in the Ontario market and residential customers in the Pennsylvania electricity market, which increased sales volumes. The fixed-price energy services business continues to grow in the newly entered Pennsylvania electricity market due to the launch of a residential electricity offering that is being sold to existing heating oil and propane customers.

Operating Costs

Cash operating and administrative costs were $313.2 million in 2012, a decrease of $8.4 million or 3% from the prior year. Operating costs were lower than in the prior year due to lower bad debt provisions, lower employee costs due to reduced sales volumes and employee incentive costs, offset in part by $4.2 million of one-time restructuring costs.

U.S. Refined Fuels Impairments

During the third quarter of 2011, U.S. refined fuels incurred asset impairments of $3.4 million due to flooding in Montoursville, Pennsylvania, and due to a fire at one of its locations in Mumford, New York, each of which damaged buildings, tanks and equipment. These interruptions did not affect U.S. refined fuels operations and management is working with Superior’s insurance providers in order to get the facilities repaired.

During the fourth quarter of 2011, Energy Services performed a detailed impairment review of its intangible assets and goodwill. This calculation was performed as part of the annual impairment test and indicated impairment with the Canadian propane distribution and U.S. refined fuels segments within Energy Services. As a result of a detailed cash flow evaluation, Energy Services recorded an impairment charge of $100.6 million to the intangible assets and goodwill of U.S. refined fuels and $200.0 million to the goodwill of Canadian propane distribution.

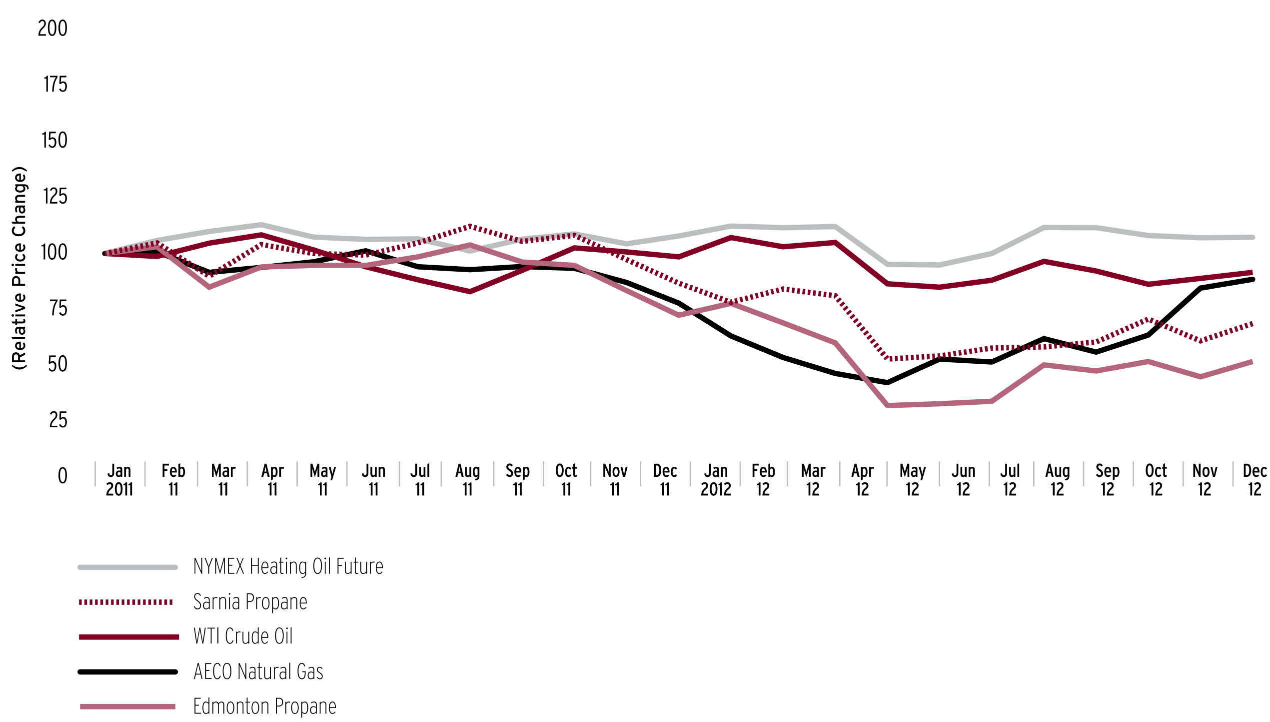
On October 20, 2012, a kerosene leak was discovered in the bottom of a storage tank at U.S. refined fuels Marcy terminal location. The leak was investigated and contained by the environmental group. U.S. refined fuels than notified the Department of Environmental Conservation (DEC) which performed an independent review of the leak and other tanks at this location. On December 27, 2012, the DEC issued a notice of violation based on their inspections and subsequent to discussions between management and the DEC, a consent order was issued to U.S. refined fuels on February 4, 2013. The consent order identified that the secondary containment system and storage tanks are not in compliance with DEC design requirements and need to be rebuilt to specific standards by September 1, 2013 in order to remain operational. Management is assessing the implications of the consent order on the future operations of the facility and potential alternatives to completing the repair work required. This event is not expected to have an impact on the operations of U.S. refined fuels or operating results going forward. Also, management is assessing the impact of additional remediation costs although they are not expected to be material.

Due to the leak and receipt of the consent order, management has performed a detailed impairment review of the Marcy terminal to assess whether the carrying value of all the storage tanks does not exceed the recoverable amount. The recoverable amount of the assets was based on management's estimate of the fair value less costs to sell. Based on a detailed review by management, the fair value less costs to sell of the storage tanks was lower than the carrying value. An impairment charge of $4.7 million was recorded against net earnings along with a $4.7 million reduction in the carrying value of the impaired storage tanks.

Overall, Energy Services' operations benefit from the segment's leading market share in the Canadian propane distribution market and considerable operational and customer diversification throughout Canada and the Northeast United States through Superior's U.S. refined fuels assets. Energy Services' customer base is well diversified geographically and across end-use applications, and its largest customer contributed approximately 4% of gross profits in 2012. Energy Services' top 10 customers comprised approximately 6% of its revenues in 2012, with its largest customer representing approximately 3% of its revenues.

As shown in the chart below, wholesale propane and heating oil prices fluctuated throughout 2012. Approximately 26% of Superior's fuel distribution sales volumes are due to heating-related applications and 74% are due to general economic activity levels.

Relative Change in Edmonton Propane, WTI Crude Oil, Natural Gas, NYMEX Heating Oil vs. Sarnia Propane



Acquisitions

On July 17, 2012, Superior completed the acquisition of certain assets constituting a propane distribution business for an aggregate price of $5.5 million including adjustments for net working capital. The primary purpose of the acquisition was to expand Energy Services' business in British Columbia and benefit from synergies.

During 2011, Canadian propane distribution and U.S. refined fuels completed several acquisitions totalling $14.9 million, to expand Energy Services' geographical footprint and customer base.

Outlook

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

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

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

Specialty Chemicals

Specialty Chemicals' condensed operating results for 2012 and 2011:

	2012		2011	
(millions of dollars except per metric tonne (MT) amounts)		**$ per MT**		$ per MT
Chemical revenue (1)	**542.2**	**703**	529.1	685
Chemical cost of sales (1)	**(283.9)**	**(368)**	(290.4)	(376)
Chemical gross profit	**258.3**	**335**	238.7	309
Less: Cash operating and administrative costs (1)	**(130.8)**	**(170)**	(123.5)	(160)
EBITDA from operations	**127.5**	**165**	115.2	149
Chemical volumes sold (thousands of MTs)	**771**		772	

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

Chemical revenue was $542.2 million in 2012, $13.1 million or 2% higher than in the prior year, primarily as a result of increased sodium chlorate sales volumes and higher gross margins, offset in part by lower chloralkali/potassium sales volumes and pricing.

Gross profit of $258.3 million in 2012 was $19.6 million or 9% higher than in the prior year due to increased sodium chlorate gross profits, which included the one-time favourable net contribution from a settlement payment received from TransCanada Energy Ltd. during August 2012 (see "Settlement" for further details). Sodium chlorate gross profit (excluding the settlement) increased by $4.4 million or 3%, due to slightly higher sales volumes, slightly higher gross margins and higher technology gross profits due to increased project activity.

Sodium chlorate sales volumes increased by 7,000 tonnes or 2% over the prior year due to higher demand in North America as a result of increased demand for pulp and increased Chilean sale volumes.

Average selling prices for sodium chlorate were 2% higher than in the prior year due to price increases from contract renewals, offset in part by lower U.S. dollar forward exchange contract settlements on U.S. dollar-denominated sales. See "Financial Instruments – Risk Management" for a discussion of hedge positions.

Cost of sales for sodium chlorate was lower than in the prior year due to lower inventory purchase costs, lower electrical input costs and the one-time favourable net contribution from the settlement payment received from TransCanada Energy Ltd. during August 2012 (see "Settlement" for further details). Electrical costs, which represent 70% to 85% of the variable costs of the production of sodium chlorate, were lower than in the prior year due to downward pressure on overall electricity pricing and production management activities at facilities where the cost of electricity is subject to market fluctuations.

Chloralkali/potassium gross profits decreased by $7.4 million or 8%, due to a reduction in sales volumes, lower gross margins and a less profitable sales mix. Chloralkali/potassium sales volumes decreased by 8,500 tonnes or 3% due to a temporary production curtailment associated with the completion of a mandatory bromine upgrade project at Specialty Chemicals Port Edwards facility and decreased demand for hydrochloric acid. Overall average selling prices were lower than in 2011 due primarily to weakness in the price of chlorine, which negatively impacted results.

Total chemical sales volumes were 771,000 tonnes in 2012, a decrease of 1,000 tonnes or nil% from the prior year, due to lower chloralkali/potassium sales volumes, offset in part by higher sodium chlorate sales volumes as noted above. Average chemical revenue was $703 per MT in 2012 compared to $685 per MT in 2011, an increase of 3%, reflecting higher realized sodium chlorate pricing, offset in part by lower overall average pricing on chloralkali/potassium products. Sodium chlorate and chloralkali/potassium production capacity utilization in 2012 averaged 92% (2011 – 95%) and 84% (2011 – 94%), respectively.

Cash operating and administrative costs were $130.8 million in 2012, an increase of $7.3 million or 6% from the prior year. Operating expenses were affected by higher maintenance expenditures, employee compensation costs and general inflationary increases.

Settlement

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

Major Capital Projects

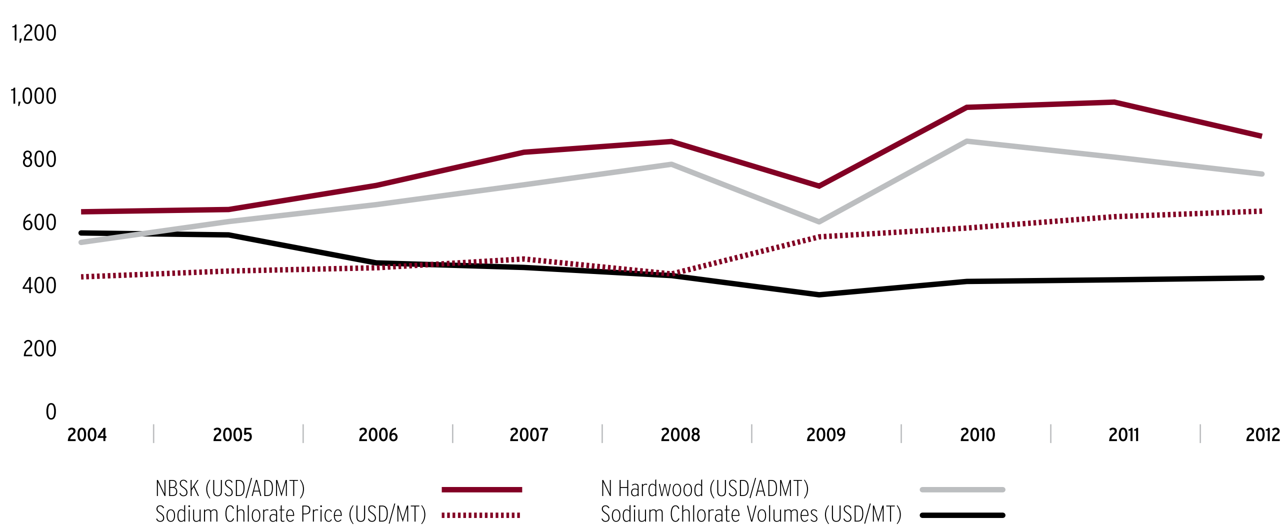
As announced in the first quarter of 2012, Superior has approved an $18 million expansion of hydrochloric acid production capacity at the Port Edwards, Wisconsin chloralkali facility. The existing capacity of 110,000 wet metric tonnes (WMT), or 36,000 dry metric tonnes, will be increased to approximately 220,000 WMT. The project will be carried out through 2012 and 2013, with commercial production expected in the second quarter of 2014. As of this date, a total of $1.4 million has been spent on the project.

As announced in the third quarter of 2012, Superior has approved a $25 million expansion of the hydrochloric acid production capacity at the Saskatoon, Saskatchewan chloralkali facility. The existing capacity of 70,000 WMT, or 22,000 dry metric tonnes, will be increased to approximately 140,000 WMT. The project will be carried out through 2013 and 2014 with commercial production expected in the fourth quarter of 2014.

Upon completion of both projects, Superior will have total hydrochloric acid production capacity of approximately 360,000 WMT. The two expansions will allow Superior to optimize overall returns at both facilities by converting a larger portion of its chlorine into higher-value hydrochloric acid.

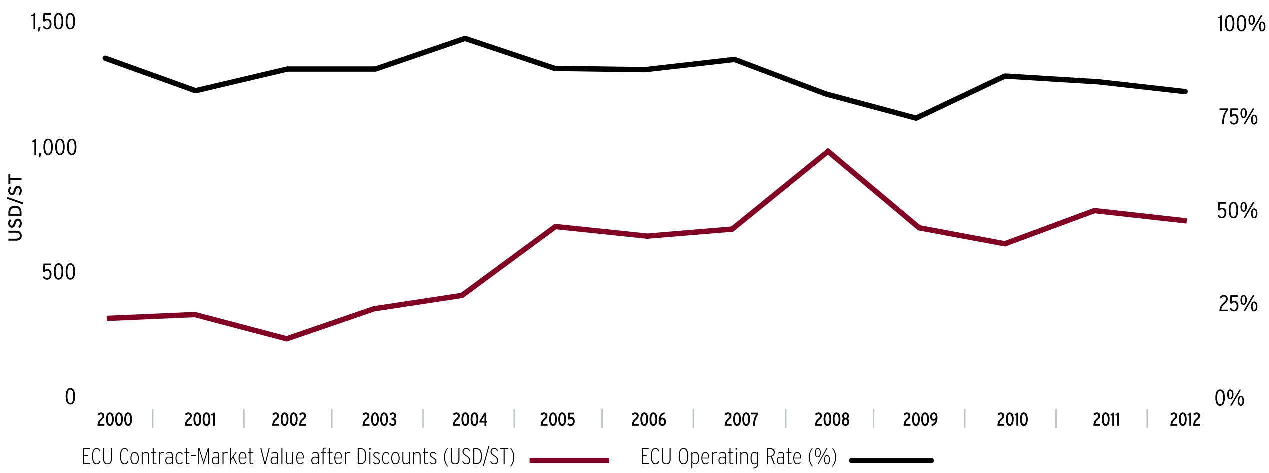
Sodium chlorate sales in 2012 represented 63% of Specialty Chemicals' EBITDA from operations, excluding the PPA Settlement, an increase of 6% from the 57% contribution in 2011. Sodium chlorate is principally sold to bleached pulp manufacturers. It is used to generate chlorine dioxide for bleaching pulp. Sodium chlorate represents approximately 5% of the variable cost to manufacture bleached pulp. As a result, sodium chlorate sales volumes and prices tend to be stable over time despite the volatility of bleached pulp prices (see the following chart).

Pulp Prices Compared to Sodium Chlorate Prices and Sales Volumes



Chloralkali/potassium sales in 2012 contributed 37% of EBITDA from operations, a decrease of 6% from the 43% contribution in 2011. Operating rates of the North American Chloralkali segment and electrochemical unit pricing have remained relatively stable in 2012.

Chloralkali ECU Pricing Compared to Operating Rates



Specialty Chemicals' top 10 customers comprised approximately 49% of its revenues in 2012, with its largest customer representing 7% of its revenues.

Outlook

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

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

Construction Products Distribution

Construction Products Distribution's condensed operating results for 2012 and 2011:

(millions of dollars)	**2012**	2011
Revenue		
Gypsum Specialty Distribution (GSD) revenue [(1)]	**526.1**	479.9
Commercial and Industrial Insulation (C & I) revenue	**252.8**	231.9
Cost of sales		
GSD cost of sales	**(408.6)**	(367.7)
C & I cost of sales	**(186.4)**	(169.4)
Gross profit	**183.9**	174.7
Less: Cash operating and administrative costs	**(163.1)**	(150.5)
EBITDA from operations	**20.8**	24.2

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

GSD and C & I revenues were $778.9 million for 2012, $67.1 million or 9% higher than in the prior year. The increase in revenue was due to higher demand for GSD and C & I products in both Canada and the U.S, the expansion of GSD product lines into U.S. locations, and the introduction of new products.

Gross profit was $183.9 million in 2012, $9.2 million or 5% higher than in the prior year due to increased revenues as noted above, offset in part by lower gross margins. Gross margins were lower than in the prior year due to supplier price increases which were not fully passed through to customers, introduction of lower-margin products, competitive pressures in some regions and changes in sales mix.

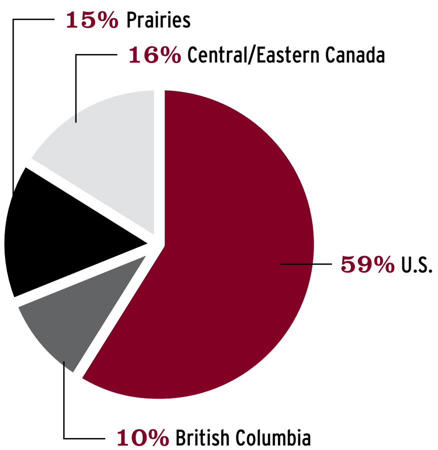
Cash operating and administrative costs were $163.1 million in 2012, an increase of $12.6 million or 8% from the prior year. The increase was primarily due to higher restructuring charges, as a total of 15 branches were closed during 2012 (see "Restructuring" for further details) at a total cost of $6.5 million and higher employee costs associated with increased sales volumes.

Intangible and Goodwill Impairments

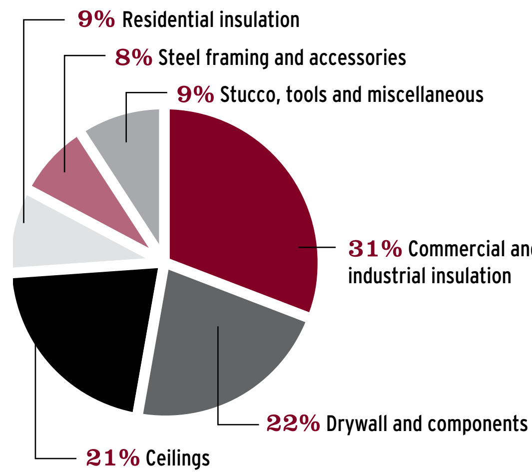
During the third quarter of 2011, Construction Products Distribution performed a detailed impairment review of its intangible assets and goodwill, due to a reduction in the near-term and medium-term forecasts for the segment. The review indicated impairment. As a result of a detailed cash flow evaluation, Construction Products Distribution recorded an impairment charge of $78.0 million to intangible assets and goodwill. No impairment charges were recorded for the segment in 2012.

Construction Products Distribution enjoys considerable geographical and customer diversification, servicing over 17,000 customers from 113 distribution branches (see "Total Revenues by Region" pie chart). Its 10 largest customers represent approximately 7% of its annual distribution sales, with the largest customer generating approximately 1% of annual distribution sales. Construction Products Distribution enjoys a strong position in its operating markets, supported by its complete walls, ceilings, residential insulation, commercial and industrial insulation product lines, and by its procurement capabilities (see "Total Revenues by Product" pie chart).

Total Revenues by Region - 2012

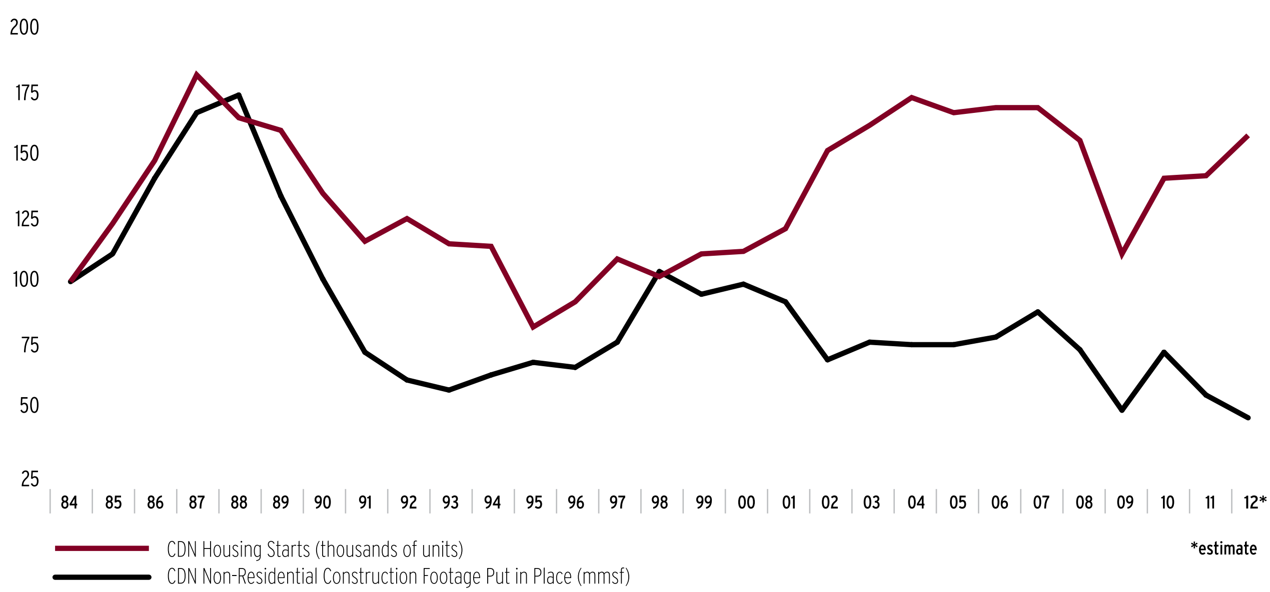


Total Revenues by Product - 2012

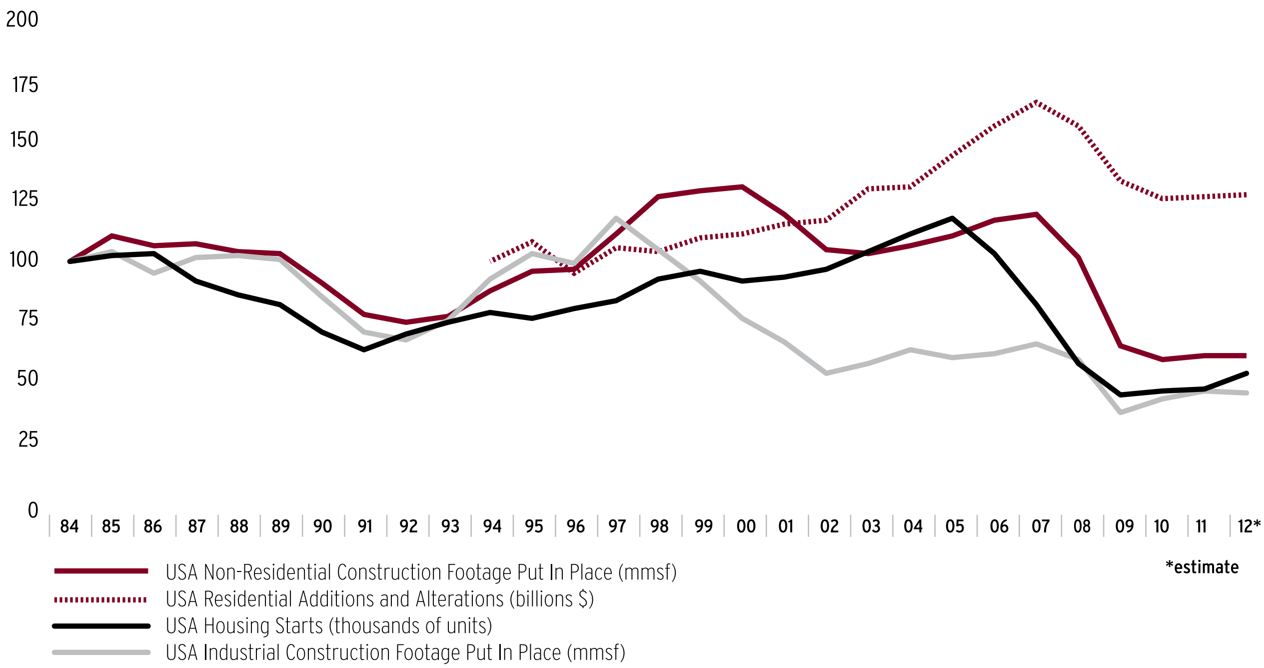


Sales to commercial and industrial builders and contractors are comprised of Construction Products Distribution's full product line, whereas sales to residential builders and contractors are principally comprised of drywall and components, insulation and plaster products. Demand for walls and ceiling construction products is influenced by overall economic conditions with approximately 56% of sales from servicing commercial new construction and remodelling activity, 28% from servicing residential new construction and remodelling activity and 16% of sales from servicing industrial activity. New commercial construction and industrial demand trends have historically lagged new residential construction (see charts on the Canadian and U.S. end-use construction segments below).

Canadian End-Use Construction Segments



U.S. End-Use Construction Segments



Outlook

Superior expects business conditions in 2013 for its Construction Products Distribution business to be similar to 2012, with conditions improving slightly in the U.S. and lower residential construction in Canada. EBITDA from operations is anticipated to be higher in 2013 than in 2012 due in part to the absence of restructuring costs incurred in 2012 and the benefit from the business initiatives noted below. Superior continues to see difficult market conditions in the residential and commercial segments in both countries although U.S. housing starts are increasing and this will provide support for future sales growth. Superior does not anticipate significant near-term improvements in the end-use markets.

Restructuring

The Construction Products Distribution business continues to review all aspects of operations to optimize its cost structure and improve gross margins. A total of $6.5 million in restructuring costs were recognized in 2012 associated with the closure or reorganization of 15 branches. Restructuring activities were actively managed to minimize costs and the impact on customers.

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

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

Consolidated Capital Expenditure Summary

(millions of dollars)	**2012**	2011
Efficiency, process improvement and growth-related	**11.4**	16.3
Other capital	**32.4**	21.9
	43.8	38.2
Other acquisitions	**5.5**	14.8
Proceeds on disposition of capital	**(4.5)**	(3.2)
Total net capital expenditures	**44.8**	49.8
Investment in financing leases	**8.1**	15.7
Total expenditures	**52.9**	65.5

Efficiency, process improvement and growth-related expenditures were $11.4 million in 2012 compared to $16.3 million in the prior year. They are primarily related to Energy Services' purchases of rental assets and truck-related expenditures and Specialty Chemicals-related capital projects.

Other capital expenditures were $32.4 million in 2012, compared to $21.9 million in the prior year, consisting primarily of required maintenance and general capital across Superior's segments. The increase was primarily related to Specialty Chemicals' bromine removal project and several other smaller projects.

In July 2012, the Energy Services segment completed the acquisition of the assets of a small regional propane distribution business for $5.5 million, excluding $1.0 million in net working capital. During 2011, U.S. refined fuels completed the acquisition of eight heating oil and propane distributors for total consideration of $10.4 million, and Canadian propane distribution completed the acquisition of a small propane distributor for total consideration of $4.5 million. Construction Products Distribution also completed an acquisition of a small branch for $0.2 million in 2011.

Proceeds on the disposal of capital were $4.5 million in 2012 and consisted of Superior's disposition of surplus tanks, cylinders and other assets.

During 2012, Superior entered into new leases with capital-equivalent value of $8.1 million, primarily related to delivery vehicles for the Energy Services and Construction Products Distribution segments.

Capital expenditures were funded from a combination of operating cash flow, the issuance of common shares and revolving-term bank credit facilities.

Corporate and Interest Costs

Corporate costs were $16.2 million in 2012, an increase of $4.3 million over the prior year. The increase was due to higher long-term incentive plan costs associated with the increase in Superior's share price during the year and severance costs, offset in part by lower provisions.

Interest expense on borrowing was $38.4 million in 2012, a decrease of $4.3 million from the $42.7 million incurred in the prior year. The decrease was primarily due to lower average debt during the majority of 2012, offset in part by the redemption of $49.9 million on August 1, 2012 of Superior's previously issued 5.75% debentures due December 31, 2012. See "Liquidity and Capital Resources" for further details.

Interest on Superior's convertible unsecured subordinated debentures ("Debentures", which include all series of convertible unsecured subordinated debentures) was $33.3 million for 2012, a decrease of $3.2 million from the $36.5 million incurred in the prior year. The decrease is primarily due to the redemption of $75.0 million on November 7, 2011, $50.0 million on December 12, 2011 and $49.9 million on August 1, 2012 of Superior's previously issued 5.75% debentures due December 31, 2012.

Income Taxes

Consistent with prior periods, Superior recognizes a provision for income taxes for its subsidiaries that are subject to current and future income taxes, including U.S. income tax, U.S. non-resident withholding tax and Chilean income tax.

Total income tax expense for 2012 was $9.0 million, comprised of $1.1 million in cash income tax expense and $7.9 million in deferred income tax expense. This compares to a total income tax recovery of $50.4 million in the prior year, which consisted of $1.5 million in cash income tax expense and a $51.9 million deferred income tax recovery.

Cash income taxes for 2012 were $1.1 million, consisting of income taxes in the U.S. of $1.1 million (2011 – $1.5 million of U.S. cash tax expense). Deferred income tax expense for 2012 was $7.9 million (2011 – $51.9 million deferred income tax recovery), resulting in a corresponding net deferred income tax asset of $300.6 million as at December 31, 2012. Deferred income taxes in 2012 were impacted by higher net earnings as the prior year included impairment charges recorded in Canada and the U.S.

As at December 31, 2012, Superior had the following tax pools available to be used in future years:

Canada	(millions of dollars)
Tax basis	311.6
Non-capital losses	92.5
Capital losses	607.3
Canadian scientific research expenditures	608.3
Investment tax credits	160.0
United States	
Tax basis	185.3
Non-capital losses	110.1
Chile	
Tax basis	19.2
Non-capital loss carry-forwards	20.3

See the audited consolidated financial statements for the year ended December 31, 2012 for a summary of the expiry of the non-capital loss carry-forwards and investment tax credits. Capital loss carry-forwards, Canadian scientific research expenditures and Chilean non-capital losses are eligible to be carried forward indefinitely.

Update on Review of Conversion Transaction

Since the beginning of 2010, the Canada Revenue Agency (CRA) has requested information relating to Superior's conversion transaction, which occurred on December 31, 2008 (the "Conversion"), and Superior has responded to such requests and engaged in extensive discussions, including detailed settlement discussions, with representatives of the CRA. The CRA advised Superior that the CRA believes it does not have authority to settle the matter in this context. During the discussions, the CRA indicated that the general anti-avoidance rule of the *Income Tax Act* (Canada) is available to the CRA as a basis upon which to challenge the tax consequences of the Conversion.

On February 11, 2013, Superior received a proposal letter from the CRA which confirms its intention to challenge the tax consequences of the Conversion. As disclosed in Superior's MD&A for the period ended September 30, 2012, Superior anticipated receiving a proposal letter from the CRA in due course on this matter. The CRA has indicated in their proposal letter that they intend to challenge the transaction on the basis of the acquisition of control rules, in addition to the general anti-avoidance rules of the *Income Tax Act* (Canada). Superior has 30 days to respond to the letter and believes that the CRA will then proceed with a Notice of Reassessment for Superior's 2009, 2010 and 2011 taxation years. Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Conversion and intends to vigorously defend such. Superior also strongly believes that the acquisition of control or the general anti-avoidance rules do not apply to the Conversion and intends to file its future tax returns on a basis consistent with its view of the outcome of the Conversion.

Superior is required to make a payment of 50% of the tax liability claimed by the CRA in order to appeal the expected reassessment and, based on Superior's 2009, 2010, and 2011 taxation years, that amount is approximately $10 million and approximately $5 million for the 2012 taxation year once that information is filed with CRA and then ultimately reassessed. Superior would also be required to make a payment of 50% of the taxes the CRA claims are owed in any future tax year if the CRA were to issue a similar notice of reassessment for such years and Superior were to appeal it. Superior has 90 days from the Notice of Reassessment to prepare and file a Notice of Objection, which would be reviewed by the CRA's appeals division. If the CRA is not in agreement with Superior's Notice of Objection, Superior has the option to file its case with the Tax Court of Canada. Superior anticipates that legal proceedings through the various tax courts would take approximately two to four years. If Superior is ultimately successful in defending its position, such payments plus applicable interest, will be refunded to Superior. If the CRA is successful, Superior will be required to pay the balance of the taxes claimed plus applicable interest and penalties.

Superior's 2013 financial outlook as provided in this MD&A does not include the impact of a potential reassessment, as any interim tax payments made by Superior will be recorded to the balance sheet and will not impact either adjusted operating cash flow or net earnings.

Based on the midpoint of Superior's current 2013 financial outlook of adjusted operating cash flow per share of $1.80, if the tax pools from the Conversion were not available to Superior, the impact would be an increase to cash income taxes of approximately $0.15 per share. As previously stated, Superior intends to file its future income tax returns on a basis consistent with its view of the outcome of the Conversion.

Financial Outlook

Superior achieved adjusted operating cash flow per share for 2012 of $1.73, within the 2012 financial outlook range as provided in Superior's 2012 third-quarter MD&A. See the detailed discussions on each segment for a breakdown of the results achieved.

Superior's outlook is for adjusted operating cash flow for 2013 to be between $1.65 per share and $1.95 per share, consistent with Superior's previous financial outlook as provided in the 2012 third-quarter MD&A. Achieving Superior's adjusted operating cash flow outlook is dependent on the operating results of its three operating segments.

In addition to the operating results of Superior's three operating segments, significant assumptions underlying Superior's 2013 outlook are:

- Economic growth in Canada and the U.S. is expected to be similar to or modestly higher than in 2012;
- Superior is expected to continue to attract capital and obtain financing on acceptable terms;
- Superior's estimated total debt to EBITDA ratio is based on maintenance and growth related expenditures of $76.1 million and working capital funding requirements which do not contemplate any significant commodity price changes;

- The foreign currency exchange rate between the Canadian dollar and U.S. dollar is expected to average par in 2013 on all unhedged foreign currency transactions;
- Financial and physical counterparties are expected to continue fulfilling their obligations to Superior;
- Regulatory authorities are not expected to impose any new regulations impacting Superior;
- Superior's average interest rate on floating-rate debt is expected to remain consistent with 2012 levels; and
- Canadian and U.S. based cash taxes are expected to be minimal for 2013 based on existing statutory income tax rates and the ability to use available losses.

Energy Services

- Average temperatures across Canada and the Northeast U.S. are expected to be consistent with the recent five-year average for 2013;
- Total propane and U.S. refined fuels-related sales volumes are expected to increase in 2013, due to assumptions that weather will be consistent with the five-year average and that there will be an impact from customer win-back and retention programs;
- Wholesale propane and U.S. refined fuels-related prices are not anticipated to significantly impact demand for propane, refined fuels and related services;
- Supply portfolio management market results in 2013 are expected to increase as compared to 2012 due to supply chain management efforts and higher sales volumes due to a return to normal weather; and
- Fixed-price energy services is expected to be able to access sales channel agents on acceptable contract terms, and gross profits in 2013 will decrease from 2012. The decrease will be primarily related to lower natural gas gross margins due to lower transportation-related gross profits and lower contribution from residential customer renewals and residential customer count. Total new customer aggregation volumes are expected to decline from 2012 as the system price for natural gas remains low. Growth in the fixed-price electricity segment is expected to offset a portion of the decline in natural gas gross profits.

Specialty Chemicals

- Sodium chlorate sales volumes, pricing and margins in 2013 are expected to be consistent with 2012, as market conditions remain balanced;
- Chloralkali sales volumes, pricing and margins are expected to increase in 2013 due to improved contribution from hydrochloric acid and caustic soda;
- Electrical costs are expected to be consistent with 2012 as overall electrical pricing remains stable; and
- Average plant utilization will approximate 94% in 2013.

Construction Products Distribution

- GSD sales revenue from Canada is expected to decline in 2013 due to branch closures and lower residential construction activity, offset in part by the successful introduction of new products and price management. GSD sales revenue from the United States is expected to increase in 2013 due to continued expansion of existing product lines into U.S. branches, emphasis on specific product opportunities, pricing initiatives and market improvements in some regions. C & I sales revenue is expected to increase in 2013 due to emphasis on specific product opportunities and pricing initiatives;
- Sales margins for GSD and C & I are expected to increase slightly from 2012 due to price management initiatives, procurement strategy and closure of low-margin branches; and
- Operating costs as a percentage of revenue are expected to decrease due to the branch closures and restructuring completed in 2012.

Debt Management Update

Superior remains committed to reducing its total debt and its total debt leverage ratios. Superior's total debt to EBITDA ratio as at December 31, 2012 of 4.4X was within Superior's third quarter 2012 MD&A range of 4.2X to 4.4X.

Superior has increased the high end of its forecasted December 31, 2013 total debt to EBITDA range to 4.2X from the prior range of 4.0X provided at the third quarter of 2012 due to higher anticipated working capital levels and the anticipated payment to CRA. Superior's targeted total debt to EBITDA remains unchanged at 3.5X to 4.0X.

Debt Management Summary

	Per Share	Millions of Dollars
2013 financial outlook adjusted operating cash flow per share – mid-point [1]	$ 1.80	204.2
Maintenance capital expenditures, net	(0.27)	(30.2)
Capital lease obligation repayments	(0.14)	(15.5)
Cash flow available for dividends and debt repayment before growth capital	$ 1.39	158.5
Expansion of Port Edward's and Saskatoon facilities and one-time environmental costs	(0.25)	(28.2)
Other growth capital expenditures	(0.16)	(18.1)
Anticipated payment to CRA in relation to tax challenge [2]	(0.13)	(15.0)
Proceeds from dividend reinvestment program	0.12	13.6
Estimated 2013 free cash flow available for dividend and debt repayment	$ 0.97	110.8
Dividends (annualized)	$ (0.60)	(68.1)
Total estimated debt repayment (including Q4 2012 actuals)	$ 0.37	42.7
Estimated total debt to EBITDA ratio as at December 31, 2013	3.8X – 4.2X	3.8X – 4.2X
Dividends (annualized)	$ 0.60	68.1
Calculated payout ratio after all capital expenditures and anticipated payment to CRA	61%	61%

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

(2) See "Update on Review of Conversion Transaction" for additional details.

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

Liquidity and Capital Resources

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

Available Credit Facilities

As at December 31, 2012 (millions of dollars)	Total Amount	Borrowing	Letters of Credit Issued	Amount Available
Revolving term bank credit facilities (1)	**570.0**	**333.4**	**31.1**	**205.5**
Term loans (1)	**244.2**	**244.2**	**–**	**–**
Finance lease obligations	**62.0**	**62.0**	**–**	**–**
Total	**876.2**	**639.6**	**31.1**	**205.5**

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

Superior's revolving syndicated bank facility (Credit Facility), term loans and finance lease obligations (collectively Borrowing) before deferred financing fees totalled $639.6 million as at December 31, 2012, a decrease of $122.5 million from December 31, 2011. Overall Borrowing decreased from the prior year due to additional cash flow retained as a result of reducing the monthly dividend on November 2, 2011, lower accounts receivable in the Canadian propane distribution segment and higher cash flow from operating activities, offset in part by finance lease repayments, net capital expenditures and the $49.9 million redemption of 5.75% convertible unsecured subordinated debentures.

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

As at December 31, 2012, Debentures (before deferred issuance costs and option value) issued by Superior totalled $541.5 million, $49.9 million lower than the balance of $591.4 million as at December 31, 2011. The decrease in Debentures was due to the redemption of $49.9 million on August 1, 2012 (see "Redemption").

Redemptions

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

On November 30, 2012, Superior announced that it provided notice that it will redeem $50 million principal amount of its previously issued 5.85% convertible subordinated debentures due October 31, 2015 on January 3, 2013. As previously announced, Superior will use proceeds from its bank facility to fund the redemption of the 2015 Debentures. The 5.85% convertible subordinated debentures will, in accordance with their terms, be redeemed at the redemption price of $1,000 in cash per $1,000 principal amount of 2015 Debentures plus accrued and unpaid interest up to but excluding the redemption date. The record date for the partial redemption is December 31, 2012.

As at December 31, 2012, approximately $205.5 million was available under the Credit Facility, which Superior considers sufficient to meet its expected net working capital, capital expenditure and refinancing requirements.

Consolidated net working capital was $287.8 million as at December 31, 2012, a decrease of $89.5 million from net working capital of $377.3 million as at December 31, 2011. The decrease was primarily due to significant collections of past due accounts receivable related to the system upgrade at Canadian propane distribution, offset in part by higher inventory at U.S. refined fuels due a key supplier exiting the refinery business and warmer than expected weather. Lower net working capital at Construction Products Distribution was due to continued effort at optimizing net working capital as part of the segment's supply chain management review.

In May 2010, Superior re-established its DRIP. It provides shareholders with the opportunity to reinvest their cash dividends at a 5% discount to the market price of Superior's shares. Proceeds received from the DRIP for 2012 were $14.2 million as compared to $28.9 million in 2011, the decrease being primarily due to the reduction in Superior's dividend on November 2, 2011.

As at December 31, 2012, when calculated in accordance with the Credit Facility, the consolidated secured debt to compliance EBITDA ratio was 1.8 to 1.0 (December 31, 2011 – 2.3 to 1.0) and the consolidated debt to compliance EBITDA ratio was 2.4 to 1.0 (December 31, 2011 – 2.9 to 1.0). For both of these covenants all outstanding Debentures are omitted. These ratios are within the requirements contained in Superior's debt covenants. In accordance with the Credit Facility, Superior must maintain a consolidated secured debt to compliance EBITDA ratio of not more than 3.0 to 1.0 and not more than 3.5 to 1.0 as a result of acquisitions. In addition, Superior must maintain a consolidated debt to compliance EBITDA ratio of not more than 5.0 to 1.0, excluding Debentures. Also, Superior is subject to several distribution tests and the most restrictive stipulates that distributions (including Debenture holders and related payments) cannot exceed compliance EBITDA less cash income taxes, plus $35.0 million, on a trailing 12-month rolling basis. On a 12-month rolling basis as at December 31, 2012, Superior's available distribution amount was $120.0 million under the above noted distribution test.

On March 30, 2012, Standard and Poor's confirmed both Superior and Superior LP's long-term corporate credit rating as BB- and the secured debt rating as BB+. The outlook rating for Superior and Superior LP remains stable and the credit rating on Superior's unsecured debt is unchanged at BB-. On August 17, 2012, DBRS confirmed Superior LP's senior secured rating of BB (high) and Superior LP's senior unsecured rating of BB (low). The trend for both ratings is stable.

As at December 31, 2012, Superior had an estimated defined benefit pension solvency deficiency of approximately $36.7 million (December 31, 2011 – $36.3 million) and a going concern solvency deficiency of approximately $6.5 million (December 31, 2011 – $16.6 million). Funding requirements required by applicable pension legislation are based upon going concern and solvency actuarial assumptions. These assumptions differ from the going concern actuarial assumptions used in Superior's financial statements. Superior has sufficient liquidity through existing revolving term bank credits and anticipated future operating cash flow to fund this deficiency over the prescribed funding period.

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

Contractual Obligations and Other Commitments

			Payments Due In			
(millions of dollars)	Note (1)	Total	2013	2014-2015	2016-2017	Thereafter
Borrowing (including capital leases)	18	639.6	59.7	416.3	162.4	1.2
Debentures	20	525.1	50.0	91.5	239.6	144.0
Minimum future lease payment under finance leases	19	62.0	16.4	30.1	13.0	2.5
Operating leases (2)	19	163.6	38.1	89.9	35.6	–
US$ foreign currency forward sales contracts	22	649.4	218.0	315.0	116.4	–
Natural gas, propane, heating oil, and electricity purchase commitments (3)	22	94.8	20.3	39.2	35.3	–
Total contractual obligations		2,134.5	402.5	982.0	602.3	147.7

(1) Notes to the consolidated financial statements.

(2) Operating leases comprise Superior's off-balance-sheet obligations.

(3) Does not include the impact of financial derivatives. See Note 22 to the consolidated financial statements.

Shareholders' Capital

The weighted average number of common shares issued and outstanding was 111.9 million in 2012 compared to 109.2 million in 2011, an increase of 2.7 million shares from the prior year due to the issuance of 1,968,606 common shares over the year and the resulting impact on the weighted average number of shares outstanding. The following table provides details:

	Closing Date	Average Issuance Price per Share	Issued Number of Common Shares (Millions)
As at December 31, 2011			**110.8**
Issuance of common shares under Superior's DRIP	January 13, 2012 through December 14, 2012	$ 7.48	2.0
As at December 31, 2012			**112.8**

As at February 14, 2013, December 31, 2012 and December 31, 2011, the following common shares and securities convertible into common shares were issued and outstanding:

	February 14, 2013		December 31, 2012		December 31, 2011	
(millions)	Convertible Securities	Shares	Convertible Securities	Shares	Convertible Securities	Shares
Common shares outstanding [1]		**112.9**		**112.8**		110.8
5.75% Debentures [2]	**–**	**–**	**–**	**–**	$ 49.9	1.4
5.85% Debentures [3]	**$ 25.0**	**0.8**	**$ 75.0**	**2.4**	$ 75.0	2.4
7.50% Debentures [4]	**$ 69.0**	**5.3**	**$ 69.0**	**5.3**	$ 69.0	5.3
5.75% Debentures [5]	**$ 172.5**	**9.1**	**$ 172.5**	**9.1**	$ 172.5	9.1
6.00% Debentures [6]	**$ 150.0**	**9.9**	**$ 150.0**	**9.9**	$ 150.0	9.9
7.50% Debentures [7]	**$ 75.0**	**6.6**	**$ 75.0**	**6.6**	$ 75.0	6.6
Common shares outstanding and upon conversion of Debentures		**144.6**		**146.1**		145.5

(1) Common shares outstanding as at February 14, 2013, includes 114,704 common shares issued under Superior's DRIP program in January.

(2) Convertible at $36.00 per share.

(3) Convertible at $31.25 per share.

(4) Convertible at $13.10 per share.

(5) Convertible at $19.00 per share.

(6) Convertible at $15.10 per share.

(7) Convertible at $11.35 per share.

Dividends Paid to Shareholders

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

Dividends paid to shareholders for 2012 were $67.1 million (before DRIP proceeds of $14.2 million) or $0.60 per share compared to $136.7 million or $1.26 per share in 2011. The decrease of $69.6 million was due to the two reductions to Superior's dividend rate. On February 17, 2011, Superior announced that the monthly dividend had been reduced to $0.10 per share per month effective with the March 2011 dividend payment, and on November 2, 2011, Superior announced that the monthly dividend had been reduced to $0.05 per share. The rationale was that Superior deemed it prudent to accelerate its debt reduction by reducing its monthly dividend. See "Debt Management Update" for further details. Dividends to shareholders are declared at the discretion of Superior's Board of Directors.

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

Summary of Cash Flow (1)

(millions of dollars)	2012	2011
Cash flow from operating activities	**273.3**	212.0
Investing activities (2):		
Purchase of property, plant and equipment	**(43.8)**	(38.2)
Proceeds on disposal of property, plant and equipment	**4.5**	3.2
Other acquisitions	**(5.5)**	(14.8)
Cash flow used in investing activities	**(44.8)**	(49.8)
Financing activities:		
Net proceeds (repayment) of revolving term bank credits and other debt	**(74.4)**	132.3
Repayment of senior secured notes	**(31.8)**	(32.5)
Repayment of finance lease obligation	**(16.4)**	(14.2)
Net proceeds (repayment) of accounts receivable securitization program	**–**	(90.1)
Redemption of convertible debentures	**(49.9)**	(125.0)
Proceeds from the issuance of 7.50% convertible debentures	**–**	75.0
Costs incurred for the issuance of 7.50% convertible debentures	**–**	(3.4)
Proceeds from the dividend reinvestment plan	**14.2**	28.9
Dividends paid to shareholders	**(67.1)**	(136.7)
Cash flow used in financing activities	**(225.4)**	(165.7)
Net increase (decrease) in cash and cash equivalents	**3.1**	(3.5)
Cash and cash equivalents, beginning of period	**5.2**	7.8
Effect of translation of foreign-denominated cash and cash equivalents	**(0.7)**	0.9
Cash and cash equivalents, end of period	**7.6**	5.2

(1) See the consolidated statements of cash flow for additional details.

(2) See "Consolidated Capital Expenditure Summary" for additional details.

Financial Instruments – Risk Management

Derivative and non-financial derivatives are used by Superior to manage its exposure to fluctuations in foreign currency exchange rates, interest rates, 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.

Energy Services enters into natural gas financial swaps in order to manage its economic exposure of providing fixed-price natural gas to its customers and maintains its natural gas swap positions with seven counterparties. Energy Services monitors its fixed-price natural gas positions on a daily basis to evaluate compliance with established risk management policies. Superior maintains a substantially balanced fixed-price natural gas position in relation to its customer supply commitments.

Energy Services entered into electricity financial swaps with four counterparties to manage the economic exposure of providing fixed-price electricity to its customers. Energy Services monitors its fixed-price electricity positions on a daily basis to evaluate compliance with established risk management policies. Energy Services maintains a substantially balanced fixed-price electricity position in relation to its customer supply commitments.

Energy Services entered into various propane forward purchase and sale agreements with more than 20 counterparties to manage the economic exposure of its wholesale customer supply contracts. Energy Services monitors its fixed-price propane positions on a daily basis to monitor compliance with established risk management policies. Energy Services maintains a substantially balanced fixed-price propane gas position in relation to its wholesale customer supply commitments.

Superior, on behalf of its operating divisions, entered into foreign currency forward contracts with 12 counterparties to manage the economic exposure of Superior's operations to movements in foreign currency exchange rates. Energy Services contracts a portion of its fixed-price natural gas, propane and heating oil purchases and sales in US dollars and enters into forward US dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost. Specialty Chemicals enters into US 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 US dollars. Interest expense on Superior's US dollar debt is also used to mitigate the impact of foreign exchange fluctuations.

As at December 31, 2012, Superior has hedged approximately 90% of its estimated U.S. dollar exposure for 2013. The estimated sensitivity of adjusted operating cash flow for Superior, including divisional U.S. exposures and the impact on U.S.-denominated debt, with respect to a $0.01 change in the Canadian to United States exchange rate for 2013, is $0.2 million, after giving effect to United States forward contracts for 2013, as shown in the table below. Superior's sensitivities and guidance are based on an anticipated average Canadian to U.S. dollar foreign currency exchange rate for 2013 of par.

(US$ millions except exchange rates)	2013	2014	2015	2016	2017	2018 and Thereafter	Total
Energy Services – US$ forward sales	44.0	26.0	26.0	–	–	–	96.0
Construction Products Distribution – US$ forward sales	24.0	12.0	12.0	12.0	–	–	60.0
Specialty Chemicals – US$ forward sales	150.0	133.0	106.0	80.4	24.0	–	493.4
Corporate – US$ forward purchases	(25.0)	(27.0)	–	–	–	–	(52.0)
Net US$ forward sales	193.0	144.0	144.0	92.4	24.0	–	597.4
Energy Services – Average US$ forward sales rate	1.06	1.01	1.01	–	–	–	1.03
Construction Products Distribution – Average US$ forward sales rate	1.07	1.00	1.00	1.03	–	–	1.03
Specialty Chemicals – Average US$ forward sales rate	1.04	1.03	1.00	1.04	1.03	–	1.03
Corporate – US$ forward purchases rate	1.01	1.01	–	–	–	–	1.01
Net average external US$/CDN$ exchange rate	1.05	1.02	1.00	1.03	1.03	–	1.03

Superior has interest rate swaps with four counterparties to manage the interest rate mix of its total debt portfolio and related overall cost of borrowing. Superior manages its overall liquidity risk in relation to its general funding requirements by utilizing a mix of short-term and longer-term maturity 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.

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 Services and Construction Products Distribution deal with a large number of small customers, thereby reducing this risk. Specialty Chemicals, due to the nature of its operations, sells its products to a relatively small number of customers. Specialty Chemicals mitigates its customer credit risk by actively monitoring the overall creditworthiness of its customers. Energy Services' fixed-price energy services business has minimal exposure to customer credit risk as local natural gas and electricity distribution utilities have been mandated, for a nominal fee, to provide invoicing, collection and the assumption of bad debt risk for residential and small commercial customers. Fixed-price energy services actively monitors the creditworthiness of its direct-billed industrial customers. All of Superior's business segments have credit risk policies to minimize credit exposure.

For additional details on Superior's financial instruments, including the amount and classification of gains and losses recorded in Superior's year-end 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 22 to the audited consolidated financial statements.

Sensitivity Analysis

Superior's estimated cash flow sensitivity in 2012 to various changes is provided below:

	Change	Impact on Adjusted Operating Change	Cash Flow	Per Share
Energy Services				
Change in propane sales margin	$0.005/litre	3%	$6.5 million	$0.06
Change in propane sales volume	50 million litres	4%	$8.3 million	$0.07
Change in U.S. refined fuels sales margin	$0.005/litre	7%	$8.0 million	$0.07
Change in U.S. refined fuels sales volume	50 million litres	3%	$2.2 million	$0.02
Change in natural gas sales margin	$0.10/GJ	8%	$1.9 million	$0.02
Change in natural gas sales volume	2 million GJ	11%	$2.4 million	$0.02
Specialty Chemicals				
Change in sales price	$10.00/MT	1%	$7.7 million	$0.07
Change in sales volume	15,000 MT	2%	$4.8 million	$0.04
Construction Products Distribution				
Change in sales margin	1% change in average gross margin	4%	$7.2 million	$0.06
Change in sales volume	5% change in sales volume	5%	$4.5 million	$0.04
Corporate				
Change in CDN$/US$ exchange rate	$0.01	1%	$0.2 million	$nil
Corporate change in interest rates	0.5%	17%	$1.9 million	$0.02

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Disclosure controls and procedures are designed by or designed 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 and timeliness of financial and non-financial information in securities filings. The CEO and CFO are assisted in this responsibility by a Disclosure Committee (DC), which is composed of senior managers of Superior. The DC has established procedures so that it can be 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. An evaluation of the effectiveness of the design and operation of Superior's disclosure controls and procedures was conducted as at December 31, 2012 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 disclosure controls and procedures, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, are effective to ensure that information required to be disclosed in reports that are filed or submitted under Canadian securities legislation and regulation is recorded, processed, summarized and reported within the times specified in those rules and forms.

Superior's management, including the CEO and CFO, is responsible for establishing and maintaining adequate internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

The evaluation of the design of Superior's internal controls over financial reporting was conducted as at December 31, 2012 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 the design of Superior's internal controls over financial reporting, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings, provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS.

The evaluation of the effectiveness of Superior's internal controls over financial reporting was conducted as at December 31, 2012 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 internal controls over financial reporting, as defined in National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings were effective at December 31, 2012.

No changes were made in Superior's internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, Superior's internal control over financial reporting in the quarter ended December 31, 2012.

Critical Accounting Policies and Estimates

Superior's audited consolidated financial statements were prepared in accordance with IFRS. The significant accounting policies are described in the audited consolidated financial statements for the period ended December 31, 2012. Certain of these accounting policies, as well as estimates made by management in applying such policies, are recognized as critical because they require management to make subjective or complex judgments about matters that are inherently uncertain. Superior's critical accounting estimates relate to the allowance for doubtful accounts, employee future benefits, future income tax assets and liabilities, the valuation of derivatives and non-financial derivatives, asset impairments and the assessment of potential asset retirement obligations.

Critical Accounting Estimates

Superior's significant accounting policies are described in Note 2 to the consolidated financial statements. Certain of these policies involve critical accounting estimates because they require Superior to make particularly subjective or complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts could be reported under different conditions or using different assumptions. Superior constantly evaluates these estimates and assumptions.

Allowance for Doubtful Accounts

Superior expects that a certain portion of required customer payments will not be made and maintains an allowance for these doubtful accounts. This allowance is based on Superior's estimate of the likelihood of recovering its accounts receivable. It incorporates current and expected collection trends. If economic conditions change, actual results or specific industry trends differ from Superior's expectations, Superior will adjust its allowance for doubtful accounts and its bad debt expense accordingly.

Employee Future Benefits

The accrued benefit obligation is determined by independent actuaries using the projected benefit method prorated on service and based on management's best economic and demographic estimates. The benefit relates to Superior's defined benefit plans. The expected return on plan assets is determined by considering long-term historical returns, future estimates of long-term investment returns and asset allocations.

Asset Impairment

Superior reviews long-lived assets and intangible assets with finite lives whenever events or changes in circumstances indicate that the carrying amounts of such assets may not be fully recoverable. Determination of recoverability is based on an estimate of undiscounted future cash flow, and measurement of an impairment loss is based on the fair value of the assets.

Goodwill is not amortized, but is assessed for impairment at the reporting unit level annually, or sooner if events or changes in circumstances indicate that the carrying amount could exceed fair value. Goodwill is assessed for impairment using a two-step approach, with the first step being to assess whether the fair value of the reporting unit to which the goodwill is assigned is less than its carrying value. If this is the case, a second impairment test is performed which requires a comparison of the fair value of goodwill to its carrying amount. If fair value is less than the carrying value, goodwill is considered to be impaired and an impairment charge would be recognized immediately.

Valuation of Derivatives and Non-Financial Derivatives

The valuation of derivatives and non-financial derivatives is determined by reference to quoted bid or asking prices, as appropriate, in the most advantageous active market for that instrument to which Superior has immediate access. Where bid and ask prices are unavailable, Superior uses the closing price of the most recent transaction of the instrument. In the absence of an active market, Superior determines fair value 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 observable market-based inputs.

Fair values determined using valuation models require the use of assumptions concerning the amount and timing of estimated future cash flow and discount rates. In determining these assumptions, Superior looks primarily to external readily observable market inputs including interest rate yield curves, currency rates, and price and rate volatilities as applicable. With respect to the valuation of Specialty Chemicals' fixed-price electricity agreements, Superior makes assumptions about the long-term price of electricity in electricity markets for which active market information is not available. This assumption has a material impact on the fair value of these agreements. Any changes in the fair values of financial instruments classified or designated as held-for-trading are measured at fair value and are recognized in net income.

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments or improvements to existing standards were issued by the IASB or the International Financial Reporting Interpretations Committee (IFRIC) that are mandatory for accounting periods beginning on January 1, 2012 or later. The affected standards that apply to Superior are as follows:

IFRS 9 – *Financial Instruments: Classification and Measurement*

IFRS 9, Financial Instruments, was issued in November 2009 and is intended to replace International Accounting Standard (IAS) 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard is required to be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. Superior is assessing the effect of IFRS 9 on its financial results and financial position; changes, if any, are not expected to be material.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The revised standard was effective for Superior on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 11 – *Joint Arrangements*

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas joint operations will require the venture to recognize its share of the assets, liabilities, revenue and expenses. This standard became applicable on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special purpose vehicles and off-balance-sheet vehicles. The standard carries forward existing disclosure and also introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard became effective for Superior on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 13 – *Fair Value Measurement*

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies to accounting standards that require or permit fair value measurements or disclosure about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosure about those measurements), except in specified circumstances. IFRS 13 became applicable on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IAS 1 – *Presentation of Other Comprehensive Income*

The amendments to IAS 1, *Presentation of Financial Statements*, issued in June 2011, require entities to group items presented in other comprehensive income on the basis of whether they might be reclassified to the consolidated statement of income in subsequent periods and items that will not be reclassified to the consolidated statement of income. The amendments did not address which items are presented in other comprehensive income and did not change the option to present items net of tax. The amendments to IAS 1 became effective for annual periods beginning on or after July 1, 2012, which was January 1, 2013 for Superior, and are to be applied retrospectively. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IAS 19 – *Employee Benefits, Amendments*

IAS 19 amendments were issued in June 2011, and changed the accounting and disclosure for defined benefit plans and termination benefits. The standard requires that the changes in defined benefit obligations are recognized as they occur, eliminating the corridor approach and accelerating the recognition of past service costs. The changes in defined benefit obligations and plan assets are to be disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and re-measurements of the net defined benefit liabilities (assets). This standard applies for accounting periods beginning on or after January 1, 2013. Superior adopted IAS 19 on January 1, 2013 and the financial impact is an increase of $3.1 million to pension expenses and a corresponding decrease to accumulated other comprehensive loss for the year ended December 31, 2012. The impact on Superior's balance sheet as at January 1, 2012 is a $4.1 million increase to retained deficit and a corresponding decrease to accumulated other comprehensive loss.

Superior adopted the following on January 1, 2012:

IFRS 7 – *Financial Instruments: Disclosure, Amendments Regarding Disclosures – Transfer of Financial Assets*

The December 2011 changes by the IASB and the Financial Accounting Standards Board (FASB) to IFRS 7 require quantitative and qualitative disclosure regarding transfers of financial assets when the transferred assets are not derecognized in their entirety or the transferor retains continuing managerial involvement. The amendment also requires disclosure of supplementary information if a substantial portion of the total amount of the transfer activity occurs in the closing days of a reporting period. Superior adopted the amendments on January 1, 2012, with no impact to Superior.

IAS 12 – *Income Taxes, Amendments Regarding Deferred Tax: Recovery of Underlying Assets*

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduced a presumption that an entity will assess whether an asset's sale will recover its carrying amount. Superior's adoption of IAS 12 on January 1, 2012 did not impact Superior's financial results or financial position.

Selected Financial Information

(millions of dollars except per share amounts)	**2012**	2011	2010
Total assets (as at December 31)	**2,036.3**	2,193.4	2,696.9
Total revenues	**3,624.3**	3,925.6	3,537.4
Gross profit	**846.3**	827.5	780.6
Net earnings (loss)	**93.1**	(302.6)	(75.8)
Per share, basic and diluted	**$ 0.83**	$ (2.77)	$ (0.72)
Cash flow from operating activities	**273.3**	212.0	9.9
Adjusted operating cash flow	**193.5**	180.4	162.9
Per share, basic and diluted	**$ 1.73**	$ 1.65	$ 1.54
Cash dividends per share	**$ 0.60**	$ 1.17	$ 1.62
Current and long-term debt (1) (as at December 31)	**639.6**	762.1	740.0

(1) Current and long-term debt before deferred financing fees, option value and accounts receivable securitization and Debentures.

Fourth Quarter Results

Fourth quarter adjusted operating cash flow was $62.6 million, a decrease of $1.2 million or 2% from the prior year quarter. The decrease in adjusted operating cash flow was primarily due to lower operating results at Specialty Chemicals offset in part by lower interest costs. Adjusted operating cash flow of $0.56 per share, decreased by $0.02 per share as compared to the prior year quarter due to a 2% decrease in adjusted operating cash flow as noted above and a 2% increase in the weighted average number of shares outstanding. The average number of shares outstanding increased in 2012 as a result of shares issued from Superior's DRIP.

The net earnings for the fourth quarter were $14.2 million, compared to a net loss of $231.4 million in the prior year quarter. Net earnings were primarily impacted by a reduction in impairments as the prior year quarter included an impairment charge of $300.6 million and lower operating costs offset in part by unrealized losses on financial instruments in the current quarter and higher income tax expense. The change in the unrealized losses on financial instruments was due principally to losses in the current quarter on Superior's foreign currency financial derivatives compared to the prior year quarter as a result of fluctuations in the spot and forward price for U.S. dollars. Revenues of $934.0 million were $109.4 million lower than the prior year quarter due to lower Energy Services revenue as a result of lower propane prices offset in part by higher revenue at Construction Products Distribution as a result of increased sales volumes and the introduction of new products. Gross profit of $228.2 million was $6.4 million lower than the prior year quarter primarily due to decreased Energy Services gross profits due to reduced sales volumes and gross margins and Specialty Chemical gross profits due to lower gross margins. Operating expenses of $177.9 million in the fourth quarter were $10.8 million lower than in the prior year quarter due to reduced amortization expense offset by lower risk reserve funding credits offset in part by $2.3 million of restructuring costs incurred at Construction Products Distribution and $3.0 million incurred at Energy Services. Total income tax recovery for the fourth quarter was $0.9 million compared to income tax recovery of $43.7 million in the prior year quarter. The decrease in income tax recovery was due to higher net earnings in the fourth quarter of 2012 as the prior year quarter included an impairment charge of $300.6 million.

Quarterly Financial and Operating Information

	2012 Quarters				2011 Quarters			
(millions of dollars except per share amounts)	**Fourth**	**Third**	**Second**	**First**	Fourth	Third	Second	First
Canadian propane sales volumes (millions of litres)	**383**	**240**	**255**	**413**	368	239	260	439
U.S. refined fuels sales volumes (millions of litres)	**428**	**335**	**363**	**473**	440	344	405	552
Natural gas sales volumes (thousands of GJ)	**5**	**5**	**5**	**5**	5	5	6	6
Electricity sales volumes (thousands of KwH)	**200**	**245**	**187**	**185**	167	176	146	117
Chemical sales volumes (thousands of MT)	**200**	**193**	**190**	**188**	187	197	192	196
Revenues (millions of dollars)	**934.0**	**790.1**	**834.3**	**1,065.9**	1,043.4	845.0	898.4	1,138.8
Gross profit	**228.2**	**195.9**	**184.8**	**238.1**	234.6	178.5	176.0	238.4
Net earnings (loss)	**14.2**	**36.7**	**13.5**	**28.7**	(231.4)	(113.4)	1.1	41.1
Per share, basic	**$ 0.13**	**$ 0.33**	**$0.12**	**$ 0.26**	$ (2.10)	$ (1.04)	$ 0.01	$ 0.38
Per share, diluted	**$ 0.13**	**$ 0.31**	**$0.12**	**$ 0.24**	$ (2.10)	$ (1.04)	$ 0.01	$ 0.34
Adjusted operating cash flow (millions of dollars)	**62.6**	**34.5**	**29.0**	**67.4**	63.8	23.5	19.8	73.3
Per share, basic and diluted	**$ 0.56**	**$ 0.31**	**$0.26**	**$ 0.61**	$ 0.58	$ 0.21	$ 0.18	$ 0.68
Net working capital (1) (millions of dollars)	**287.8**	**218.3**	**234.4**	**325.3**	377.3	295.0	365.3	416.1

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

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", "could", "estimate", "expect", "plan", "intend", "forecast", "future", "guidance", "may", "predict", "project", "should", "strategy", "target", "will" or similar expressions suggesting future outcomes.

Forward-looking information in this MD&A includes future financial position, consolidated and business segment outlooks, expected EBITDA from operations, expected adjusted operating cash flow and adjusted operating cash flow per share, expected leverage ratios and debt repayment, debt management summary, business strategy, objectives and initiatives, development plans and programs, business conditions, business expansion and improvement projects and expected timing of commercial productions associated therewith, expected timing of commercial production associated therewith, market conditions in Canada and the U.S., expected tax consequences of the Conversion, the expected challenge by the CRA of the tax consequences of the Conversion (and the expected timing and impact of such process including any payment of taxes and the quantum of such payments), future income taxes and the basis of preparation of future tax returns, the impact of proposed changes to Canadian tax legislation or U.S. tax legislation, future economic conditions, future exchange rates and exposure to such rates, dividend strategy, payout ratio, expected weather, commodity prices and costs, the impact of contracts for commodities, demand for chemicals including sodium chlorate and chloralkali, production capacity, effect of operational and technological improvements, the impact of ongoing legal proceedings, expected life of facilities and statements regarding net working capital and capital expenditure requirements of Superior or Superior Plus LP.

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

By its very nature, forward-looking information involves numerous assumptions, risks and uncertainties, both general and specific. Should one or more of these risks and uncertainties materialize or should underlying assumptions prove incorrect, as many important factors are beyond our control, Superior's or Superior LP's actual performance and financial results may vary materially from those estimates and intentions contemplated, expressed or implied in the forward-looking information. These risks and uncertainties include incorrect assessments of value when making acquisitions, increases in debt service charges, the loss of key personnel, fluctuations in foreign currency and exchange rates, inadequate insurance coverage, liability for cash taxes, counterparty risk, compliance with environmental laws and regulations, our ability to access external sources of debt and equity capital, and the risks identified in (i) of this 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 MD & A 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.

Non-IFRS Financial Measures

Adjusted Operating Cash Flow

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

The seasonality of Superior's individual quarterly results must be assessed in the context of annualized adjusted operating cash flow. Adjustments recorded by Superior as part of its calculation of adjusted operating cash flow include, but are not limited to, the impact of the seasonality of Superior's businesses, principally the Energy Services segment, by adjusting for non-cash working capital items, thereby eliminating the impact of the timing between the recognition and collection/payment of Superior's revenues and expenses, which can differ significantly from quarter to quarter. Adjustments are also made to reclassify the cash flow related to natural gas and electricity customer contract-related costs in a manner consistent with the income statement's recognition of these costs. Adjusted operating cash flow is reconciled to net cash flow from operating activities on page 11.

EBITDA

EBITDA represents earnings before taxes, depreciation, amortization, finance expense and certain other non-cash expenses, and is used by Superior to assess its consolidated results and the results of its operating segments. EBITDA is not a defined performance measure under IFRS. Superior's calculation of EBITDA may differ from similar calculations used by comparable entities. The EBITDA of Superior's operating segments may be referred to as EBITDA from operations. Net earnings before income taxes are reconciled to EBITDA from operations on page 39.

Compliance EBITDA

Compliance EBITDA represents earnings before interest, taxes, depreciation, amortization and certain other non-cash expenses calculated on a 12 month trailing basis, giving pro forma effect to acquisitions and divestitures, and is used by Superior to calculate its debt covenants and other credit information. Compliance EBITDA is not a defined performance measure under IFRS. Superior's calculation of compliance EBITDA may differ from similar calculations used by comparable entities. See Note 23 to the audited consolidated financial statements for a reconciliation of net earnings to compliance EBITDA.

Payout Ratio

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

Reconciliation of Net Earnings (Loss) before Income Taxes to EBITDA from Operations (1)(2)

2012 (millions of dollars)	**Energy Services**	**Specialty Chemicals**	**Construction Products Distribution**
Net Earnings before income taxes	**113.0**	**77.0**	**13.8**
Add: Amortization of property, plant and equipment and intangible assets	**53.4**	**6.3**	**6.1**
Amortization included in cost of sales	**–**	**44.9**	**–**
Losses on disposition of assets	**0.2**	**0.6**	**0.2**
Amortization of customer contract-related costs	**3.3**	**–**	**–**
Customer contract-related costs	**(1.1)**	**–**	**–**
Impairment of property, plant and equipment	**4.7**	**–**	**–**
Finance costs	**4.5**	**0.3**	**0.7**
Unrealized gains on derivative financial instruments	**(43.8)**	**(1.6)**	**–**
EBITDA from operations	**134.2**	**127.5**	**20.8**

2011 (millions of dollars)	Energy Services	Specialty Chemicals	Construction Products Distribution
Net Earnings (Loss) before income taxes	(233.9)	56.1	(63.3)
Add: Amortization of property, plant and equipment and intangible assets	71.1	8.5	8.4
Amortization included in cost of sales	–	44.9	–
Customer contract-related costs	(1.6)	–	–
Amortization of customer contract-related costs	4.2	–	–
Losses (gains) on disposition of assets	2.4	–	(0.1)
Gain on bargain purchase	(0.9)	–	–
Impairment of property, plant and equipment	3.4	–	–
Impairment of intangible assets and goodwill	300.6	–	78.0
Finance costs	3.9	0.3	1.2
Unrealized gains on derivative financial instruments	(15.6)	5.4	–
EBITDA from operations	133.6	115.2	24.2

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

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

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

	2012			2011		
	Energy Services	**Specialty Chemicals**	**Construction Products Distribution**	Energy Services	Specialty Chemicals	Construction Products Distribution
Revenue per financial statements	**2,301.6**	**543.8**	**778.9**	2,686.1	527.7	711.8
Foreign currency gains (losses) related to working capital	**–**	**(1.6)**	**–**	–	1.4	–
Revenue per the MD & A	**2,301.6**	**542.2**	**778.9**	2,686.1	529.1	711.8
Cost of products sold per financial statements	**(1,854.2)**	**(328.8)**	**(595.0)**	(2,225.7)	(335.3)	(537.1)
Risk reserve recovery reclassification	**–**	**–**	**–**	(5.2)	–	–
Non-cash amortization	**–**	**44.9**	**–**	–	44.9	–
Cost of products sold per the MD & A	**(1,854.2)**	**(283.9)**	**(595.0)**	(2,230.9)	(290.4)	(537.1)
Gross profit	**447.4**	**258.3**	**183.9**	455.2	238.7	174.7
Cash operating and administrative costs per financial statements	**(369.0)**	**(139.3)**	**(169.4)**	(405.4)	(130.6)	(158.8)
Amortization and depreciation expenses	**53.4**	**6.3**	**6.1**	73.5	8.5	8.4
Gains (losses) on disposal of assets	**0.2**	**0.6**	**0.2**	2.4	(0.1)	
Amortization of customer contract-related costs	**3.3**	**–**	**–**	4.2	–	–
Customer contract-related costs	**(1.1)**	**–**	**–**	(1.6)	–	–
Impairment of property, plant and equipment, intangible assets and goodwill	**4.7**	**–**	**–**	3.4	–	–
Gain on bargain purchase	**–**	**–**	**–**	(0.9)	–	–
Risk reserve recovery reclassification	**–**	**–**	**–**	5.2	–	–
Reclassification of foreign currency (gains) losses related to working capital	**–**	**1.6**	**–**	–	(1.4)	–
Cash operating and administrative costs per the MD & A	**(313.2)**	**(130.8)**	**(163.1)**	(321.6)	(123.5)	(150.5)

Reconciliation of Net Earnings (Loss) to Compliance EBITDA (1)(2)

(millions of dollars)	2012	2011
Net Earnings (Loss)	**93.1**	(302.6)
Adjusted for:		
Finance expense	**77.6**	85.5
Realized gains on derivative financial instruments included in finance expense	**2.2**	2.3
Depreciation of property, plant and equipment	**42.4**	47.9
Depreciation included in cost of sales	**44.9**	44.9
Amortization of intangible assets	**23.5**	41.9
Losses (gains) on disposal of assets	**1.0**	(1.6)
Impairment of intangible assets and goodwill	**–**	378.6
Impairment of property, plant and equipment	**4.7**	3.4
Income tax expense (recovery)	**9.0**	(50.4)
Unrealized (gains) losses on derivative financial instruments	**(32.1)**	9.7
Pro-forma impact of acquisitions	**0.6**	1.5
Compliance EBITDA	**266.9**	263.2

(1) See the consolidated financial statements for additional details.
(2) See "Non-IFRS Financial Measures" for additional details.

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 2012 Annual Information Form under "Risk Factors" which is filed on the Canadian Securities Administrators' website, **www.sedar.com**, and on Superior's website, **www.superiorplus.com**.

Risks to Superior

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

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

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

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

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

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

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

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

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

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

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

Since the beginning of 2010, the CRA has requested and reviewed information from Superior relating to the plan of arrangement involving Superior Plus Income Fund and Ballard Power Systems Inc. and the Conversion. As disclosed by Superior on September 20, 2012, Superior anticipated receiving a proposal letter from the CRA in due course on this matter and on February 11, 2013, Superior received the proposal letter from the CRA. The proposal letter proposes to deny the availability of capital losses of approximately $623 million and other tax basis of approximately $1,000 million. Superior remains confident in the appropriateness of its tax filing position and the expected tax consequences of the Arrangement and the Conversion and intends to vigorously defend such position. Superior also strongly believes that the acquisition of control or the general anti-avoidance rule do not apply to the Arrangement and the Conversion and intends to file its future tax returns on a basis consistent with its view of the outcome of the Arrangement and the Conversion.

Risks to Superior's Segments

Energy Services

Canadian Propane Distribution and U.S. Refined Fuels

Propane is sold in competition with other energy sources such as fuel oil, electricity and natural gas, some of which are less costly on an energy-equivalent basis. While propane is usually more cost-effective than electricity, electricity is a major competitor in most areas. Fuel oil is also used as a residential, commercial and industrial source of heat and, in general, is less costly on an equivalent-energy basis, although operating efficiencies, environmental and air quality factors help make propane competitive with fuel oil. Except for certain industrial and commercial applications, propane is generally not competitive with natural gas in areas where natural gas service exists. Other alternative energy sources such as compressed natural gas, methanol and ethanol are available or could be further developed and could have an impact on the propane industry in general and Canadian propane distribution in particular, in the future. The trend towards increased conservation measures and technological advances in energy efficiency may have a detrimental effect on propane demand and Canadian propane distribution's sales. Demand for traditional propane end-use applications is increasing marginally with general economic growth. However, increases in the cost of propane encourage customers to reduce fuel consumption and to invest in more energy efficient equipment, reducing demand. Automotive propane demand is presently stabilizing after several years of decline but this trend could return depending upon propane pricing and the market acceptance of propane conversion options and the availability of infrastructure.

Competition in the U.S. refined fuels' business markets generally occurs on a local basis between large, full-service, multi-state marketers and smaller, independent local marketers. Marketers primarily compete based on price and service and tend to operate in close proximity to customers, typically within a 35-mile marketing radius from a central depot, in order to minimize delivery costs and provide prompt service.

Weather and general economic conditions affect distillates market volumes. Weather influences the immediate demand for distillates, primarily for heating, while longer-term demand declines due to economic conditions as customers trend towards conservation and supplement heating with alternative sources such as wood pellets.

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

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

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

The U.S. refined fuels business, through a centralized safety and environment management system, ensures that safety practices and regulatory compliance are an important part of its business. The storage and delivery of refined fuels pose the potential for spills which impact 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 may either be more favourable to competing energy sources or increase compliance costs or otherwise negatively affect the operations of Energy Services in comparison to such competing energy sources. Any such changes could have an adverse effect on the operations of Energy Services.

In 2013, Canadian propane distribution will implement an order to cash, billing and logistics IT system to replace the distribution and invoicing functions of the present enterprise system. To mitigate the risk associated with system changes, Canadian propane distribution will leverage the learnings from the U.S refined fuels organization that has been using this new system and implementation will be rolled out one region at a time.

Approximately 19% of Superior's Canadian propane distribution business employees are unionized and 5% of U.S. refined fuels distribution business employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the renegotiation process that could have an adverse impact on Superior.

Fixed-Price Energy Services Business

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

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

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

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

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

Fixed-price energy services operates in the highly regulated energy industry in Ontario and Quebec. Changes to laws could impact this business' operations. As part of the current regulatory framework, local delivery companies are mandated to perform certain services on behalf of fixed-price energy services, including invoicing, collection, assuming specific bad debt risks, and storage and distribution of natural gas. Any elimination or changes to these rules could have a significant adverse effect on the results of this business. Fixed-price energy services also markets electricity in Pennsylvania and New York State and natural gas in New York State only. The regulatory environment in Pennsylvania is favourable to retail choice. The Pennsylvania Utility Commission's Retail Market Investigation focused on solutions to increase retail market share and included orders for utilities to investigate retail opt-in auctions to entice customers to consider retail choice, reduce enrolment timelines, implement retail referral programs and design seamless moves that would reduce churn as a customer moves or changes accounts.

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

Specialty Chemicals

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

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

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

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

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

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

Specialty Chemicals' 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 coverage to mitigate substantial loss due to equipment outage, Specialty Chemicals' reputation and its ability to meet customer requirements could be negatively affected by a major electrical equipment failure.

Approximately 24% of Specialty Chemicals' employees are unionized. Collective bargaining agreements are renegotiated in the normal course of business. While labour disruptions are not expected, there is always risk associated with the negotiation process that could have an adverse impact on Superior.

Construction Products Distribution

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

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

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

The C & I market is driven largely by C & I construction spending and economic growth. Demand is influenced by commercial construction and renovation, the construction, maintenance and expansion of industrial process facilities (such as oil refineries, petrochemical plants and power generation facilities) and institutional facilities in the government, healthcare and education sectors.

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

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

Management's Report

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Superior Plus Corp. (Superior) and all of the information in this annual report are the responsibility of management and have been approved by the Board of Directors.

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

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

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

Deloitte LLP, an independent firm of chartered accountants, was appointed at Superior's last annual meeting to audit Superior's Consolidated Financial Statements in accordance with Canadian generally accepted auditing standards. The firm's auditors have provided an independent professional opinion. Deloitte LLP has full and free access to the Audit Committee.

(signed) "Luc Desjardins"

Luc Desjardins
President and Chief Executive Officer
Superior Plus Corp.

(signed) "Wayne M. Bingham"

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer
Superior Plus Corp.

Calgary, Alberta
February 14, 2013

Independent Auditor's Report

To the Shareholders of Superior Plus Corp.

We have audited the accompanying consolidated financial statements of Superior Plus Corp., which comprise the consolidated balance sheets as at December 31, 2012 and December 31, 2011, and the consolidated statement of changes in equity, consolidated statement of net earnings (loss) and comprehensive income (loss) and consolidated statement of cash flows for the years then ended and the notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Superior Plus Corp. as at December 31, 2012 and December 31, 2011 and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

(signed) "Deloitte LLP"

Chartered Accountants
February 14, 2013
Calgary, Alberta

Consolidated Balance Sheets

(millions of Canadian dollars)	Notes	**December 31, 2012**	December 31, 2011
Assets			
Current Assets			
Cash and cash equivalents		**7.6**	5.2
Trade and other receivables	5 & 22	**389.0**	472.9
Prepaid expenses	6	**24.7**	20.7
Inventories	7	**213.7**	203.1
Unrealized gains on derivative financial instruments	22	**16.6**	13.3
Total Current Assets		**651.6**	715.2
Non-Current Assets			
Property, plant and equipment	11	**829.9**	885.0
Intangible assets	12	**39.6**	65.6
Goodwill	14	**189.1**	186.1
Notes and finance lease receivables		**10.1**	10.0
Deferred tax	23	**303.1**	315.5
Unrealized gains on derivative financial instruments	22	**12.9**	16.0
Total Non-Current Assets		**1,384.7**	1,478.2
Total Assets		**2,036.3**	2,193.4
Liabilities and Equity			
Current Liabilities			
Trade and other payables	16	**314.1**	297.6
Deferred revenue	17	**18.2**	14.2
Borrowing	18 & 19	**59.7**	54.3
Convertible unsecured subordinated debentures	20 & 35	**50.0**	49.3
Dividends and interest payable		**7.3**	7.6
Unrealized losses on derivative financial instruments	22	**36.5**	61.7
Total Current Liabilities		**485.8**	484.7
Non-Current Liabilities			
Borrowing	18 & 19	**574.7**	701.4
Convertible unsecured subordinated debentures	20	**475.1**	521.7
Other liabilities		**1.0**	–
Provisions	15	**17.6**	17.2
Employee future benefits	21	**54.1**	65.3
Deferred tax	23	**2.5**	5.9
Unrealized losses on derivative financial instruments	22	**42.6**	47.6
Total Non-Current Liabilities		**1,167.6**	1,359.1
Total Liabilities		**1,653.4**	1,843.8
Equity			
Capital		**1,646.5**	1,633.1
Deficit	25	**(1,202.3)**	(1,228.2)
Accumulated other comprehensive loss	24	**(61.3)**	(55.3)
Total Equity		**382.9**	349.6
Total Liabilities and Equity		**2,036.3**	2,193.4

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

(millions of Canadian dollars)	Share Capital	Contributed Surplus (1)	Total Capital	Deficit	Accumulated Other Comprehensive Loss	Total
January 1, 2011	1,600.9	5.5	**1,606.4**	**(797.9)**	**(54.1)**	**754.4**
Net loss	–	–	**–**	**(302.6)**	**–**	**(302.6)**
Option value associated with redemption of convertible debentures	–	(2.2)	**(2.2)**	**–**	**–**	**(2.2)**
Shares issued under the Dividend Reinvestment Plan	28.9	–	**28.9**	**–**	**–**	**28.9**
Dividends declared to shareholders (Note 25)	–	–	**–**	**(127.7)**	**–**	**(127.7)**
Unrealized foreign currency gains on translation of foreign operations	–	–	**–**	**–**	**13.6**	**13.6**
Actuarial defined benefit losses	–	–	**–**	**–**	**(25.5)**	**(25.5)**
Reclassification of derivative losses previously deferred	–	–	**–**	**–**	**5.9**	**5.9**
Income tax on other comprehensive income	–	–	**–**	**–**	**4.8**	**4.8**
December 31, 2011	1,629.8	3.3	**1,633.1**	**(1,228.2)**	**(55.3)**	**349.6**
Net earnings	–	–	**–**	**93.1**	**–**	**93.1**
Option value associated with redemption of convertible debentures	–	(0.8)	**(0.8)**	**–**	**–**	**(0.8)**
Shares issued under the Dividend Reinvestment Plan	14.2	–	**14.2**	**–**	**–**	**14.2**
Dividends declared to shareholders (Note 25)	–	–	**–**	**(67.2)**	**–**	**(67.2)**
Unrealized foreign currency losses on translation of foreign operations	–	–	**–**	**–**	**(9.0)**	**(9.0)**
Actuarial defined benefit gains	–	–	**–**	**–**	**4.1**	**4.1**
Income tax on other comprehensive income	–	–	**–**	**–**	**(1.1)**	**(1.1)**
December 31, 2012	1,644.0	2.5	**1,646.5**	**(1,202.3)**	**(61.3)**	**382.9**

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

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Net Earnings (Loss) and Comprehensive Income (Loss)

Years ended December 31 (millions of Canadian dollars except per share amounts)	Notes	2012	2011
REVENUES	26	**3,624.3**	3,925.6
Cost of sales	26	**(2,778.0)**	(3,098.1)
Gross profit		**846.3**	827.5
EXPENSES			
Selling, distribution and administrative costs	26	**694.0**	706.7
Finance expense	26	**77.6**	85.5
Impairment of property, plant and equipment, intangible assets, and goodwill	11, 12 & 14	**4.7**	378.6
Unrealized (gains) losses on derivative financial instruments	22	**(32.1)**	9.7
		744.2	1,180.5
Net earnings (loss) before income taxes		**102.1**	(353.0)
Income tax (expense) recovery	23	**(9.0)**	50.4
Net earnings (loss)		**93.1**	(302.6)
Net earnings (loss)		**93.1**	(302.6)
Other comprehensive loss:			
Unrealized foreign currency (losses) gains on translation of foreign operations	24	**(9.0)**	13.6
Actuarial defined benefit gains (losses)	24	**4.1**	(25.5)
Reclassification of derivative gains and losses previously deferred	24	**–**	5.9
Income tax (expense) recovery on other comprehensive loss	23	**(1.1)**	4.8
Other comprehensive loss		**(6.0)**	(1.2)
Total Comprehensive Income (Loss)		**87.1**	(303.8)
Net earnings (loss) per share			
From operations:			
Basic and diluted	27	**$ 0.83**	$ (2.77)

See accompanying Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Years ended December 31 (millions of Canadian dollars)	Notes	2012	2011
OPERATING ACTIVITIES			
Net Earnings (Loss)		**93.1**	(302.6)
Adjustments for:			
Depreciation included in selling, distribution and administrative costs	11	**42.4**	44.3
Amortization of intangible assets	12	**23.5**	41.9
Depreciation included in cost of sales	11	**44.9**	44.9
Amortization of contract-related costs	12	**3.3**	4.2
Losses on disposal of assets		**1.0**	4.1
Unrealized (gains) losses on derivative financial instruments	22	**(32.1)**	9.7
Gain on bargain purchase	4	**–**	(0.9)
Customer contract-related costs		**(1.1)**	(1.6)
Impairment of intangible assets and goodwill		**–**	378.6
Impairment of property, plant and equipment		**4.7**	3.4
Finance costs recognized in net earnings (loss)		**77.6**	85.5
Income tax expense (recovery) recognized in net earnings (loss)		**9.0**	(50.4)
Decrease in non-cash operating working capital items	29	**81.6**	30.1
Net cash flows from operating activities		**347.9**	291.2
Income taxes paid		**(0.3)**	(1.3)
Interest paid		**(74.3)**	(77.9)
Cash flows from operating activities		**273.3**	212.0
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	11	**(43.8)**	(38.2)
Proceeds from disposal of property, plant and equipment	11	**4.5**	3.2
Acquisitions	4	**(5.5)**	(14.8)
Cash flows used in investing activities		**(44.8)**	(49.8)
FINANCING ACTIVITIES			
Net (repayment) proceeds of revolving term bank credits and other debt		**(74.4)**	132.3
Repayment of senior secured notes		**(31.8)**	(32.5)
Repayment of finance lease obligations		**(16.4)**	(14.2)
Repayment of the accounts receivable sales program		**–**	(90.1)
Redemption of 5.75% convertible debentures	20	**(49.9)**	(125.0)
Proceeds from issuance of 7.50% convertible debentures	20	**–**	75.0
Issuance costs incurred for the 7.50% convertible debentures	20	**–**	(3.4)
Proceeds from the dividend reinvestment program		**14.2**	28.9
Dividends paid to shareholders		**(67.1)**	(136.7)
Cash flows used in financing activities		**(225.4)**	(165.7)
Net increase (decrease) in cash and cash equivalents		**3.1**	(3.5)
Cash and cash equivalents, beginning of year		**5.2**	7.8
Effect of translation of foreign currency-denominated cash and cash equivalents		**(0.7)**	0.9
Cash and cash equivalents, end of year		**7.6**	5.2

See accompanying Notes to the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

(Tabular amounts in Canadian millions of dollars, except per share amounts and as otherwise noted. Tables labeled "2012" and "2011" are for full year ended December 31.)

1. Organization

Superior Plus Corp. (Superior) is a diversified business corporation, incorporated under the Canada Business Corporations Act. The registered office is at Suite 1400, 840 – 7th Avenue SW, Calgary, Alberta. Superior holds 100% of Superior Plus LP (Superior LP), a limited partnership formed between Superior General Partner Inc., as general partner and Superior as limited partner. Superior holds 100% of the shares of Superior General Partner Inc. Superior does not conduct active business operations but rather distributes to shareholders the income it receives from Superior Plus LP in the form of partnership allocations, net of expenses and interest payable on the convertible unsecured subordinated debentures (the debentures). Superior's investments in Superior Plus LP are financed by share capital and debentures.

The consolidated financial statements of Superior for the year ended December 31, 2012 were authorized for issuance by the Board of Directors on February 14, 2013.

Reportable Operating Segments

Superior operates three distinct reportable operating segments: Energy Services, Specialty Chemicals and Construction Products Distribution. Superior's Energy Services operating segment provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels. Energy Services also provides fixed-price natural gas and electricity supply services. Specialty Chemicals is a leading supplier of sodium chlorate and technology to the pulp and paper industries and a regional supplier of potassium and chloralkali products in the U.S. Midwest. Construction Products Distribution is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada (see Note 33).

2. Basis of Presentation

The accompanying consolidated financial statements were prepared in accordance and comply with International Financial Reporting Standards (IFRS) 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, 2012. These financial statements have been prepared on a going concern basis.

The consolidated financial statements are presented in Canadian dollars, which is Superior's functional currency. All financial information presented in Canadian dollars has been rounded to the nearest hundred-thousand.

The consolidated financial statements were prepared on the historical cost basis except for the revaluation of certain financial instruments and incorporate the accounts of Superior and its subsidiaries. Subsidiaries are all entities over which Superior has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of the voting rights. The results of subsidiaries are included in Superior's statement of net earnings (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 on consolidation. Superior's subsidiaries are all wholly owned directly or indirectly by Superior Plus Corp.

Significant Accounting Policies

(a) Cash and Cash Equivalents

Cash and cash equivalents include cash and highly liquid short-term investments which, on acquisition, have a term to maturity of three months or less.

(b) Inventories

Energy Services

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

Specialty Chemicals

Inventories are valued at the lower of cost and net realizable value. The cost of chemical inventories is determined on a first-in, first-out basis. Stores and supply inventories are costed on an average basis. Transactions are entered into from time to time with other companies to exchange chemical inventories in order to minimize working capital requirements and to facilitate distribution logistics. The net realizable value of inventory is based on estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale. In the case of manufactured inventories cost includes an appropriate share of production overhead based on normal operating capacity.

Construction Products Distribution

Inventories of building products are valued at the lower of cost and net realizable value. Cost is calculated on a weighted-average cost basis and any trade discounts and rebates are deducted from the cost. The net realizable value of inventory is based on estimated selling price in the ordinary course of business less the estimated costs necessary to complete the sale.

(c) Financial Instruments and Derivative Financial Instruments

Derivative Financial Instruments

Superior enters into a variety of derivatives to manage its exposure to certain financial risks. Further details of derivative financial instruments are disclosed in Note 22.

Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. 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.

Financial Assets

A financial asset is classified at fair value through net earnings (loss) (FVTNEL) if it is classified as held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognized in net earnings (loss) as incurred. Financial assets at FVTNEL are measured at fair value, and changes therein are recognized in net earnings (loss).

Loans and Receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses.

Separable Embedded Derivatives

Changes in the fair value of separable embedded derivatives are recognized immediately in net earnings (loss).

Impairment of Financial Assets

Financial assets measured at amortized cost are assessed for indicators of impairment at each reporting date. Financial assets are impaired when there is objective evidence that, as a result of one or more events that occurred after the financial asset's initial recognition, the estimated future cash flows of the investment have been negatively impacted.

For certain categories of financial assets, such as trade receivables, assets that are assessed as not impaired individually are subsequently assessed for collective impairment. Objective evidence of the impairment of a portfolio of receivables could include Superior's past experience of collecting payments, an increase in the number of delayed payments past the average credit period, in addition to changes in economic conditions that correlate with defaults on receivables. For financial assets carried at amortized cost, the amount of impairment recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the statement of net earnings (loss) and comprehensive income (loss). Changes in the carrying amount of the allowance account are recognized in net earnings.

Classification as Debt or Equity

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

Equity Instruments

An equity instrument is any contract that evidences 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.

Compound Financial Instruments

The components of compound instruments issued by Superior are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issuance, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortized cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity. The equity component is determined by deducting the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax, and is not subsequently re-measured.

Financial Liabilities

Financial liabilities are classified as either financial liabilities at FVTNEL or other financial liabilities.

Financial Liabilities at FVTNEL

Financial liabilities are classified as FVTNEL when the financial liability is held for trading or are designated as FVTNEL upon initial recognition. Financial liabilities at FVTNEL are stated at fair value with any resulting gain or loss recognized in net earnings. The net gain or loss recognized in net earnings incorporates any related interest expense. Upon initial recognition attributable transaction costs are recognized in net earnings or loss as incurred. Fair value is determined in the manner described in Note 22.

Other Financial Liabilities

Other financial liabilities, including borrowing, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective interest basis. Financial liabilities are recognized at amortized cost, using the effective interest rate method, at each reporting period, net of transaction costs directly attributable to the issuance of the liability. Transaction costs related to the issuance of any liability are netted against the carrying value of the associated liability and amortized as part of financing costs over the life of that debt using the effective interest rate method.

Derecognition of Financial Liabilities

Superior derecognizes financial liabilities when, and only when, Superior's obligations are discharged, cancelled or they expire.

Financial Guarantees at FVTNEL

Financial guarantees are classified as FVTNEL when the financial liability is designated as FVTNEL upon initial recognition. Financial guarantees at FVTNEL are stated at fair value with any resulting gain or loss recognized in net earnings (loss). Fair value is determined in the manner described in Note 22.

(d) Property, Plant and Equipment

Cost

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

Borrowing Costs

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

Depreciation

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

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

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

(e) Intangible Assets

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

Intangible assets acquired in a business combination are identified and recognized separately from goodwill when they satisfy the recognition criteria. The initial cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

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

Energy Services

Costs incurred by Energy Services to acquire natural gas and electricity customer contracts are capitalized as deferred costs at the time the cost is incurred. The costs are recognized in net earnings (loss) as an operating and administrative expense over the term of the underlying contracts. The contracts range from one to five years with the average remaining life being approximately two years.

A summary of Superior's other intangible assets and related amortization rates is as follows:

Non-competition agreements	Term of the agreements (1-5 years)
Royalty agreements	1 – 10 years
Software	1-3 years
Technology patents	Approximately 10 years

Investment Properties

Property held for a currently undetermined future use, long-term rental yields, or for capital appreciation, and that is not occupied by Superior is classified as investment property. Property being constructed or developed for future use as investment property is also classified as investment property.

Superior amortizes its investment property over a period of 40 years on the straight-line method.

Cost

Investment property is measured at cost, including related transaction costs and borrowing costs. After initial recognition, investment property is carried at cost less accumulated depreciation and any impairment losses.

Subsequent expenditure is capitalized to the investment property's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to Superior and the cost of the item can be measured reliably. Repair and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognized.

Borrowing Costs

Borrowing costs incurred for the purpose of acquiring, constructing or producing a qualifying investment property are capitalized as part of its cost. Borrowing costs are capitalized while acquisition or construction is actively underway, which ceases once the asset is substantially complete or suspended if the development of the asset is suspended.

Depreciation

Depreciation is calculated using the straight-line method, based on the estimated useful life. Land is not amortized. Depreciation of investment property in the course of construction commences when the assets are ready for their intended use. In the majority of cases, residual value is estimated to be insignificant. Investment properties are depreciated over 40 years. The estimated useful life, depreciation method, and residual values are reviewed at least annually, with the effect of any changes in estimate being accounted for on a prospective basis.

Disclosure of Fair Value

Fair value is based on active market prices, adjusted, if necessary for any difference in the nature, location or condition of the specific asset. If this information is not available, Superior uses alternate valuation methods, such as recent prices in less active markets, discounted cash flow projections, or recent property tax assessments. Valuations performed by professional valuators can be used although Superior has sufficient internal resources to determine reliable fair values.

The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

(f) Impairment of Property, Plant and Equipment, Intangible Assets and Investment Properties

At each balance sheet date and when circumstances indicate that the carrying value may be impaired, Superior reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If so, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where it is not possible to estimate the recoverable amount of an individual asset, Superior estimates the recoverable amount of the cash-generating unit (CGU) to which the asset belongs. For the impairment testing, assets that cannot be tested individually are grouped into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups.

Recoverable amount is the higher of fair value less costs to sell and value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset or CGU is estimated to be less than its carrying amount, the carrying amount is reduced to its recoverable amount. An impairment loss is recognized immediately in net earnings (loss). When an impairment loss, other than an impairment loss on goodwill, subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, which cannot exceed the original carrying amount less normal depreciation.

(g) Business Combinations

All business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair values, at the acquisition date of the assets given up, the liabilities incurred or assumed and equity instruments issued by Superior in exchange for control of the acquiree. Transaction costs, other than those associated with the issuance of debt or equity securities, that Superior incurs in connection with a business combination are expensed as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations* are recognized at their fair values at the acquisition date, except for non-current assets that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognized at fair values less costs to sell, except that:

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

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

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

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

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

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

(h) Goodwill

Goodwill arising in a business combination is recognized as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, Superior's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the previously held equity interest in the acquiree (if any), the excess is recognized immediately in net earnings (loss) as a bargain purchase gain.

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

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the net earnings (loss) on disposal.

(i) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue from the sale of goods is recognized when all the following conditions are satisfied:

- Superior has transferred to the buyer the significant risks and rewards of ownership of the goods;
- Superior retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to Superior; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Energy Services

Revenues from sales are recognized at the time of delivery, or when related services are performed and the above conditions related to revenue from sale of goods are satisfied.

Natural gas revenues are recognized as gas is delivered to local distribution companies and when the above conditions related to revenue from sale of goods are satisfied. Costs associated with balancing the amount of gas used by Energy Services' customers with the volumes delivered by Energy Services to the local distribution companies are recognized as period costs. Electricity revenues are recognized as the electricity is consumed by the end-use customer or sold to third parties.

Rental revenues arising from operating leases are accounted for based on the terms contained in the lease agreements as earned.

Specialty Chemicals

Revenues from chemical sales are recognized at the time of delivery and when the above conditions related to revenue from sale of goods are satisfied.

Construction Contracts

When the outcome of a construction contract for the construction of chlorine dioxide generators can be estimated reliably, revenues and costs are recognized by reference to the percentage of completion of the contract activity at the end of the reporting period, measured based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. Engineer's reviews are used to determine the stage of completion of contracts in progress.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognized to the extent it is probable that contract costs will be recoverable. Contract costs are recognized as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognized as an expense immediately.

Construction Products Distribution

Revenue is recognized when products are delivered to the customer and when the above conditions related to revenue from sale of goods are satisfied. Revenue is stated net of discounts and rebates granted.

(j) Leases

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

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

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

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

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

(k) Rebates – Construction Products Distribution

Purchase rebates are recognized as a reduction of cost of goods sold when the related performance is completed and the inventory is sold. Vendor rebates that are contingent upon completing a specified level of purchases are recognized as a reduction of cost of goods sold based on a systematic and rational allocation of the cash consideration to each of the underlying transactions that results in progress toward earning that rebate or refund, assuming that the rebate can be reasonably estimated and it is probable that the specified target will be obtained. Otherwise, the rebate is recognized as the milestone is achieved and the inventory is sold.

(l) Provisions

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

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

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

Decommissioning Costs

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

Environmental Expenditures and Liabilities

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

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

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

Restructuring

A restructuring provision is recognized when Superior has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(m) Employee Future Benefits

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

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

For defined benefit plans, the cost of providing benefits is determined using the Projected Unit Credit Method, with actuarial valuations being carried out at each balance sheet date. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recognized in other comprehensive income in the period in which they occur. The net obligation for each defined benefit plan is discounted to determine the present value using the yield at the reporting date on high-quality Canadian corporate bonds. Past service costs are recognized immediately to the extent that the benefits are already vested, and otherwise are amortized on a straight-line basis over the average period until the benefits become vested.

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

(n) Income Taxes

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

Current Income Taxes

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

Deferred Income Taxes

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

- When the deferred tax liability arises from the initial recognition of goodwill; or
- When an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting net earnings (loss) nor taxable net earnings (loss); and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled by Superior and it is probable that the temporary differences will not be reversed in the foreseeable future.

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

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

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

Uncertain Tax Positions

Superior is subject to taxation in numerous jurisdictions. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain. Superior maintains provisions for uncertain tax positions that it believes appropriately reflect its risk. These provisions are made using the best estimate of the amount expected to be paid based on a qualitative assessment of all relevant factors. Superior reviews the adequacy of these provisions at the end of the reporting period. It is possible, however, that at some future date, liabilities in excess of Superior's provisions could result from audits by or litigation with tax authorities. Where the final outcome of these tax-related matters is different from the amounts that were initially recorded, such differences will affect the tax provisions in the period in which such determination is made.

Current and Deferred Tax for the Period

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

(o) Foreign Currencies

The financial statements of each subsidiary of Superior are translated into the currency of the subsidiary's primary economic environment (its functional currency). For the purpose of the consolidated financial statements, the results and balance sheets of each subsidiary are expressed in Canadian dollars, Superior's functional currency.

The accounts of the foreign operations of Energy Services, Specialty Chemicals and Construction Products Distribution in the United States, and of Specialty Chemicals operations in Chile, translate all assets and liabilities at the exchange rate prevailing at the balance sheet date, and revenues and expenses at average exchange rates during the period. Exchange gains and losses arising from this translation are recorded as a component of accumulated other comprehensive income. Other monetary assets and liabilities held by Superior are converted at the exchange rate prevailing at the balance sheet date. Gains and losses are recognized on monetary assets and liabilities when those items are settled.

Transactions denominated in a foreign currency are translated into the functional currency at rates in effect at the date of the transaction. At the balance sheet date, monetary foreign currency assets and liabilities are translated at exchange rates then in effect. The resulting translation gains or losses are recognized in net earnings (loss).

(p) Share-Based Payments

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

(q) Government Grants

Government grants are not recognized until there is a reasonable assurance that Superior will comply with the conditions attaching to them and that the grants will be received.

Government grants whose primary condition is that Superior should purchase, construct or otherwise acquire non-current assets are recognized as a reduction of the carrying value of the related asset. Other government grants are recognized as income over the periods necessary to match them with the costs they are intended to compensate, on a systematic basis. Government grants receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to Superior with no future related costs are recognized in net earnings (loss) in the period in which they become receivable.

(r) Net Earnings (Loss) per Common Share

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

(s) Significant Accounting Judgments, Estimates and Assumptions

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

Fair Value of Derivative and Non-Financial Derivative Instruments

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

Allowance for Doubtful Accounts

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

Property, Plant and Equipment and Intangible Assets

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

Provisions

Provisions have been estimated for decommissioning costs, restructuring and environmental expenditures. These provision are estimates and the actual costs and timing of future cash flows depend on future events. Any differences between estimates and the actual future liability will be accounted for in the period when such determination is made.

Employee Future Benefits

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

Income Tax Assets and Liabilities

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

Decommissioning Liabilities

Determining decommissioning liabilities requires estimates regarding the useful life of certain operating facilities, the timing and cost of future remediation activities, discount rates and the interpretation and changes to various environmental laws and regulations. Differences between estimates and results will affect Superior's accrual for decommissioning liabilities with an impact to net earnings.

Asset Impairments

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

Critical Judgments in Applying Accounting Policies

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

Impairment of Property, Plant and Equipment

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

Income Taxes

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

Financial Instruments

The fair value of financial instruments is determined and classified within three categories, which are outlined below and discussed in more detail in Note 22.

Level I

Fair values in Level I are determined using inputs that are unadjusted quoted prices in active markets for identical assets or liabilities that Superior has the ability to access.

Level II

Fair values in Level II are determined, directly or indirectly, using inputs that are observable for the asset or liability.

Level III

Fair values in Level III are determined using inputs for the asset or liability that are not readily observable.

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

Recent Accounting Pronouncements

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or International Financial Reporting Interpretations Committee ("IFRIC") that are mandatory for accounting periods beginning January 1, 2012 or later periods. The affected standards applicable to Superior are as follows:

IFRS 9 – *Financial Instruments: Classification and Measurement*

IFRS 9 was issued in November 2009 and is intended to replace IAS 39, *Financial Instruments: Recognition and Measurement*. IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. Requirements for financial liabilities were added in October 2010 and they largely carried forward existing requirements in IAS 39, *Financial Instruments – Recognition and Measurement*, except that fair value changes due to credit risk for liabilities designated at fair value through profit and loss would generally be recorded in other comprehensive income. This standard must be applied for accounting periods beginning on or after January 1, 2015, with earlier adoption permitted. Superior is assessing the effect of IFRS 9 on its financial results and financial position; changes, if any, are not expected to be material.

IFRS 10 – *Consolidated Financial Statements*

IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities. IFRS 10 requires an entity to consolidate an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Under existing IFRS, consolidation is required when an entity has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The revised standard is effective for Superior on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 11 – *Joint Arrangements*

IFRS 11 requires a venture to classify its interest in a joint arrangement as a joint venture or joint operation. Joint ventures will be accounted for using the equity method of accounting, whereas joint operations will require the venture to recognize its share of the assets, liabilities, revenue and expenses. The standard is effective for Superior on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 12 – *Disclosure of Interests in Other Entities*

IFRS 12 establishes disclosure requirements for interests in other entities, such as joint arrangements, associates, special-purpose vehicles and off-balance-sheet vehicles. The standard carries forward existing disclosure and introduces significant additional disclosure requirements that address the nature of, and risks associated with, an entity's interests in other entities. This standard is effective for Superior on January 1, 2013. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IFRS 13 – *Fair Value Measurement*

IFRS 13 defines fair value, sets out a single IFRS framework for measuring fair value and requires disclosure about fair value measurements. IFRS 13 applies to IFRS that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosure about those measurements), except in specified circumstances. Superior adopted the amendments on January 1, 2013, with no impact to Superior.

IAS 1 – *Presentation of Other Comprehensive Income*

The amendments to IAS 1 were issued in June 2011 and require entities to group items presented in Other Comprehensive Income on the basis of whether they might be reclassified to the Consolidated Statement of Income in subsequent periods and items that will not be reclassified to the Consolidated Statement of Income. The amendments did not address which items are presented in other comprehensive income and did not change the option to present items net of tax. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012, which will be January 1, 2013 for Superior, and are to be applied retrospectively. These amendments are not expected to have any impact on Superior's financial position, cash flows, or earnings.

IAS 19 – *Employee Benefits, Amendments*

IAS 19 amendments were issued in June 2011 that will change the accounting and disclosure for defined benefit plans and termination benefits. This standard requires that the changes in defined benefit obligations are recognized as they occur, eliminating the corridor approach and accelerating the recognition of past service costs. The changes in defined benefit obligations and plan assets are to be disaggregated into three components: service costs, net interest on the net defined benefit liabilities (assets) and re-measurements of the net defined benefit liabilities (assets). This standard must be applied for accounting periods beginning on or after January 1, 2013. Subsequent to the year ended December 31, 2012, Superior adopted IAS 19 on January 1, 2013 and this will have a financial impact on Superior's 2013 results. For 2012 the financial impact is an increase of $3.1 million to pension expense and a corresponding decrease to Accumulated Other Comprehensive Loss (AOCL). The impact on Superior's balance sheet as at January 1, 2012 is a $4.1 million increase to retained deficit and a corresponding decrease to AOCL.

Superior adopted the following on January 1, 2012:

IFRS 7 – *Financial Instruments: Disclosures, Amendments Regarding Disclosures – Transfer Of Financial Assets*

In December 2011, the IASB and the Financial Accounting Standards Board ("FASB") amended IFRS 7 – *Financial Instruments: Disclosures* to require quantitative and qualitative disclosure for transfers of financial assets where the transferred assets are not derecognized in their entirety or the transferor retains continuing managerial involvement. The amendment also requires disclosure of supplementary information if a substantial portion of the transfer activity occurs in the closing days of a reporting period. Superior's adoption of the IFRS 7 amendments on July 1, 2012 did not impact Superior.

IAS 12 – *Income Taxes, Amendments Regarding Deferred Tax: Recovery Of Underlying Assets*

IAS 12 was amended in December 2010 to remove subjectivity in determining on which basis an entity measures the deferred tax relating to an asset. The amendment introduces a presumption that an entity will assess whether the carrying amount of an asset will be recovered through the sale of the asset. Superior's adoption of IAS 12 amendments on January 1, 2012 did not affect its financial results or financial position.

3. Seasonality of Operations

Energy Services

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

Construction Products Distribution

Sales typically peak during the second and third quarters with the seasonal increase in building and renovation activities. They then decline through the fourth quarters and into the subsequent first quarters. Similarly, net working capital is typically at seasonal highs during the second and third quarters, and normally decline to seasonal lows in the fourth and first quarters.

4. Acquisitions

On July 17, 2012, Superior completed the acquisition of certain assets which constitute a propane distribution business for an aggregate purchase price of $5.5 million including adjustments for net working capital. The main purpose was to expand Energy Services' business in British Columbia and benefit from synergies.

Propane Acquisition	Fair Value Recognized on Acquisition
Trade and other receivables [1]	0.9
Inventories	0.1
Property, plant and equipment	1.9
	2.9
Net identifiable assets and liabilities	2.9
Goodwill arising on acquisition	2.6
Total consideration	**5.5**
Purchase consideration components:	
Cash (paid on August 2, 2012)	5.5
Total purchase consideration	**5.5**

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

Revenue and net earnings for the period ended December 31, 2012 would have been $8.3 million and $1.9 million, respectively, if the acquisition had occurred on January 1, 2012. Subsequent to the acquisition date of July 17, 2012, the acquisition contributed revenue and net earnings, respectively, of $4.4 million and $1.5 million to Energy Services for the period ended December 31, 2012.

On November 17, 2011, Superior completed the acquisition of certain assets which constitute an insulation services business for an aggregate purchase price of $0.2 million. Superior elected not to disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to the acquired assets had the acquisition closed on January 1, 2011 or from the date of acquisition as operations were integrated into Superior's operations.

On October 7, 2011, Superior completed the acquisition of certain assets which constitute a refined fuels distribution business (Hamilton) for an aggregate purchase price of $0.4 million. Superior elected not to disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to Hamilton had the acquisition closed on January 1, 2011 or from the date of acquisition as operations were integrated into Superior's operations.

On October 6, 2011, Superior completed the acquisition of certain assets which constitute a propane distribution business (Walts) for an aggregate purchase price of $1.0 million. Superior elected not to disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to Walts had the acquisition closed on January 1, 2011 or from the date of acquisition as operations were integrated into Superior's operations.

On September 8, 2011, Superior completed the acquisition of certain assets (Elkhorn) which constitute a propane distribution business for an aggregate purchase price of $6.5 million including adjustments for working capital. The main purposes are to expand the Energy Services' business in Pennsylvania and benefit from synergies.

Elkhorn	Fair Value Recognized on Acquisition
Intangible assets	4.7
Property, plant and equipment	2.3
	7.0
Trade and other payables	(0.1)
	(0.1)
Net identifiable assets and liabilities	6.9
Gain on bargain purchase	(0.4)
Total consideration	**6.5**
Purchase consideration components:	
Cash (paid on September 8, 2011)	6.0
Deferred consideration	0.5
Total purchase consideration	**6.5**

Subsequent to the acquisition date of September 8, 2011, revenues and net earnings contributed by Elkhorn were not significant. Superior cannot reasonably determine the revenue and net earnings attributable to Elkhorn had the acquisition closed on January 1, 2011 due to limited access to the related financial information.

On August 4, 2011, Superior completed the acquisition of certain assets which constitute a refined fuel and propane distribution business (Brennan) for an aggregate purchase price of $3.7 million including adjustments for working capital. Superior elected to not disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to Brennan had the acquisition closed on January 1, 2011 or from the date of acquisition as its operations were integrated into Superior's operations.

On April 29, 2011, Superior completed the acquisition of certain assets which constitute a refined fuel and propane distribution business (Country Comfort) for an aggregate purchase price of $0.3 million including adjustments for working capital. Superior elected to not disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to Country Comfort had the acquisition closed on January 1, 2011 or from the date of acquisition as operations were integrated into Superior's operations.

On March 9, 2011, Superior completed the acquisition of certain assets (Propane Acquisition) which constitute a propane distribution business for an aggregate purchase price of $5.3 million including adjustments for working capital. The acquisition's main purposes are to expand Energy Services' business in Ontario and benefit from synergies.

Propane Acquisition	Fair Value Recognized on Acquisition
Trade and other receivables [1]	1.3
Inventories	0.2
Property, plant and equipment	1.1
	2.6
Trade and other payables	(0.4)
	(0.4)
Net identifiable assets and liabilities	2.2
Goodwill arising on acquisition	3.1
Total consideration	**5.3**
Purchase consideration components:	
Cash (paid on March 9, 2011)	4.3
Deferred consideration	1.0
Total purchase consideration	**5.3**

(1) The gross amount of trade receivables is $1.4 million, of which $0.1 is expected to be uncollectible.

Superior cannot reasonably determine the revenue and net earnings contributed since the acquisition or the amounts attributable to the Propane Acquisition had the acquisition closed on January 1, 2011 as its operations were integrated into Superior's operations.

On January 15, 2011, Superior completed the acquisition of certain assets which constitute a refined fuel and propane distribution business (Butler) for an aggregate purchase price of $0.3 million including adjustments for working capital. Superior elected not to disclose a purchase price equation for the acquisition as it was considered immaterial. Superior cannot reasonably determine the net earnings attributable to Butler had the acquisition closed on January 1, 2011 or from the date of acquisition as operations were integrated into Superior's operations.

5. Trade and Other Receivables

A summary of trade and other receivables is as follows:

	Note	**2012**	2011
Trade receivables, net of allowances	22	**355.9**	427.1
Accounts receivable – other		**32.3**	45.1
Finance lease receivable		**0.8**	0.7
Trade and other receivables		**389.0**	472.9

6. Prepaid Expenses

	2012	2011
Balance at the beginning of the year	**20.7**	23.3
Added to prepaid assets	**89.2**	83.3
Expensed to net earnings (loss)	**(85.1)**	(85.5)
Foreign exchange impact	**(0.1)**	(0.4)
Balance at the end of the year	**24.7**	20.7

7. Inventories

	2012	2011
Propane, heating oil and other refined fuels	**105.1**	87.5
Propane retailing materials, supplies, appliances and other	**10.7**	12.6
Chemical finished goods and raw materials	**21.1**	20.9
Chemical stores, supplies and other	**9.3**	8.5
Wall, ceiling and insulation construction products	**67.5**	73.6
	213.7	203.1

The cost of inventories recognized as an expense in the year ended December 31, 2012 was $2,528.9 million (December 31, 2011 – $2,769.2 million). Inventories of $nil as at December 31, 2012 (December 31, 2011 – $nil) are expected to be recovered after more than twelve months. Inventory was written down during the year ended December 31, 2012 by $3.6 million (December 31, 2011 – $2.6 million). No reversals of write downs were recorded during the years ended December 31, 2012 and 2011.

8. Insurance Claim

During the fourth quarter of 2010, Specialty Chemicals' Buckingham, Quebec sodium chlorate plant experienced an electrical transformer failure which caused one of its production lines to cease operation. The electrical equipment was repaired and the production line resumed operations in the second quarter of 2011. During the outage, efforts were made to source product from other producers to satisfy customer requirements. However, some sodium chlorate sales were lost and costs were incurred to purchase additional product and repair equipment. In the fourth quarter of 2011, a partial payment of $3.7 million was received from Specialty Chemicals' business interruption and property damage insurance claim. The $3.7 million was recorded as a reduction to cost of sales ($3.2 million) and to operating expenses ($0.5 million) based on the respective business interruption and property damage claim amounts net of the insurance deductible. An additional $1.1 million was received in 2012 which reduced selling, distribution and administrative costs.

9. Finance Lease

In November 2010, Superior entered into a finance lease arrangement with a customer from the Specialty Chemicals segment. It is related to capital assets used to produce electricity at a Specialty Chemicals' sodium chlorate facility in Chile. The lease contract term is ten years and contains an early termination option for the customer after five years.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012	2011	**2012**	2011
Current portion	**1.6**	1.6	**0.8**	0.7
Long-term portion	**10.6**	12.4	**7.7**	8.7
	12.2	14.0	**8.5**	9.4
Less unearned finance income	**(3.7)**	(4.6)	**–**	–
Present value of minimum lease payments	**8.5**	9.4	**8.5**	9.4

The interest rate inherent in the lease is fixed at a constant effective interest rate of 10% per year.

There is no allowance for doubtful accounts, as the finance lease receivables are neither past due nor impaired.

10. Construction Contracts

Revenue relating to construction contracts is recognized based on the stage of completion, based in turn on engineering estimates of the proportion of work completed to date.

Contracts in progress at the balance sheet date:

	2012	2011
Construction costs incurred plus recognized profits less recognized losses to date	**12.9**	6.0
Less: Progress billings to date	**(14.2)**	(8.2)
	(1.3)	(2.2)

Recognized and included in the financial statements as amounts due:

	Note	**2012**	2011
Accounts payable to customers under construction contracts	16	**1.3**	2.2
		1.3	2.2

11. Property, Plant and Equipment

	Land	Buildings	Specialty Chemicals Plant & Equipment	Energy Services Retailing Equipment	Construction Products Distribution Equipment	Leasehold Improvements	Total
Cost							
Balance at December 31, 2010	**29.4**	**140.4**	**713.8**	**582.8**	**37.8**	**9.2**	**1,513.4**
Additions	0.1	7.3	14.2	36.3	5.4	0.7	64.0
Disposals	(0.1)	(1.7)	(5.3)	(24.6)	(2.7)	–	(34.4)
Impairment losses charged to net loss	–	–	–	(3.8)	–	–	(3.8)
Acquisitions through business combinations	–	–	–	–	0.2	–	0.2
Net foreign currency exchange differences	0.3	1.0	5.7	0.8	0.5	–	8.3
Balance at December 31, 2011	**29.7**	**147.0**	**728.4**	**591.5**	**41.2**	**9.9**	**1,547.7**
Accumulated Depreciation							
Balance at December 31, 2010	**–**	**33.7**	**269.1**	**272.9**	**18.6**	**6.7**	**601.0**
Depreciation expense	–	5.3	41.1	36.1	5.6	1.1	89.2
Eliminated on disposal of assets	–	(0.1)	(3.6)	(20.8)	(1.9)	–	(26.4)
Impairment losses charged to net loss	–	(0.2)	–	(0.5)	–	–	(0.7)
Net foreign currency exchange differences	–	(0.1)	1.6	(2.0)	0.1	–	(0.4)
Balance at December 31, 2011	**–**	**38.6**	**308.2**	**285.7**	**22.4**	**7.8**	**662.7**

	Land	Buildings	Specialty Chemicals Plant & Equipment	Energy Services Retailing Equipment	Construction Products Distribution Equipment	Leasehold Improvements	Total
Cost							
Balance at December 31, 2011	**29.7**	**147.0**	**728.4**	**591.5**	**41.2**	**9.9**	**1,547.7**
Additions	–	3.5	17.6	24.9	4.9	0.1	51.0
Additions from business combinations	–	–	–	1.9	–	–	1.9
Disposals	(0.3)	(0.8)	(2.0)	(17.9)	(1.9)	(0.4)	(23.3)
Impairment losses charged to net earnings	–	–	–	(4.7)	–	–	(4.7)
Net foreign currency exchange differences	(0.2)	(1.2)	(5.7)	(1.7)	(0.9)	0.1	(9.6)
Reclassification	0.5	0.1	–	(4.2)	–	–	(3.6)
Balance at December 31, 2012	**29.7**	**148.6**	**738.3**	**589.8**	**43.3**	**9.7**	**1,559.4**
Accumulated Depreciation							
Balance at December 31, 2011	**–**	**38.6**	**308.2**	**285.7**	**22.4**	**7.8**	**662.7**
Depreciation expense	–	5.6	40.8	34.9	5.2	0.8	87.3
Eliminated on disposal of assets	–	(0.6)	(1.4)	(11.1)	(1.8)	(0.2)	(15.1)
Net foreign currency exchange differences	–	(0.2)	(1.3)	(0.6)	(0.2)	(0.2)	(2.5)
Reclassification	–	–	–	(2.9)	–	–	(2.9)
Balance at December 31, 2012	**–**	**43.4**	**346.3**	**306.0**	**25.6**	**8.2**	**729.5**
Carrying Value							
As at December 31, 2011	29.7	108.5	420.2	305.7	18.8	2.1	885.0
As at December 31, 2012	**29.7**	**105.2**	**392.0**	**283.8**	**17.7**	**1.5**	**829.9**

The carrying value of Superior's property, plant, and equipment includes $67.8 million of leased assets as at December 31, 2012 (December 31, 2011 – $74.2 million).

On October 20, 2012, a kerosene leak was discovered in the bottom of a storage tank at U.S. refined fuels' Marcy terminal location. The leak was investigated and contained by the environmental group. U.S. refined fuels then notified the Department of Environmental Conservation (DEC) which performed an independent review of the leak and other tanks at this location. On December 27, 2012, the DEC issued a notice of violation based on their inspections and subsequent to discussions between management and the DEC, a consent order was issued to U.S. refined fuels on February 4, 2013. The consent order identified that the secondary containment system and storage tanks are not in compliance with DEC design requirements and need to be rebuilt to specific standards by September 1, 2013 in order to remain operational. Management is assessing the implications of the consent order on the future operations of the facility and potential alternatives to completing the repair work required. This event is not expected to have an impact on the operations of U.S. refined fuels or operating results going forward. Management is assessing the impact of additional remediation costs although they are not expected to be material.

Due to the leak and receipt of the consent order, management has performed a detailed impairment review of the Marcy terminal to assess whether the carrying value of all the storage tanks does not exceed their recoverable amount. The recoverable amount of the assets was based on management's estimate of the fair value less costs to sell. Based on a detailed review by management, the fair value less costs to sell of the storage tanks was lower than the carrying value. An impairment charge of $4.7 million was recorded against net earnings along with a $4.7 million reduction in the carrying value of the impaired storage tanks.

During the third quarter of 2011, a fire occurred at U.S. refined fuels' Mumford, New York fuel distribution location and flooding occurred at the Mountoursville, Pennsylvania distribution location, damaging both facilities. Superior recognized an associated impairment charge of $3.4 million. At that time, it was not possible to estimate the expected recovery under Superior's business interruption insurance and, therefore, as at December 31, 2011, no receivable for insurance recovery was recorded. Insurance recoveries are recorded when the amount has been agreed with the insurer or payments have been received.

Depreciation per cost category:

	2012	2011
Cost of sales	**44.9**	44.9
Selling, distribution and administrative costs	**42.4**	44.3
Total	**87.3**	89.2

12. Intangible Assets

	Customer Contract-Related Costs	Energy Services Trademarks, Customer Base & Non-Compete Agreements	Construction Products Distribution Intangible Assets	Specialty Chemicals Royalty Assets and Patents	Investment Property	Total
Cost						
Balance at December 31, 2010	**38.2**	**166.5**	**20.5**	**65.4**	**1.0**	**291.6**
Additions from internal developments	–	1.3	2.6	–	–	3.9
Additions acquired separately	1.6	0.3	–	–	–	1.9
Acquisitions through business combinations	–	12.2	–	–	–	12.2
Impairment losses charged to net loss	–	(107.3)	(22.8)	–	–	(130.1)
Disposals	–	(1.3)	–	–	–	(1.3)
Net foreign currency exchange differences	–	(2.0)	1.4	–	–	(0.6)
Balance at December 31, 2011	**39.8**	**69.7**	**1.7**	**65.4**	**1.0**	**177.6**
Accumulated Depreciation						
Balance at December 31, 2010	**27.0**	**25.1**	**2.8**	**52.5**	**–**	**107.4**
Impairment losses charged to net loss	–	(35.1)	(5.3)	–	–	(40.4)
Disposals	–	(1.3)	–	–	–	(1.3)
Net foreign currency exchange differences	–	(0.5)	0.7	–	–	0.2
Amortization expense	4.2	32.5	2.8	6.6	–	46.1
Balance at December 31, 2011	**31.2**	**20.7**	**1.0**	**59.1**	**–**	**112.0**

	Customer Contract-Related Costs	Energy Services Trademarks, Customer Base & Non-Compete Agreements	Construction Products Distribution Intangible Assets	Specialty Chemicals Royalty Assets and Patents	Investment Property	Total
Cost						
Balance at December 31, 2011	**39.8**	**69.7**	**1.7**	**65.4**	**1.0**	**177.6**
Additions from internal developments	–	1.0	–	–	–	1.0
Additions acquired separately	1.1	0.1	–	–	–	1.2
Disposals	–	(1.7)	–	–	–	(1.7)
Reclassifications		2.4	–	–	–	2.4
Net foreign currency exchange differences	–	(1.0)	–	–	–	(1.0)
Balance at December 31, 2012	**40.9**	**70.5**	**1.7**	**65.4**	**1.0**	**179.5**
Accumulated Depreciation						
Balance at December 31, 2011	**31.2**	**20.7**	**1.0**	**59.1**	**–**	**112.0**
Disposals	–	(1.0)	–	–	–	(1.0)
Reclassification	–	2.6	–	–	–	2.6
Net foreign currency exchange differences	–	(0.5)	–	–	–	(0.5)
Amortization expense	3.3	17.0	0.2	6.3	–	26.8
Balance at December 31, 2012	**34.5**	**38.8**	**1.2**	**65.4**	**–**	**139.9**
Carrying value (1)						
As at December 31, 2011	8.6	49.0	0.7	6.3	1.0	65.6
As at December 31, 2012	**6.4**	**31.7**	**0.5**	**–**	**1.0**	**39.6**

(1) Superior has pledged 100% of the intangible assets balance as at December 31, 2012 excluding leased assets as security on Superior's borrowing.

An impairment charge was recorded to the intangible assets of Superior's Construction Products Distribution and Energy Services' segments during the third and fourth quarters of 2011; see Note 14 for further details.

Amortization per cost category:

	2012	2011
Selling, distribution and administrative costs	**23.5**	41.9
Total	**23.5**	41.9

13. Investment Properties

At Cost	2012	2011
Investment property	**1.1**	1.1
Accumulated depreciation at the beginning of the year	**(0.1)**	–
Depreciation expense	**–**	(0.1)
Accumulated depreciation at the end of the year	**(0.1)**	(0.1)
Carrying Value	**1.0**	1.0

	2012	2011
Rental income from investment properties	**–**	0.1
Net income from investment properties	**–**	0.1

All of Superior's investment property is held under freehold interests.

	2012	2011
Fair value of investment properties	**1.0**	1.0

Investment property is included with intangible assets on the balance sheet.

14. Goodwill

	2012	2011
Balance at the beginning of the year	**186.1**	471.7
Additional amounts recognized from business combinations during the year	**2.6**	3.6
Purchase price equation adjustments	**0.4**	(2.1)
Impairment of Energy Services	**–**	(227.8)
Impairment of Construction Products Distribution	**–**	(61.2)
Effect of foreign currency differences	**–**	1.9
Balance at the end of the year	**189.1**	186.1

Superior determined the recoverable amount of CGUs based on a value in use calculation using cash flow projections, which take into account financial budgets and forecasts approved by senior management covering a five-year period with a terminal value calculated by discounting the final year in perpetuity. The key assumptions for the value in use calculation include estimated sales volumes, selling prices, cost of products sold and input costs, as well as discount rates which are based on estimates of the risks associated with the projected cash flows based on the best information available as of the date of the impairment test. The pre-tax discount rate was separately determined for each CGU resulting in rates applied to cash flow projections ranging from 10.6% to 12.1% in 2012. The growth rate used to calculate the terminal value is based on growth rates reflecting inflation ranging from 0.5% to 1.0% in 2012 and do not exceed the long-term historical growth rate and industry average growth rate. Superior determined that no reasonably possible change in the assumptions would have resulted in any impairment of goodwill or indefinite life intangible assets in 2012. During 2011, Superior recorded impairment charges at two CGUs based on the assumptions and information detailed below.

Impairment of Goodwill and Intangible Assets

Goodwill acquired through business combinations and intangible assets has been allocated for impairment testing to Superior's CGUs that are expected to benefit from the synergies of the combination. Superior assesses quarterly whether any indications of impairment have occurred which would require testing goodwill for impairment using a two-step process, with the first step being to assess whether the recoverable amount of a reporting unit to which goodwill is assigned is less than its carrying value. If so, a second impairment test is performed which requires a comparison of the recoverable amount to its carrying value. Value in use calculations have been used to determine the recoverable amount for the goodwill and intangible assets allocated to Superior's CGUs.

Construction Products Distribution

During the third quarter of 2011 impairment indicators were observed in Superior's Construction Products Distribution segment. As such, Superior completed a detailed assessment of the segment's operations; the recoverable amount was determined using a detailed cash flow model based on current market assumptions surrounding the construction products industry, which was negatively impacted by the continued economic slowdown across North America, the reduction in residential housing starts and ongoing weakness in commercial construction markets. Based on the recoverable amount calculated, it was determined that the segment's goodwill and intangible assets were impaired. A goodwill impairment charge of $61.2 million and an intangible assets impairment charge of $17.5 million were recognized as reduction in the carrying value of the respective balances during the third quarter of 2011.

Basis on which Recoverable Amount has been Determined

The recoverable amount was determined using a detailed cash flow model which was based on evidence from an internal budget approved by Superior's Board of Directors. Management's internal budgets are based on past experience adjusted to reflect market trends and economic conditions. The resulting recoverable amount was then compared to the carrying amount of the business segment which resulted in an impairment charge that was allocated to goodwill and intangible assets. The impairment charge was recognized as an expense against Superior's net loss for the year ended December 31, 2011.

Key Rates Used in Calculation of Recoverable Amount

Growth Rate to Perpetuity

The first five years of projected cash flow used in the model were based on management's internal budgets and after five years were extrapolated using annual growth rates in line with historical long-term growth rates in the construction products industry, in this case 1.5%.

Discount Rates

Cash flows in the model were discounted using a segment-specific discount rate. Discount rates reflect the current market assessments of the time value of money and are derived from the business segment's weighted average cost of capital. Segment-specific risks were reflected in the cash flow model. The weighted average cost of capital was then adjusted to reflect the impact of tax in order to calculate an equivalent pre-tax discount rate. The after-tax discount rate used in determining the recoverable amount was 12.0%.

Inflation Rates

Inflation rates used in the cash flow model were based on a blend of publicly available forecasts, in this case, 2% annually.

Key Assumptions

The model used to determine the recoverable amount was based on the assumption that sales revenue will decline from 2011 due to market conditions which were expected to continue to impact the financial results of the business segment through year-end 2012.

Energy Services

During the fourth quarter of 2011 it was determined that Superior's Energy Services' business segment was impaired. As such Superior completed a detailed assessment of the business segment's operations. The recoverable amount was determined using a detailed cash flow model based on current market assumptions surrounding the Canadian propane distribution and U.S. refined fuels distribution industries which were negatively impacted by the continued economic slowdown across North America, a shift in sales mix from higher-margin heating volumes to lower-margin non-heating volumes, and energy conservation efforts from Superior's customers. Based on the calculated recoverable amount, it was determined that the segment's goodwill and intangible assets were impaired and a goodwill impairment charge of $227.8 million and an intangible assets impairment charge of $72.2 million were recognized as reduction in the carrying value of the respective balances during the fourth quarter of 2011.

Basis on Which Recoverable Amount has Been Determined

The recoverable amount was determined using a detailed cash flow model which was based on evidence from an internal budget approved by the Board of Directors. Management's internal budgets are based on past experience and are adjusted to reflect market trends and economic conditions. The resulting recoverable amount was then compared to the carrying amount of the business segment which resulted in an impairment charge that was allocated to goodwill and intangible assets. The impairment charge was recognized as an expense against Superior's net loss for the year ended December 31, 2011.

Key Rates Used in Calculation of Recoverable Amount

Growth Rate to Perpetuity

The first five years of projected cash flow were based on management's internal budgets and after five years were extrapolated using annual growth rates in line with historical long-term growth rates, in this case 0.5%.

Discount Rates

Cash flows in the model were discounted using a segment specific discount rate. Discount rates reflect the current market assessments of the time value of money and are derived from the business segment's weighted average cost of capital. Segment-specific risks were reflected in the cash flow model. The weighted average cost of capital was then adjusted to reflect the impact of tax in order to calculate an equivalent pre-tax discount rate. The after-tax discount rate used in determining the recoverable amount was 10.8% for Canadian propane distribution and 11.5% for U.S. refined fuels.

Inflation Rates

Inflation rates used in the cash flow model were based on a blend of publically available forecasts, in this case 2% annually.

Key Assumptions

The model used to determine the recoverable amount was based on the assumption that it is expected to decline from 2011 levels due to the items noted above which were expected to continue to impact the segment's operating results through the end of 2012.

15. Provisions

	Decommissioning Costs	Environmental Expenditures	Total
Balance at December 31, 2010	10.2	3.0	13.2
Additional provisions recognized during the year	3.4	–	3.4
Amounts reversed during the year	–	(0.9)	(0.9)
Utilization	–	(0.5)	(0.5)
Unwinding of discount	0.4	–	0.4
Impact of change in discount rate	1.7	–	1.7
Net foreign currency exchange difference	(0.2)	0.1	(0.1)
Balance at December 31, 2011	**15.5**	**1.7**	**17.2**
Utilization	**–**	**(0.3)**	**(0.3)**
Unwinding of discount	**0.4**	**–**	**0.4**
Impact of change in discount rate	**0.4**	**–**	**0.4**
Net foreign currency exchange difference	**(0.1)**	**–**	**(0.1)**
Balance at December 31, 2012	**16.2**	**1.4**	**17.6**

Decommissioning Costs

Specialty Chemicals

Superior makes full provision for the future cost of decommissioning Specialty Chemicals' chemical facilities. The provision is on a discounted basis and is based on existing technologies at current prices or long-term price assumptions, depending on the activity's expected timing. As at December 31, 2012, the discount rate used in Superior's calculation was 2.4% (December 31, 2011 – 2.5%). Superior estimates the total undiscounted amount of expenditures required to settle its decommissioning liabilities is approximately $20.1 million (December 31, 2011 – $20.3 million) which will be paid out over the next nineteen to twenty-seven 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 incurring these costs is uncertain.

Energy Services

Superior makes full provision for the future costs of decommissioning certain assets associated with the Energy Services segment. Superior estimates the total undiscounted amount of expenditures required to settle its asset retirement obligations to be approximately $8.8 million at December 31, 2012 (December 31, 2011 – $9.2 million) which will be paid out over the next nineteen to twenty-four years. The discount rate of 2.4% at December 31, 2012 (December 31, 2011 – 2.5%) was used to calculate the present value of the estimated cash flows.

Environmental Expenditures

Provisions for environmental remediation are made when a clean-up is probable and the amount of the obligation can be reliably estimated. Generally, this coincides with commitment to a formal plan or, if earlier, on divestment or closure of inactive sites. The provision for environmental liabilities has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.4% at December 31, 2012 (December 31, 2011 – 2.5%). The majority of these costs are expected to be incurred over the next 10 years. The extent and cost of future remediation programs are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and Superior's share of the liability.

16. Trade and Other Payables

A summary of trade and other payables is as follows:

	Notes	**2012**	2011
Trade payables		**241.6**	240.4
Net benefit obligation	21	**3.6**	3.5
Other payables		**57.7**	47.8
Amounts due to customers under construction contracts	10	**1.3**	2.2
Share-based payments	28	**9.9**	3.7
Trade and other payables		**314.1**	297.6

The average credit period on purchases by Superior is 25 days. No interest is charged on the trade payables between 7 and 30 days from the date of the invoice. Thereafter, interest is charged at 23% per annum on the balance. Superior's financial risk management policies ensure that all payables are normally paid within the pre-agreed credit terms.

17. Deferred Revenue

	2012	2011
Balance at the beginning of the year	**14.2**	6.8
Deferred during the year	**29.1**	21.4
Released to net earnings (loss)	**(23.9)**	(14.5)
Foreign exchange impact	**(0.2)**	0.5
Balance at the end of the year	**19.2**	14.2

	2012	2011
Current	**18.2**	14.2
Non-current	**1.0**	–
	19.2	14.2

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

18. Borrowing

	Year of Maturity	Effective Interest Rate	2012	2011
Revolving Term Bank Credits (1)				
Bankers Acceptances (BA)	2015	Floating BA rate plus applicable credit spread	**148.6**	219.5
Canadian Prime Rate Loan	2015	Prime rate plus credit spread	**13.0**	19.8
LIBOR Loans (US$138.0 million; 2011– US$138.9 million)	2015	Floating LIBOR rate plus applicable credit spread	**137.3**	141.3
US Base Rate Loan (US$34.6 million; 2011– US$29.2 million)	2015	US prime rate plus credit spread	**34.5**	29.7
			333.4	410.3
Other Debt				
Deferred consideration	2013-2016	Non-interest bearing	**2.7**	4.0
			2.7	4.0
Senior Secured Notes (2)				
Senior secured notes subject to fixed interest rates (US$92.0 million; 2011 – US$124.0 million)	2013-2015	7.65%	**91.5**	126.1
Senior Unsecured Debentures				
Senior unsecured debentures	2016	8.25%	**150.0**	150.0
Finance Lease Obligations				
Finance lease obligations			**62.0**	71.7
Total borrowing before deferred financing fees			**639.6**	762.1
Deferred financing fees			**(5.2)**	(6.4)
Borrowing			**634.4**	755.7
Current maturities			**(59.7)**	(54.3)
Borrowing			**574.7**	701.4

(1) Superior and its wholly-owned subsidiaries, Superior Plus Financing Inc. and Commercial E Industrial (Chile) Limitada, reduced the revolving term bank credit borrowing capacity to $570 million from $615 million on March 28, 2012. The credit facilities mature on June 27, 2015 and are secured by a general charge over the assets of Superior and certain of its subsidiaries. As at December 31, 2012, Superior had $31.1million of outstanding letters of credit (December 31, 2011 – $34.8 million) and approximately $121.9 million of outstanding financial guarantees (December 31, 2011 – $84.2 million). The fair value of Superior's revolving term bank credits, other debt, letters of credit, and financial guarantees approximates their carrying value as a result of the market-based interest rates, the short-term nature of the underlying debt instruments and other related factors.

(2) Senior secured notes (the Notes) totaling US$92.0 million and US $124.0 million (respectively, CDN$91.5 million at December 31, 2012 and CDN$126.1 million at December 31, 2011) are secured by a general charge over the assets of Superior and certain of its subsidiaries. Principal repayments began in the fourth quarter of 2009. Management has estimated the fair value of the Notes based on comparisons to treasury instruments with similar maturities, interest rates and credit risk profiles. The estimated fair value of the Notes as at December 31, 2012 was CDN$94.4 million (December 31, 2011 – CDN$121.1 million).

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

Current maturities	59.7
Due in 2014	48.0
Due in 2015	368.3
Due in 2016	158.4
Due in 2017	4.0
Due in 2018	1.2
Subsequent to 2018	–
Total	**639.6**

19. Leasing Arrangements

Operating Lease Commitments

Superior has entered into leases on certain vehicles, rail cars, premises and other equipment. Leases have an average life of between three and five years with no renewal option included in the contracts. There are no restrictions placed upon Superior by entering into these leases.

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

	2012	2011
Not later than one year	**38.1**	26.8
Later than one year and not later than five years	**89.9**	57.2
Later than five years	**35.6**	27.1
	163.6	111.1

Obligations Under Finance Lease

Finance leases relate to fuel distribution and construction products vehicles and equipment and office space with lease terms of 5 to 15 years. Superior has options to purchase the assets for a nominal amount at the conclusion of the lease agreements. Superior's obligations under finance leases are secured by the lessors' title to the leased assets.

	Minimum Lease Payments		Present Value of Minimum Lease Payments	
	2012	2011	**2012**	2011
Not later than one year	**17.0**	19.8	**16.4**	15.6
Later than one year and not later than five years	**49.5**	57.9	**43.1**	51.5
Later than five years	**3.1**	5.8	**2.5**	4.6
Less: future finance charges	**(7.6)**	(11.8)	**–**	–
Present value of minimum lease payments	**62.0**	71.7	**62.0**	71.7

Included in the Consolidated Financial Statements as:

	2012	2011
Current portion of leasing obligations	**16.4**	15.6
Non-current portion of leasing obligations	**45.6**	56.1
	62.0	71.7

20. Convertible Unsecured Subordinated Debentures

Superior's debentures are as follows:

Maturity	December 2012	October 2015	December 2014	June 2017	June 2018	October 2016 [1]	**Total Carrying Value**
Interest rate	5.75%	5.85%	7.50%	5.75%	6.0%	7.50%	
Conversion price per share	$36.00	$31.25	$13.10	$19.00	$15.10	$11.35	
Face value, December 31, 2011	49.9	75.0	69.0	172.5	150.0	75.0	591.4
Debentures redeemed [2]	(49.9)	–	–	–	–	–	(49.9)
Face value, December 31, 2012	**–**	**75.0**	**69.0**	**172.5**	**150.0**	**75.0**	**541.5**
Issuance costs, December 31, 2011	(0.5)	(0.9)	(2.1)	(5.7)	(5.3)	(3.1)	(17.6)
Issuance costs incurred	–	–	–	–	–	(0.1)	(0.1)
Redemption adjustment	0.2	–	–	–	–	–	0.2
Accretion of issue costs	0.3	0.2	0.7	0.9	0.7	0.6	3.4
Issuance costs, December 31, 2012	**–**	**(0.7)**	**(1.4)**	**(4.8)**	**(4.6)**	**(2.6)**	**(14.1)**
Discount value, December 31, 2011	(0.1)	(0.2)	(0.3)	(0.2)	(1.6)	(0.4)	(2.8)
Accretion of discount value	0.1	–	0.1	0.1	0.2	–	0.5
Discount value, December 31, 2012	**–**	**(0.2)**	**(0.2)**	**(0.1)**	**(1.4)**	**(0.4)**	**(2.3)**
Debentures outstanding as at December 31, 2012	**–**	**74.1**	**67.4**	**167.6**	**144.0**	**72.0**	**525.1**
Less current maturities (note 35)	–	(50.0)	–	–	–	–	(50.0)
Debentures outstanding as at December 31, 2012	**–**	**24.1**	**67.4**	**167.6**	**144.0**	**72.0**	**475.1**
Debentures outstanding as at December 31, 2011	49.3	73.9	66.6	166.6	143.1	71.5	571.0
Quoted market value as at December 31, 2012	**–**	**75.2**	**71.4**	**169.2**	**148.0**	**84.2**	**548.0**
Quoted market value as at December 31, 2011	50.0	63.0	65.2	122.5	105.6	62.3	468.6

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

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

The debentures may be converted into shares at the option of the holder at any time prior to maturity and may be redeemed by Superior in certain circumstances. Superior may elect to pay interest and principal upon maturity or redemption by issuing shares to a trustee in the case of interest payments, and to the debenture holders in the case of payment of principal. The number of any shares issued will be determined based on market prices for the shares at the time of issuance. Superior also has a cash conversion put option which allows Superior to settle any conversion of debentures in cash, in lieu of delivering common shares to the debenture holders of the June 2018 and October 2016 convertible debentures. The cash conversion put option has been classified as an embedded derivative and measured at FVTNEL (see Note 22 for further details).

21. Employee Future Benefits

Energy Services and Specialty Chemicals have defined benefit and defined contribution pension plans covering most employees. The benefits provided under defined benefit pension plans are based on the employees' years of service and on the highest average earnings for a specified number of consecutive years. Information about Superior's defined benefit and other post-retirement benefit plans as at December 31, 2012 and December 31, 2011 in aggregate is as follows:

Recognized Liability for Defined Benefit Obligations

	Energy Services Pension Benefit Plans	Specialty Chemicals Pension Benefit Plans	Other Benefit Plans
Balance as at December 31, 2011			
Present value of obligations	48.6	96.3	33.6
Fair value of plan assets	(39.1)	(70.6)	–
Recognized liability	9.5	25.7	33.6
Balance as at December 31, 2012			
Present value of obligations	**49.3**	**108.3**	**24.6**
Fair value of plan assets	**(42.4)**	**(82.1)**	**–**
Recognized liability	**6.9**	**26.2**	**24.6**

Movement in Present Value of Defined Benefit Obligations and Plan Assets

	Energy Services Pension Benefit Plans		Specialty Chemicals Pension Benefit Plans		Other Benefit Plans	
	2012	2011	**2012**	2011	**2012**	2011
Movement in benefit obligations during the year:						
Benefit obligation at January 1	**48.6**	46.2	**96.3**	80.8	**33.6**	30.3
Current service cost	**0.1**	0.1	**2.3**	2.3	**0.1**	0.1
Interest cost	**2.0**	2.3	**4.1**	4.3	**1.3**	1.6
Contributions by the plan participants	**–**	–	**0.1**	0.1	**–**	–
Actuarial losses	**1.9**	3.9	**8.9**	11.4	**(9.4)**	2.8
Past service cost	**0.7**	–	**–**	–	**–**	–
Benefits paid	**(4.0)**	(3.9)	**(3.4)**	(2.6)	**(1.0)**	(1.2)
Benefit obligation as at December 31	**49.3**	48.6	**108.3**	96.3	**24.6**	33.6
Movement in fair value of plan assets during the year:						
Fair value of plan assets at January 1	**39.1**	41.1	**70.6**	67.2	**–**	–
Expected return on plan assets	**2.5**	2.8	**4.6**	4.8	**–**	–
Actuarial gains (losses)	**1.9**	(2.8)	**3.6**	(4.3)	**–**	–
Contributions by the employer	**2.8**	1.8	**6.6**	5.5	**1.0**	1.2
Contributions by plan participants	**–**	–	**0.1**	–	**–**	–
Benefits paid	**(3.9)**	(3.8)	**(3.4)**	(2.6)	**(1.0)**	(1.2)
Fair value of plan assets as at December 31	**42.4**	39.1	**82.1**	70.6	**–**	–
Funded status – plan deficit	**(6.9)**	(9.5)	**(26.2)**	(25.7)	**(24.6)**	(33.6)
Net benefit obligation	**(6.9)**	(9.5)	**(26.2)**	(25.7)	**(24.6)**	(33.6)
Current portion of net benefit obligation recorded in trade and other payables	**–**	–	**(3.3)**	(3.1)	**(0.3)**	(0.4)
Non-current net benefit obligation (2012 – $54.1 million; 2011 – $65.3 million)	**(6.9)**	(9.5)	**(22.9)**	(22.6)	**(24.3)**	(33.2)

The accrued net pension obligation related to the Energy Services' pension benefit plan on December 31, 2012 was $7.0 million (December 31, 2011 – $9.5 million), and the expense for the year ended December 31, 2012 was $0.4 million (December 31, 2011 – recovery of $0.3 million). The accrued net benefit obligation related to the Specialty Chemicals' pension benefit plan in 2012 was $26.2 million (December 31, 2011 – $25.7 million), and the expense for the year ended December 31, 2012 was $1.7 million (December 31, 2011 – $1.8 million).

The accrued net benefit obligation related to the total other benefit plans of Energy Services and Specialty Chemicals on December 31, 2012 was $24.6 million (December 31, 2011 – $33.6 million), and the expense for the year ended December 31, 2012 was $1.5 million (December 31, 2011 – $1.7 million).

Amounts recognized in net earnings (loss) in respect of these defined benefit plans are as follows for the years ended:

	2012	2011
Current service cost	**2.5**	2.5
Interest on obligation	**7.4**	8.2
Defined contribution plan payments	**0.1**	0.1
Expected return on plan assets	**(7.1)**	(7.6)
Past service cost	**0.7**	–
	3.6	3.2

The total expense for the year is included in the "Selling, Distribution and Administrative Costs" expense in the statement of net earnings (loss).

The amount recognized in accumulated other comprehensive loss is as follows:

	2012	2011
Actuarial defined benefit gains (losses) during the year (before income taxes)	**4.1**	(25.5)
Cumulative actuarial losses (before income taxes)	**(41.3)**	(45.4)

Superior's defined contribution pension plans are fully funded by their nature. The total cost of Superior's defined plans for the year ended December 31, 2012 was $3.7 million (December 31, 2011 – $3.2 million).

The significant actuarial assumptions adopted in measuring accrued benefit obligations are as follows:

	Defined Benefit Plans		Other Benefit Plans	
	2012	2011	**2012**	2011
Discount rate	**4.25%**	4.25%	**4.25%**	4.25%
Expected long-term rate-of-return on plan assets (1)	**6.50%**	7.00%	**–%**	–%
Expected rate of compensation increase	**3.25%**	3.25%	**3.25%**	3.25%

(1) Based on market-related values.

The weighted average annual assumed healthcare cost inflation rate used in the calculation of accrued other benefit plan obligations is 10% initially, decreasing to 5% in 2020 and thereafter. A 1% change in the healthcare inflation rate would result in a change to the accrued benefit obligation of $1.6 million and a change to the current service expense of $nil.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on December 31, 2012 by Hewitt Associates LLC.

Major categories of plan assets as a percentage of the fair value of total defined benefit plan assets:

	Energy Services Pension Benefit Plans	Specialty Chemicals Pension Benefit Plans
Equities	61.2%	64.1%
Bonds	38.8%	34.9%
Other assets	nil%	1.0%

The actual return on Energy Services' and Specialty Chemicals' plan assets in 2012 was 11.1% and 11.4%, respectively (Energy Services – nil% and Specialty Chemicals – 0.5% for 2011).

As at December 31, 2012 Superior expects to make a contribution of $10.3 million (December 31, 2011: $8.8 million) to the defined benefit plans during the next financial year.

Below is a summary of the experience adjustments for the past two years:

	2012	2011
Experience adjustments on plan assets	**(3.6)**	(16.1)
Experience adjustments on plan liabilities	**7.7**	(9.4)
Total experience adjustment	**4.1**	(25.5)

Future employee benefits per cost category:

	2012	2011
Selling, distribution and administrative costs	**3.6**	3.2
Total	**3.6**	3.2

22. Financial Instruments

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

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

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

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

Specialty Chemicals' fixed-price electricity agreement, the valuation requires Superior to make assumptions about the long-term price of electricity in electricity markets for which active market information is not available. The impact of the assumption for the long-term forward price curve of electricity has a material impact on the fair value of this agreement. A $1/MWh change in the forecast price of electricity would result in a change in the fair value of this agreement of $0.8 million, with a corresponding impact to net income before income taxes. Any changes in the fair values of derivative financial instruments classified or designated as held-for-trading are recognized in net income.

During August 2012, Specialty Chemicals received a payment of $15.8 million from TransCanada Energy Ltd., a subsidiary of TransCanada Corporation, in connection with the arbitration ruling related to the Sundance Power Purchase Agreement (PPA) between TransAlta Corporation and TransCanada Corporation. The payment resulted from the Electrical Sales Agreement (ESA) between TransCanada Corporation and Superior whereby TransCanada Corporation supplies Superior with fixed-priced energy from the PPA. A one-time gain of $12.5 million, representing the payment, net of certain settlement costs, is recorded in cost of goods sold. This settlement relates to Specialty Chemicals' fixed-price electricity purchase agreement which expires in 2017. Specialty Chemicals expects to receive electricity production from the PPA by the end of 2013 once the production units have been returned to service.

					Asset (Liability)	
Description	Notional (1)	Term	Effective Rate	Fair Value Input Level	**Dec. 31, 2012**	Dec. 31, 2011
Natural gas financial swaps – AECO	25.28 GJ (2)	2013-2017	CDN $3.93/GJ	Level 1	**(42.2)**	(78.9)
Foreign currency forward contracts, net sale	US$642.4 (3)	2013-2017	1.03	Level 1	**10.7**	3.5
Foreign currency forward contracts, balance sheet-related	US$59.0 (3)	2013-2014	1.01	Level 1	**0.2**	2.2
Interest rate swaps – CDN$	$150.0 (3)	2013-2017	Six-month BA rate plus 2.65%	Level 2	**9.4**	10.9
Equity derivative contracts	$7.5 (3)	2013	$9.48/share	Level 2	**0.5**	–
Debenture-embedded derivative	$255.0 (3)	2013-2018	–	Level 3	**(19.8)**	(0.6)
Energy Services propane wholesale purchase and sale contracts, net sale	5.73 USG (4)	2013-2014	$0.92 USG	Level 2	**0.7**	(0.6)
Energy Services butane wholesale purchase and sale contracts, net sale	1.54 USG (4)	2013-2014	$1.78/USG	Level 2	**(0.2)**	0.2
Energy Services electricity swaps	0.91MWh (5)	2013-2016	$41.76/MWh	Level 2	**(10.3)**	(16.0)
Energy Services swaps and option purchase and sale contracts	27.17 Gallons (4)	2013	$2.95 USG	Level 2	**(0.2)**	(0.7)
Specialty Chemicals fixed-price electricity purchase agreement	12-45 MW (6)	2013-2017	$37-$59/MWh	Level 3	**1.6**	–

(1) Notional values as at December 31, 2012
(2) Millions of gigajoules (GJ) purchased
(3) Millions of dollars
(4) Millions of United States gallons purchased
(5) Millions of megawatt hours (MWh)
(6) Megawatts (MW) on a 24/7 continual basis per year purchased.

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

Description	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities
Natural gas financial swaps – NYMEX and AECO	–	–	46.7	32.2
Energy Services electricity swaps	–	–	8.6	7.4
Foreign currency forward contracts, net	7.1	7.7	1.7	7.4
Interest rate swaps	2.6	8.3	–	–
Debenture-embedded derivative	–	–	–	0.6
Energy Services propane wholesale purchase and sale contracts	3.1	–	3.7	–
Energy Services butane wholesale purchase and sale contracts	0.2	–	–	–
Energy Services heating oil purchase and sale contracts	0.3	–	1.0	–
Specialty Chemicals fixed-price electricity purchase agreement	–	–	–	–
As at December 31, 2011	**13.3**	**16.0**	**61.7**	**47.6**

Description	**Current Assets**	**Long-term Assets**	**Current Liabilities**	**Long-term Liabilities**
Natural gas financial swaps – NYMEX and AECO	**–**	**–**	**27.6**	**14.6**
Energy Services electricity swaps	**–**	**–**	**6.0**	**4.3**
Foreign currency forward contracts, net sale	**10.3**	**4.2**	**–**	**3.8**
Foreign currency forward contracts, balance sheet-related	**0.1**	**0.2**	**–**	**0.1**
Interest rate swaps	**2.5**	**6.9**	**–**	**–**
Equity derivative contracts	**0.5**	**–**	**–**	**–**
Debenture-embedded derivative	**–**	**–**	**–**	**19.8**
Energy Services propane wholesale purchase and sale contracts	**2.8**	**–**	**1.7**	**–**
Energy Services propane purchase and sale contracts	**–**	**–**	**0.4**	**–**
Energy Services butane wholesale purchase and sale contracts	**0.1**	**–**	**0.3**	**–**
Energy Services heating oil purchase and sale contracts	**0.3**	**–**	**0.5**	**–**
Specialty Chemicals fixed-price electricity purchase agreement	**–**	**1.6**	**–**	**–**
As at December 31, 2012	**16.6**	**12.9**	**36.5**	**42.6**

	2012		2011	
Description	**Realized gain (loss)**	**Unrealized gain (loss)**	Realized gain (loss)	Unrealized gain (loss)
Natural gas financial swaps – NYMEX and AECO	**(53.6)**	**36.7**	(63.9)	19.4
Energy Services electricity swaps	**(11.6)**	**5.7**	(7.3)	(3.1)
Foreign currency forward contracts, net	**10.1**	**7.2**	15.7	(27.0)
Interest rate swaps	**2.5**	**(1.5)**	2.5	9.3
Equity derivative contracts	**–**	**0.5**	–	–
Foreign currency forward contracts – balance sheet-related	**(0.3)**	**(2.0)**	(0.2)	–
Energy Services propane wholesale purchase and sale contracts	**–**	**1.7**	–	–
Energy Services propane purchase and sale contracts	**–**	**(0.4)**	–	–
Energy Services butane wholesale purchase and sale contracts	**–**	**(0.4)**	–	–
Energy Services heating oil purchase and sale contracts	**(5.9)**	**0.5**	1.7	(1.7)
Specialty Chemicals fixed-price power purchase agreements	**(2.0)**	**1.6**	(3.4)	(5.4)
Total (losses) gains on financial and non-financial derivatives	**(60.8)**	**49.6**	(54.9)	(8.5)
Foreign currency translation of senior secured notes	**–**	**1.7**	–	(2.8)
Unrealized change in fair value of debenture-embedded derivative	**–**	**(19.2)**	–	1.6
Total (losses) gains	**(60.8)**	**32.1**	(54.9)	(9.7)

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

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

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

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

Non-Derivative Financial Instruments

The fair value of Superior's cash and cash equivalents, trade and other receivables, notes and finance lease receivables, trade and other payables, and dividends and interest payable approximates their carrying value due to the short-term nature of these amounts. The carrying value and the fair value of Superior's borrowing and debentures is provided in Notes 18 and 20.

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 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.

Energy Services enters into natural gas financial swaps to manage its economic exposure of providing fixed price natural gas to its customers and maintains its historical natural gas swap positions with six other counterparties. Energy Services monitors its fixed-price natural gas positions on a daily basis to monitor compliance with established risk management policies. Energy Services maintains a substantially balanced fixed-price natural gas position in relation to its customer supply commitments.

Energy Services enters into electricity financial swaps with four counterparties to manage the economic exposure of providing fixed-price electricity to its customers. Energy Services monitors its fixed-price electricity positions on a daily basis to monitor compliance with established risk management policies. Energy Services maintains a substantially balanced fixed-price electricity position in relation to its customer supply commitments.

Specialty Chemicals has entered into a fixed-price electricity purchase agreement to manage the economic exposure of certain chemical facilities to changes in the market price of electricity, in a market where the price of electricity is not fixed. The fair value with respect to this agreement is with a single counterparty.

Energy Services enters into various propane forward purchase and sale agreements with more than twenty counterparties to manage the economic exposure of its wholesale customer supply contracts. Energy Services monitors its fixed-price propane positions on a daily basis to monitor compliance with established risk management policies. Energy Services 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 with twelve counterparties to manage the economic exposure of its operations to movements in foreign currency exchange rates. Energy Services contracts a portion of its fixed-price natural gas and propane purchases and sales in US dollars and enters into forward US dollar purchase contracts to create an effective Canadian dollar fixed-price purchase cost. Specialty Chemicals enters into US 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 US dollars. Interest expense on Superior's US dollar debt is also used to mitigate the impact of foreign exchange fluctuations.

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

Allowances for doubtful accounts and past due receivables are reviewed by Superior at each balance sheet date. Superior updates its estimate of the allowance for doubtful accounts based on the evaluation of the recoverability of trade receivables with each customer taking into account historical collection trends of past due accounts and current economic conditions. Trade receivables are written-off once it is determined they are not collectible.

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

	2012	2011
Current	**243.1**	280.3
Past due less than 90 days	**108.2**	128.1
Past due over 90 days	**11.8**	39.5
Trade receivables	**363.1**	447.9

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 $7.2 million as at December 31, 2012 (December 31, 2011 – $20.8 million). The movement in the provision for doubtful accounts was as follows:

December 31	**2012**	2011
Allowance for doubtful accounts, at the beginning of the year	**(20.8)**	(14.0)
Opening adjustment due to acquisitions	**–**	0.3
Impairment losses recognized on receivables	**(3.9)**	(10.8)
Amounts recovered	**–**	3.7
Amounts written-off during the year as uncollectible	**17.5**	–
Allowance for doubtful accounts, at the end of the year	**(7.2)**	(20.8)

Liquidity Risk

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

To ensure 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 of time. Superior also seeks to include in its agreements terms that protect it from liquidity issues of counterparties that might otherwise impact liquidity.

Equity Price Risk

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

As at December 31, 2012, Superior estimates that a 10% increase in its share price would have resulted in a $0.8 million increase in earnings due to the revaluation of equity derivative contracts.

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

	2013	2014	2015	2016	2017	2018 and Thereafter	Total
Borrowing	59.7	48.0	368.3	158.4	4.0	1.2	639.6
Convertible unsecured subordinated debentures	50.0	67.4	24.1	72.0	167.6	144.0	525.1
US$ foreign currency forward sales contracts (US$)	218.0	171.0	144.0	92.4	24.0	–	649.4
US$ foreign currency forward purchases contracts (US$)	(39.0)	(27.0)	–	–	–	–	(66.0)
CDN$ natural gas purchases	15.5	2.8	0.8	0.4	0.2	–	19.7
US$ heating oil purchases (US$)	0.2	–	–	–	–	–	0.2
CDN$ propane purchases	3.3	0.1	0.1	–	–	–	3.5
US$ propane purchases (US$)	1.3	–	–	–	–	–	1.3
Fixed-price electricity purchase commitments	–	17.7	17.7	17.7	17.0	–	70.1

Superior's contractual obligations are considered normal-course operating commitments and do not include the impact of mark-to-market fair values on financial and non-financial derivatives. Superior expects to fund these obligations through a combination of cash flow from operations, proceeds on revolving term bank credits and proceeds on the issuance of share capital.

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

	2012
Increase (decrease) to net earnings of a $0.01 increase in the CDN$ to the US$	**(5.6)**
Increase (decrease) to net earnings of a 0.5% increase in interest rates	**(1.5)**
Increase (decrease) to net earnings of a $0.40/GJ increase in the price of natural gas	**2.4**
Increase (decrease) to net earnings of a $0.04/litre increase in the price of propane	**(0.1)**
Increase (decrease) to net earnings of a $0.10/gallon increase in the price of heating oil	**–**
Increase (decrease) to net earnings of a $1.00/KwH increase in the price of electricity	**1.6**
Increase (decrease) to net earnings of a $0.40/litre increase in the price of butane	**–**

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

23. Income Taxes

Superior recognizes a provision for income taxes for its subsidiaries that are subject to current and future income taxes, including United States income tax, United States non-resident withholding tax and Chilean income tax.

Total income taxes are different than the amount computed by applying the corporate Canadian enacted statutory rate for 2012 of 26.2% (2011 – 27.6%). The reduction in statutory rates reflects previously enacted federal tax rate reductions. The reasons for these differences are as follows:

	2012	2011
Net earnings (loss)	**93.1**	(302.6)
Income tax expense (recovery)	**9.0**	(50.4)
Net earnings (loss) of Superior before taxes	**102.1**	(353.0)
Computed income tax expense (recovery)	**26.7**	(97.4)
Higher effective foreign tax rates	**(2.7)**	(24.6)
Changes in future income tax rates	**(4.1)**	1.7
Non-deductible costs and other	**(6.8)**	70.5
Prior-period adjustment	**(4.7)**	(2.1)
Other	**0.6**	1.5
	9.0	(50.4)

Income tax expense or recovery for the years ended December 31, 2012 and 2011 is comprised of the following:

	2012	2011
Current income tax expense (recovery)		
Current income tax charge	**1.4**	0.8
Adjustments in respect of previous year	**(0.3)**	0.3
Other	**–**	0.3
Total current income tax expense	**1.1**	1.4
Deferred income tax expense (recovery)		
Relating to origination and reversal of temporary difference	**16.9**	(51.5)
Relating to changes in tax rates or the imposition of new taxes	**(4.0)**	3.1
Adjustments in respect of previous year	**(4.3)**	(2.3)
Other	**(0.7)**	(1.1)
Total deferred income tax expense (recovery)	**7.9**	(51.8)
Total income tax expense (recovery)	**9.0**	(50.4)

Income tax recognized in other comprehensive income (loss)	**2012**	2011
Deferred tax		
Reclassification of derivative gains and losses previously deferred	**–**	(1.7)
Amortization of actuarial gains and losses	**(1.1)**	6.5
Total income tax (expense) recovery recognized in other comprehensive income (loss)	**(1.1)**	4.8

2011	Opening Balance	(Credited)/ Charged to Net Earnings	(Credited)/ Charged to Other Comprehensive Income	Exchange Differences	Other	Closing Balance
Provisions	2.0	1.8	–	–	2.0	**5.8**
Finance leases	18.5	(4.4)	–	0.1	3.3	**17.5**
Borrowing	(4.4)	0.8	–	–	(1.7)	**(5.3)**
Financing fees	5.8	(2.0)	–	–	1.3	**5.1**
Investment tax credits	117.4	–	–	–	(4.1)	**113.3**
Non-capital losses	41.6	2.3	–	0.8	–	**44.7**
Other	(2.9)	0.2	–	–	–	**(2.7)**
Property, plant and equipment	(124.1)	50.2	–	(2.3)	(4.2)	**(80.4)**
Reserves and employee benefits	29.0	1.9	6.5	0.2	–	**37.6**
Scientific research and development	151.7	(2.0)	–	–	4.1	**153.8**
Unrealized foreign exchange gains (losses)	19.8	2.1	(1.7)	–	–	**20.2**
Total	**254.4**	**50.9**	**4.8**	**(1.2)**	**0.7**	**309.6**

2012	Opening Balance	(Credited)/ Charged to Net Earnings	Other Comprehensive Income	Exchange Differences	Other	Closing Balance
Provisions	**5.8**	0.1	–	(0.1)	0.1	**5.9**
Finance leases	**17.5**	(4.9)	–	(0.1)	4.5	**17.0**
Borrowing	**(5.3)**	4.7	–	–	(0.1)	**(0.7)**
Financing fees	**5.1**	(1.6)	–	–	0.2	**3.7**
Investment tax credits	**113.3**	(0.7)	–	–	(1.6)	**111.0**
Non-capital losses	**44.7**	22.5	–	(1.3)	–	**65.9**
Other	**(2.7)**	0.5	–	–	–	**(2.2)**
Property, plant and equipment	**(80.4)**	(15.8)	–	1.8	(4.1)	**(98.5)**
Reserves and employee benefits	**37.6**	(4.7)	(1.1)	(0.2)	–	**31.6**
Scientific research and development	**153.8**	3.7	–	–	1.6	**159.1**
Unrealized foreign exchange gains (losses)	**20.2**	(12.4)	–	–	–	**7.8**
Total	**309.6**	**(8.6)**	**(1.1)**	**0.1**	**0.6**	**300.6**

Deferred taxes reported in the two preceding tables are presented on a functional basis while deferred taxes reported on the balance sheet are on a legal-entity basis.

The deferred income tax asset relates to the following tax jurisdictions as at December 31, 2012 and 2011:

	2012	2011
Canada	**297.3**	315.3
United States	**5.5**	(4.6)
Chile	**(2.2)**	(1.1)
Total deferred income tax asset	**300.6**	309.6

Superior has available to carry forward the following as at December 31, 2012 and 2011:

	2012	2011
Canadian non-capital losses	**92.5**	52.8
Canadian scientific research expenditures	**608.3**	602.2
Canadian capital losses	**607.3**	611.5
United States non-capital losses – federal	**110.1**	81.4
United States non-capital losses – state	**130.1**	101.9
Chilean non-capital losses	**20.3**	28.0
Canadian federal and provincial investment tax credits	**160.0**	164.9

As at December 31, 2012, Superior had non-capital loss carry-forwards available to reduce future years' taxable income, which expire as follows:

	US	CDN
2012	–	–
2013	–	–
2014	–	–
2015	–	–
2016	–	–
Thereafter	110.1	92.5
Total	**110.1**	**92.5**

The Canadian scientific research expenditures, Canadian capital losses and the Chilean non-capital losses may be carried forward indefinitely. Management believes there will be sufficient taxable profits in the future to offset these losses.

In Chile, the local tax laws provide that any profits distributed outside of Chile would be subject to a 35% tax. Superior controls whether the profits will be distributed and is satisfied that there will be no liability in the foreseeable future as there is no plan to repatriate funds from Chile.

As at December 31, 2012, Superior had Canadian federal and provincial investment tax credits available to reduce future years' taxable income, which expire as follows:

2013	7.6
2014	5.6
2015	4.3
2016	4.6
2017	–
Thereafter	137.9
Total	**160.0**

As at December 31 Superior has the following balances in respect of which no deferred tax asset was recognized:

	2012	2011
Canadian non-capital losses	**24.8**	25.2
United States non-capital losses – state	**20.0**	20.4
Canadian capital losses	**607.3**	611.5
Total unrecognized deferred income tax assets	**652.1**	657.1

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

Uncertain Tax Positions

On February 11, 2013, Superior received a proposal letter from the Canada Revenue Agency ("CRA") which confirms its intention to challenge the tax consequences of Superior's December 31, 2008 conversion transaction. CRA is seeking to apply the acquisition of control rules and the general anti-avoidance rules of the Income Tax Act (Canada). In 2013, CRA will issue a Notice of Reassessment for Superior's 2009, 2010 and 2011 taxation years. Superior is required to make a payment of 50% of the tax liability claimed by the CRA in order to appeal the expected reassessment and, based on Superior's 2009, 2010, and 2011 taxation years, that amount is approximately $10 million and approximately $5 million for the 2012 taxation year once that information is filed with CRA and then ultimately reassessed. Superior would also be required to make a payment of 50% of the taxes the CRA claims are owed in any future tax year if the CRA were to issue a similar notice of reassessment for such years and Superior were to appeal it. Superior has 90 days from the Notice of Reassessment to prepare and file a Notice of Objection, which would be reviewed by the CRA's appeals division. If the CRA is not in agreement with Superior's Notice of Objection, Superior has the option to file its case with the Tax Court of Canada. Superior anticipates that legal proceedings through the various tax courts would take approximately two to four years. If Superior is ultimately successful in defending its position, such payments plus applicable interest, will be refunded to Superior. If the CRA is successful, Superior will be required to pay the balance of the taxes claimed plus applicable interest and penalties.

The impact of the proposal on Superior's tax provision has been considered by management; however, its best estimate of the most likely outcome has not changed. If Superior is unsuccessful in overturning the reassessment, the impact on Superior's future income tax asset at December 31, 2012 would be a reduction of approximately $287.4 million.

24. Total Equity

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

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

	Issued Number of Common Shares (Millions)	Total Equity
Total equity, December 31, 2010	107.7	754.4
Net loss	–	(302.6)
Other comprehensive loss	–	(1.2)
Option value associated with the issuance of the convertible debentures	–	(2.2)
Issuance of common shares for the dividend reinvestment plan	3.1	28.9
Dividends declared to shareholders [(1)]	–	(127.7)
Total equity, December 31, 2011	**110.8**	**349.6**
Net earnings	**–**	**93.1**
Other comprehensive loss	**–**	**(6.0)**
Option value associated with the issuance of the convertible debentures	**–**	**(0.8)**
Issuance of common shares for the dividend reinvestment plan	**2.0**	**14.2**
Dividends declared to shareholders [(1)]	**–**	**(67.2)**
Total equity, December 31, 2012	**112.8**	**382.9**

(1) Dividends to shareholders are declared at the discretion of Superior. During the year ended December 31, 2012, Superior paid dividends of $67.1 million or $0.60 per share (December 31, 2011 – $136.7 million or $1.25 per share).

Accumulated other comprehensive loss as at December 31, 2012 and 2011 consisted of the following components:

	2012	2011
Currency translation adjustment		
Balance at the beginning of year	**(13.8)**	(27.4)
Unrealized foreign currency gains and losses on translation of foreign operations	**(9.0)**	13.6
Balance at the end of the year	**(22.8)**	(13.8)
Actuarial defined benefits		
Balance at the beginning of the year	**(35.5)**	(14.8)
Actuarial defined benefit gains (losses)	**4.1**	(25.5)
Income tax (expense) recovery	**(1.1)**	4.8
Balance at the end of the year	**(32.5)**	(35.5)
Accumulated derivative gains (losses)		
Balance at the beginning of the year	**(6.0)**	(11.9)
Reclassification of derivative gains previously deferred	**–**	5.9
Balance at the end of the year	**(6.0)**	(6.0)
Accumulated other comprehensive loss at the end of the year	**(61.3)**	(55.3)

Other Capital Disclosure

Additional Capital Disclosure

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

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

Superior manages its capital structure and makes adjustments in light of changes in economic conditions and nature of the underlying assets. In order to maintain or adjust the capital structure, Superior may adjust the amount of dividends to shareholders, issue additional share capital, issue new debt or convertible debentures, or issue new debt or convertible 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 test which are measured on a quarterly basis. As at December 31, 2012 and December 31, 2011 Superior was in compliance with all of its financial covenants.

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

Non-IFRS Financial Measures Utilized for Bank Covenant Purposes

Compliance EBITDA

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

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

As at December 31	2012	2011
Total shareholders' equity	**382.9**	349.6
Exclude accumulated other comprehensive loss	**61.3**	55.3
Shareholders' equity excluding accumulated other comprehensive loss	**444.2**	404.9
Current borrowing (1)	**59.7**	54.3
Borrowing (1)	**579.9**	707.8
Less: Senior unsecured debentures	**(150.0)**	(150.0)
Consolidated secured debt	**489.6**	612.1
Add: Senior unsecured debentures	**150.0**	150.0
Consolidated debt	**639.6**	762.1
Current portion of convertible unsecured subordinated debentures (1)	**50.0**	49.9
Convertible unsecured subordinated debentures (1)	**491.5**	541.5
Total debt	**1,181.1**	1,353.5
Total capital	**1,625.3**	1,758.4

(1) Borrowing and convertible unsecured subordinated debentures are before deferred issuance costs and option value.

Twelve Months Ended December 31	2012	2011
Net earnings (loss)	**93.1**	(302.6)
Adjusted for:		
Finance expense	**77.6**	85.5
Realized gains on derivative financial instruments included in finance expense	**2.2**	2.3
Depreciation of property, plant and equipment	**42.4**	47.9
Depreciation and amortization included in cost of sales	**44.9**	44.9
Losses on disposal of assets	**1.0**	0.5
Amortization of intangible assets	**23.5**	41.9
Impairment of goodwill and intangible assets	**–**	378.6
Impairment of property, plant and equipment	**4.7**	3.4
Income tax expense (recovery)	**9.0**	(50.4)
Unrealized (gains) losses on derivative financial instruments	**(32.1)**	9.7
Pro-forma impact of acquisitions	**0.6**	1.5
Compliance EBITDA (1)	**266.9**	263.2

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

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

December 31	2012	2011
Consolidated secured debt to Compliance EBITDA	**1.8:1**	2.3:1
Consolidated debt to Compliance EBITDA	**2.4:1**	2.9:1
Total debt to Compliance EBITDA	**4.4:1**	5.1:1

25. Deficit and Dividends

	2012	2011
Balance at the beginning of the year	**(1,228.2)**	(797.9)
Net earnings (loss)	**93.1**	(302.6)
Dividends declared	**(67.2)**	(127.7)
Balance at the end of the year	**(1,202.3)**	(1,228.2)

As at December 31, 2012, Superior declared dividends of $5.6 million or $0.05 per share payable on January 15, 2013 to shareholders of record on December 31, 2012.

26. Supplemental Disclosure of Condensed Consolidated Statement of Comprehensive Income

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

	2012	2011
Revenues		
Revenue from products	**3,526.3**	3,823.9
Revenue from the rendering of services	**59.3**	53.7
Rental revenue	**26.1**	29.6
Construction contract revenue	**4.9**	2.0
Realized gains on derivative financial instruments	**7.7**	16.4
	3,624.3	3,925.6
Cost of sales (includes products and services)		
Cost of products and services	**(2,660.0)**	(2,979.7)
Depreciation of property, plant and equipment	**(44.9)**	(44.9)
Realized losses on derivative financial instruments	**(73.1)**	(73.5)
	(2,778.0)	(3,098.1)
Selling, distribution and administrative costs		
Other selling, distribution and administrative costs	**281.0**	272.2
Employee future benefit expense	**3.6**	3.2
Employee costs	**340.9**	339.3
Gain on bargain purchase	**–**	(0.9)
Depreciation of property, plant and equipment	**42.4**	44.3
Amortization of intangible assets	**23.5**	41.9
Losses on disposal of assets	**1.0**	4.1
Impairment of property, plant and equipment	**–**	3.4
Realized losses (gains) on the translation of U.S. denominated net working capital	**1.6**	(0.8)
	694.0	706.7
Finance expense		
Interest on borrowing	**33.1**	37.4
Interest on convertible unsecured subordinated debentures	**35.8**	39.1
Interest on obligations under finance leases	**5.0**	5.0
Gain on debenture redemption	**(0.8)**	(1.7)
Unwinding of discount on debentures, borrowing and decommissioning liabilities	**6.7**	8.0
Realized gains on derivative financial instruments	**(2.2)**	(2.3)
	77.6	85.5

27. Net Earnings (Loss) per Share

	2012	2011
Net earnings (loss) per share computation, basic and diluted [1]		
Net earnings (loss)	**93.1**	(302.6)
Weighted average shares outstanding (millions)	**111.9**	109.2
Net earnings (loss) per share, basic and diluted	**$ 0.83**	$ (2.77)

(1) All outstanding convertible debentures have been excluded from this calculation as they were ant-dilutive.

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings (loss) per share in each period.

(millions)	Maturity	Note	2012	2011
Convertible Debentures				
5.75%	December 2012	20	–	1.4
5.85%	October 2015	20	**2.4**	2.4
7.50%	December 2014	20	**5.3**	5.3
5.75%	June 2017	20	**9.1**	9.1
6.00%	June 2018	20	**9.9**	9.9
7.50%	October 2016	20	**6.6**	6.6
Total anti-dilutive instruments			**33.3**	34.7

28. Share-Based Compensation

Restricted and Performance Shares

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

For the year ended December 31, 2012 total compensation expense related to RSs, PSs and DSs was $9.6 million (December 31, 2011 – $3.9 million). Payouts during the year ended December 31, 2012 under the long-term incentive plan were completed at a weighted average price of $8.67 per share (2011 – $8.43 per share) for RSs and $1.67 per share (2011 – $14.65 per share) for PSs and $8.56 per share (2011 – $9.93 per share) for DSs. For the year ended December 31, 2012, the total carrying amount of the liability related to RSs, PSs and DSs was $9.9 million (December 31, 2011 – $3.7 million).

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

	Year Ended December 31, 2012			Year Ended December 31, 2011		
	RSs	**PSs**	**DSs**	RSs	PSs	DSs
Opening number of shares	**1,255,379**	**951,751**	**187,655**	962,193	1,008,945	–
Reclassification [(1)]	**(115,715)**	**117,571**	**(1,856)**	–	–	–
Granted	**580,229**	**535,918**	**54,293**	715,093	386,881	187,655
Dividends reinvested	**68,454**	**56,710**	**16,017**	175,583	77,401	–
Forfeited	**(105,281)**	**(18,679)**	**–**	(168,575)	(232,785)	–
Payouts	**(474,009)**	**(270,371)**	**(28,344)**	(428,915)	(288,691)	–
Ending number of shares	**1,209,057**	**1,372,900**	**227,765**	1,255,379	951,751	187,655

(1) As a result of the redefinition of its share based compensation, Superior made some reclassifications to the opening balances for 2012.

During 2012, Superior entered into equity derivative contracts in order to manage the volatility and costs associated with its share-based compensation plans. As at December 31, 2012, Superior had outstanding notional values of $7.5 million of equity derivative contracts at an average share price of $9.48. See Note 22 for further details.

29. Supplemental Disclosure of Non-Cash Operating Working Capital Changes

December 31	2012	2011
Changes in non-cash working capital		
Trade receivables and other	**79.0**	82.8
Inventories	**(10.6)**	(36.0)
Trade and other payables	**21.0**	(13.1)
Purchased working capital	**1.1**	0.7
Other	**(10.2)**	(4.3)
	81.6	30.1

30. Commitments

Purchase commitments under long-term natural gas and propane contracts for the next five years and thereafter are as follows:

	CDN$ (1) Natural Gas	CDN$ Propane	US$ Propane	US$ Heating Oil
2013	15.5	3.3	1.3	0.2
2014	2.8	0.1	–	–
2015	0.8	0.1	–	–
2016	0.4	–	–	–
2017	0.2	–	–	–
2018 and thereafter	–	–	–	–

(1) Does not include the impact of financial derivatives (See Note 22).

Superior is similarly committed to long-term natural gas and propane sales contracts to supply customers.

31. Related-Party Transactions and Agreements

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

For the year ended December 31, 2012, Superior incurred $0.7 million (December 2011 – $1.7 million) in legal fees respectively, with Norton Rose Canada LLP, a related party with Superior as a member of Superior's Board of Directors is a Partner at the law firm.

Remuneration of Directors and Other Key Management Personnel

The key management personnel of Superior are comprised of executives of Superior and presidents of Superior's business segments.

The remuneration of directors and other members of key management personnel during the twelve months ended December 31 are as follows:

Twelve Months Ended December 31	**2012**	2011
Short-term employee benefits (1)	**6.8**	4.6
Post-employment benefits	**0.3**	0.2
Other long-term employee benefits	**0.1**	–
Termination benefits	**0.6**	1.8
Share-based payments	**3.6**	4.4
	11.4	11.0

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

32. Group Entities

Significant Subsidiaries	Country of Incorporation	Ownership Interest
Superior Plus LP	Canada	100%
Superior Gas Liquids Partnership	Canada	100%
619220 Saskatchewan Ltd.	Canada	100%
Superior International Inc.	Canada	100%
Superior General Partner Inc.	Canada	100%
Superior Plus Canada Financing Inc.	Canada	100%
Superior Energy Management Operations Inc.	Canada	100%
Superior Energy Management Holdings LP	Canada	100%
Superior Energy Management Electricity Inc.	Canada	100%
Superior Energy Management Electricity LP	Canada	100%
Superior Energy Management Gas Holdings LP	Canada	100%
6751261 Canada Inc.	Canada	100%
Superior Energy Management Gas Inc.	Canada	100%
Superior Energy Management Gas LP	Canada	100%
Superior Plus US Holdings Inc.	United States	100%
Superior Plus US Financing Inc.	United States	100%
ERCO Worldwide Inc.	United States	100%
ERCO Worldwide (USA) Inc.	United States	100%
Superior Plus Construction Products Corp.	United States	100%
The Winroc Corporation (Midwest)	United States	100%
Superior Plus US Energy Services Inc.	United States	100%
Burnwell Gas of Canada	Canada	100%
Commercial E Industrial ERCO (Chile) Limitada	Chile	100%

33. Segment Information

Superior has adopted IFRS 8 *Operating Segments*, which requires operating segments to be identified on the basis of internal reports about components of the Company that are regularly reviewed by the chief operating decision-maker in order to allocate resources to the segments and to assess their performance.

Superior operates three distinct reportable operating segments: Energy Services, Specialty Chemicals and Construction Products Distribution. Energy Services provides distribution, wholesale procurement and related services in relation to propane, heating oil and other refined fuels, plus fixed-price natural gas and electricity supply services. Specialty Chemicals is a leading supplier of sodium chlorate and technology to the pulp and paper industries and is a regional supplier of potassium and chloralkali products in the U.S. Midwest. Construction Products Distribution is one of the largest distributors of commercial and industrial insulation in North America and the largest distributor of specialty construction products to the walls and ceilings industry in Canada. Superior's corporate office arranges intersegment foreign exchange contracts from time to time. Realized gains and losses pertaining to intersegment foreign exchange gains and losses are eliminated under the corporate cost column. All of Superior's operating segments conduct business with customers of various sizes and do not rely extensively on any single customer for their revenue stream.

For the Year Ended December 2012	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
Revenues	**2,301.6**	**543.8**	**778.9**	**–**	**3,624.3**
Cost of sales (includes product and services)	**(1,854.2)**	**(328.8)**	**(595.0)**	**–**	**(2,778.0)**
Gross Profit	**447.4**	**215.0**	**183.9**	**–**	**846.3**
Expenses					
Selling, distribution and administrative costs	**130.9**	**83.6**	**67.5**	**4.2**	**286.2**
Employee costs	**184.5**	**48.8**	**95.6**	**12.0**	**340.9**
Depreciation of property, plant and equipment	**36.5**	**–**	**5.9**	**–**	**42.4**
Amortization of intangible assets	**16.9**	**6.3**	**0.2**	**0.1**	**23.5**
Losses on disposal of assets	**0.2**	**0.6**	**0.2**	**–**	**1.0**
Finance expense	**4.5**	**0.3**	**0.7**	**72.1**	**77.6**
Impairment of property, plant and equipment	**4.7**	**–**	**–**	**–**	**4.7**
Unrealized losses (gains) on derivative financial Instruments	**(43.8)**	**(1.6)**	**–**	**13.3**	**(32.1)**
	334.4	**138.0**	**170.1**	**101.7**	**744.2**
Net earnings (loss) before income taxes	**113.0**	**77.0**	**13.8**	**(101.7)**	**102.1**
Income tax expense	**–**	**–**	**–**	**9.0**	**9.0**
Net Earnings (Loss)	**113.0**	**77.0**	**13.8**	**(110.7)**	**93.1**

For the Year Ended December 2011	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
Revenues	2,686.1	527.7	711.8	–	3,925.6
Cost of sales (includes product and services)	(2,225.7)	(335.3)	(537.1)	–	(3,098.1)
Gross Profit	460.4	192.4	174.7	–	827.5
Expenses					
Selling, distribution and administrative costs	142.0	59.9	63.9	7.9	273.7
Employee costs	186.5	62.2	86.6	4.0	339.3
Depreciation of property, plant and equipment	38.6	–	5.7	–	44.3
Amortization of intangible assets	32.5	6.7	2.7	–	41.9
Losses (Gains) on disposal of assets	2.4	1.8	(0.1)	–	4.1
Finance expense	3.9	0.3	1.2	80.1	85.5
Impairment of property, plant and equipment	3.4	–	–	–	3.4
Impairment of intangible assets and goodwill	300.6	–	78.0	–	378.6
Unrealized losses (gains) on derivative financial instruments	(15.6)	5.4	–	19.9	9.7
	694.3	136.3	238.0	111.9	1,180.5
Net earnings (loss) before income taxes	(233.9)	56.1	(63.3)	(111.9)	(353.0)
Income tax recovery	–	–	–	(50.4)	(50.4)
Net Earnings (Loss)	(233.9)	56.1	(63.3)	(61.5)	(302.6)

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

	Energy Services	Specialty Chemicals	Construction Products Distribution	Corporate	Total Consolidated
As at December 31, 2012					
Net working capital (1)	**188.1**	**16.3**	**105.5**	**(22.1)**	**287.8**
Total assets	**729.6**	**585.6**	**199.6**	**521.5**	**2,036.3**
Total liabilities	**298.8**	**171.7**	**84.2**	**1,098.7**	**1,653.4**
As at December 31, 2011					
Net working capital (1)	239.8	25.7	129.8	(18.0)	377.3
Total assets	1,008.6	618.8	218.8	347.5	2,193.4
Total liabilities	369.2	208.3	68.8	1,197.5	1,843.8
For the year ended December 31, 2012					
Acquisitions	**5.5**	**–**	**–**	**–**	**5.5**
Purchase of property, plant and equipment	**21.9**	**20.3**	**1.6**	**–**	**43.8**
For the year ended December 31, 2011					
Acquisitions	14.8	–	–	–	14.8
Purchase of property, plant and equipment	19.9	16.1	2.1	0.1	38.2

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

34. Geographic Information

	Canada	United States	Other	Total Consolidated
Revenues for the year ended December 31, 2012	**1,428.5**	**2,094.6**	**101.2**	**3,624.3**
Property, plant and equipment as at December 31, 2012	**460.6**	**324.4**	**44.9**	**829.9**
Intangible assets as at December 31, 2012	**15.8**	**23.8**	**–**	**39.6**
Goodwill as at December 31, 2012	**188.3**	**0.8**	**–**	**189.1**
Total assets as at December 31, 2012	**1,320.6**	**649.6**	**66.1**	**2,036.3**
Revenues for the year ended December 31, 2011	1,743.7	2,091.8	90.1	3,925.6
Property, plant and equipment as at December 31, 2011	486.5	349.3	49.2	885.0
Intangible assets as at December 31, 2011	26.9	38.7	–	65.6
Goodwill as at December 31, 2011	185.6	0.5	–	186.1
Total assets as at December 31, 2011	1,337.9	788.3	67.2	2,193.4

35. Subsequent Events

On November 30, 2012, Superior announced that it would redeem $50.0 million principal amount of its previously issued 5.85% convertible subordinated debentures due October 31, 2015 on January 3, 2013. As previously announced, Superior used proceeds from its bank facility to fund the redemption. The debentures, in accordance with their terms, were redeemed at the redemption price of $1,000 in cash per $1,000 principal amount of the debentures plus accrued and unpaid interest up to but excluding the redemption date. The record date for the partial redemption was December 31, 2012.

Selected Historical Information (1)

Energy Services

(millions of dollars except where noted)	2012	2011	2010	2009	2008
		Years Ended December 31			
Canadian Propane Distribution sales volumes (million of litres sold)	**1,292**	1,305	1,235	1,277	1,377
U.S. Refined Fuels sales volumes (millions of litres sold) (2)	**1,599**	1,741	1,702	153	–
Fixed-price natural gas volumes (millions of GJs sold)	**19**	21	27	33	33
Total Canadian Propane Distribution sales margin (cents per litre)	**18.2**	17.1	17.5	18.5	18.4
Total U.S. Refined Fuels sales margin (cents per litre) (2)	**7.7**	7.9	7.6	10.0	–
Natural gas sales margin (cents per GJ)	**115**	146.9	91.2	90.2	80.5
Gross profit	**447.4**	455.2	434.9	340.2	331.9
EBITDA from operations	**134.2**	133.6	114.7	97.6	103.3

Specialty Chemicals

(millions of dollars except where noted)	2012	2011	2010	2009	2008
		Years Ended December 31			
Total chemical sales volume (MT)	**771**	772	735	634	727
Average chemical selling price (dollars per MT)	**703**	685	655	720	633
Gross profit	**258.3**	238.7	220.2	210.0	235.3
EBITDA from operations	**127.5**	115.2	101.5	93.0	116.5

Construction Products Distribution

(millions of dollars except where noted)	2012	2011	2010	2009	2008
		Years Ended December 31			
Gross profit (3)	**183.9**	174.7	172.3	122.3	140.7
EBITDA from operations (3)	**20.8**	24.2	26.8	22.8	37.4

Superior Plus Corp. Consolidated

(millions of dollars except where noted)	2012	2011	2010	2009	2008
		Years Ended December 31			
Revenues	**3,624.3**	3,925.6	3,537.4	2,246.7	2,487.3
Gross profit	**846.3**	827.5	780.6	653.4	669.1
EBITDA from operations	**282.5**	273.0	243.0	213.4	257.2
Adjusted operating cash flow	**193.5**	180.4	162.9	163.9	192.3
Adjusted operating cash flow per share	**$1.73**	$1.65	$1.54	$1.80	$2.18
Average number of shares outstanding (millions)	**111.9**	109.2	105.6	91.0	88.3
Total assets	**2,036.3**	2,193.4	2,696.9	2,274.0	2,026.9
Senior debt (4) (5)	**489.6**	612.1	590.0	738.1	577.7
Total debt (4) (5)	**1,181.1**	1,353.5	1,381.4	1,054.8	825.3

(1) Certain 2010 amounts have been restated as a result of the adoption of IFRS.
(2) U.S. Refined Fuels assets were purchased during 2009 and 2010.
(3) Acquisition of Specialty Products and Insulation Inc. was completed during 2009.
(4) Includes off-balance sheet accounts receivable securitization program.
(5) Senior debt and total debt are stated before deferred issue costs.

Corporate Information

Board of Directors

Grant D. Billing
Chairman
Calgary, Alberta

Catherine (Kay) M. Best
Calgary, Alberta

Luc Desjardins
President and Chief Executive Officer
Calgary, Alberta

Robert J. Engbloom, Q.C.
Calgary, Alberta

Randall J. Findlay
Calgary, Alberta

Norman R. Gish
Calgary, Alberta

Peter A.W. Green
Lead Director
Campbellville, Ontario

James S.A. MacDonald
Toronto, Ontario

Walentin (Val) Mirosh
Calgary, Alberta

David P. Smith
Toronto, Ontario

Corporate Officers and Senior Management

Jay Bachman
Vice-President, Investor Relations and Treasurer

Nick Beuglet
Corporate Controller

Wayne M. Bingham
Executive Vice-President and Chief Financial Officer

Luc Desjardins
President and Chief Executive Officer

Craig S. Flint
Vice-President, Business Development and Compliance

Greg L. McCamus
President, Energy Services and Superior Propane

Dave Tims
President, Energy Supply and Oilfield

Paul S. Timmons
President, Specialty Chemicals

Paul J. Vanderberg
President, Construction Products Distribution

Keith Wrisley
President, U.S. Refined Fuels

Businesses

Energy Services

Canadian Propane Distribution
Superior Propane
1111 – 49 Avenue NE
Calgary, Alberta T2E 8V2
Toll-free: 1-877-873-7467
Tel: 403-730-7500
Fax: 403-730-7512

U.S. Refined Fuels
Superior Energy Services
1870 South Winton Road
Suite 200
Rochester, New York 14618
Toll-free: 1-877-927-6488
Fax: 585-328-7114

Supply Portfolio Management
Superior Gas Liquids
1400, 840 – 7 Avenue SW
Calgary, Alberta T2P 3G2
Toll-free: 1-888-849-3525
Fax: 403-883-6589

Fixed-Price Energy Services
Superior Energy Management
6860 Century Avenue
East Tower, Suite 3000
Mississauga, Ontario L5N 2W5
Toll-free: 1-877-784-4262
Fax: 1-905-542-5935

Construction Products Distribution

Canadian Operations
4949 – 51 Street SE
Calgary, Alberta T2B 3S7
Toll-free: 1-800-668-1589
Tel: 403-236-5383
Fax: 403-279-0372

U.S. Operations
1650 Manheim Pike, Suite 202
Lancaster, Pennsylvania 17601-3088
Tel: 717-569-3900
Fax: 717-519-4046

Specialty Chemicals

ERCO Worldwide
200, 302 The East Mall
Toronto, Ontario M9B 6C7
Tel: 416-239-7111
Fax: 416-239-0235

Superior Plus Corp.

Suite 1400, 840 – 7 Avenue SW
Calgary, Alberta T2P 3G2
Telephone: 403-218-2970
Facsimile: 403-218-2973
Toll Free: 1-866-490-PLUS (7587)
E-mail: info@superiorplus.com
Website: www.superiorplus.com

Trustee and Transfer Agent

Computershare Trust Company of Canada
Suite 600, 530 – 8 Avenue SW
Calgary, Alberta T2P 3S8
or:
9th Floor, 100 University Avenue
Toronto, Ontario M5J 2Y1
Toll Free: 1-800-564-6253
Website: www.computershare.com/ca

Auditors

Deloitte & Touche LLP
Chartered Accountants
700, 850 – 2nd Street SW
Calgary, Alberta T2P 0R8

Annual Meeting of Shareholders

The Corporation's Annual Meeting of shareholders will be held in the Grand Lecture Theatre of the Metropolitan Centre, 333 – 4 Avenue SW, Calgary, Alberta, Canada on Wednesday, May 1, 2013 at 2:00 p.m. (MDT).

Toronto Stock Exchange (TSX) Listings

SPB:	Superior Plus Corp. shares
SPB.db.c:	5.85% Convertible Debentures, convertible at $31.25 per share Maturity date: October 31, 2015
SPB.db.d:	7.5% Convertible Debentures, convertible at $13.10 per share Maturity date: December 31, 2014
SPB.db.e:	5.75% Convertible Debentures, convertible at $19.00 per share Maturity date: June 30, 2017
SPB.db.f:	6.00% Convertible Debentures, convertible at $15.10 per share Maturity date: June 30, 2018
SPB.db.g:	7.50% Convertible Debentures, convertible at $11.35 per share Maturity date: October 31, 2016

Superior Plus Share Price and Volumes – TSX

Quarterly high, low, close and volumes for 2011 and 2012.
The table below sets forth the high and low prices, as well as the volumes, for the shares as traded on the TSX, on a quarterly basis.

	2012			2011		
	High	**Low**	**Volume**	**High**	**Low**	**Volume**
First quarter	**$ 7.98**	**$ 5.62**	**26,769,848**	$ 12.49	$ 10.50	20,530,193
Second quarter	**$ 7.74**	**$ 5.96**	**11,921,806**	$ 11.85	$ 10.70	10,803,881
Third quarter	**$ 9.67**	**$ 6.06**	**15,330,933**	$ 11.58	$ 7.35	16,046,126
Fourth quarter	**$10.50**	**$ 8.60**	**13,078,752**	$ 7.83	$ 5.21	28,655,110
Year	**$10.50**	**$ 5.62**	**67,101,339**	$ 12.49	$ 5.21	76,035,310

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For more information about Superior Plus Corp.
send your enquiries to info@superiorplus.com

Superior Plus Corp.
Suite 1400, 840 – 7 Avenue SW
Calgary, Alberta T2P 3G2
Tel: 403-218-2970
Fax: 403-218-2973
Toll-Free: 1.866.490-PLUS (7587)
www.superiorplus.com