

Chemtrade Logistics
Income Fund

2015

First Quarter Report

Q1

CHEMTRADE LOGISTICS INCOME FUND
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE THREE MONTH PERIOD ENDED MARCH 31, 2015

The information in this Management's Discussion and Analysis, or MD&A, is intended to assist the reader in the understanding and assessment of the trends and significant changes in the results of operations and financial condition of Chemtrade Logistics Income Fund (the "Fund"). Throughout this MD&A, the term "Chemtrade" refers to the Fund and its consolidated subsidiaries. The terms "we", "us" or "our" similarly refers to Chemtrade. This MD&A should be read in conjunction with the unaudited condensed consolidated interim financial statements of Chemtrade for the three month period ended March 31, 2015, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2014 and the annual MD&A for the year ended December 31, 2014.

Chemtrade's financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS"). Chemtrade's reporting currency is the Canadian dollar. In this MD&A, per unit amounts are calculated using the weighted average number of units of the Fund outstanding for the applicable period unless otherwise indicated.

Caution Regarding Forward-Looking Statements

Certain statements contained in this MD&A constitute forward-looking statements within the meaning of certain securities laws, including the *Securities Act* (Ontario). Forward-looking statements can be generally identified by the use of words such as "anticipate", "continue", "estimate", "expect", "expected", "intend", "may", "will", "project", "plan", "should", "believe" and similar expressions. Specifically, forward-looking statements in this MD&A include statements respecting certain future expectations about: capital expenditures; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; sources, use and sufficiency of cash flows; the amount of any long-term incentive compensation; the effect of changes in the exchange rate; the effectiveness of our business model; the sustainability of the Fund's distribution rate; and our ability to reduce leverage levels. Forward-looking statements in this MD&A describe the expectations of Chemtrade as of the date hereof. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements for a variety of reasons, including without limitation the risks and uncertainties detailed under the "RISK FACTORS" section of the Fund's latest Annual Information Form and the **Risks and Uncertainties** section below.

Although Chemtrade believes the expectations reflected in these forward-looking statements and the assumptions upon which they are based are reasonable, no assurance can be given that actual results will be consistent with such forward-looking statements, and they should not be unduly relied upon. With respect to the forward-looking statements contained in this MD&A, Chemtrade has made assumptions regarding: there being no significant disruptions affecting the operations of Chemtrade, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of Chemtrade to obtain products, raw materials, equipment, transportation, services and supplies in a timely manner to carry out its activities and at prices consistent with current levels or in line with Chemtrade's expectations; the timely receipt of required regulatory approvals; the cost of regulatory and environmental compliance being consistent with current levels or in line with Chemtrade's expectations; the ability

of Chemtrade to successfully access tax losses and tax attributes; the ability of Chemtrade to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with Chemtrade's expectations; and global economic performance.

Chemtrade disclaims any intention or obligation to update any forward-looking statement even if new information becomes available, as a result of future events or for any other reason. The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement.

Recent Developments

Acquisition of General Chemical

On January 23, 2014, Chemtrade completed the purchase of 100% of the businesses of Parsippany, New Jersey-based General Chemical Holding Company ("General Chemical") (the "General Chemical Acquisition"). Consequently, the first quarter of 2015 includes three months of results from General Chemical, whereas the first quarter of 2014 has only two months of results from the newly acquired businesses.

Additionally, during the first quarter of 2014, \$17.7 million of acquisition related costs and associated foreign exchange losses were recorded in selling and administrative expenses.

Acquisition of Hydor-Tech Ltd.

On January 16, 2015, Chemtrade completed the purchase of the operating assets of Hydor-Tech Ltd. ("HTL"), an Edmonton-based manufacturer of inorganic coagulants. HTL was a leading western Canadian manufacturer of polyaluminum chloride that is widely used in municipal and industrial water treatment plants. The business combination was structured as an asset acquisition for \$27.6 million. The transaction was financed by drawing upon Chemtrade's syndicated senior secured credit facilities. For details on the preliminary purchase price allocation, refer to note 3 of the unaudited condensed consolidated interim financial statements of Chemtrade for the three month period ended March 31, 2015.

Financial Highlights

These financial highlights have been presented in accordance with IFRS.

(\$'000 except per unit amounts)	Three months ended	
	March 31, 2015	March 31, 2014 ⁽¹⁾
Revenue from continuing operations	\$ 326,030	\$ 266,098
Net loss	\$ (8,955)	\$ (21,553)
Net loss from continuing operations	\$ (8,955)	\$ (22,991)
Net loss per unit	\$ (0.13)	\$ (0.39)
Net loss per unit from continuing operations	\$ (0.13)	\$ (0.41)
Diluted net loss per unit	\$ (0.13)	\$ (0.39)
Diluted net loss per unit from continuing operations	\$ (0.13)	\$ (0.41)
Total assets	\$ 2,425,815	\$ 2,395,909
Current portion of long-term debt	\$ 3,217	\$ 2,991
Long-term debt	\$ 640,674	\$ 862,677
Convertible unsecured subordinated debentures	\$ 270,271	\$ 205,891
Adjusted EBITDA from continuing operations ⁽²⁾	\$ 58,083	\$ 23,808
Adjusted EBITDA from continuing operations per unit ⁽²⁾⁽³⁾	\$ 0.85	\$ 0.43
Cash flows from operating activities	\$ (20,326)	\$ (40,328)
Cash flows from operating activities per unit ⁽³⁾	\$ (0.30)	\$ (0.73)
Adjusted cash flows from operating activities ⁽²⁾	\$ 45,415	\$ 17,956
Adjusted cash flows from operating activities per unit ⁽²⁾⁽³⁾	\$ 0.66	\$ 0.32
Distributable cash after maintenance capital expenditures ⁽²⁾	\$ 41,705	\$ 14,295
Distributable cash after maintenance capital expenditures per unit ⁽²⁾⁽³⁾	\$ 0.61	\$ 0.26
Distributions declared	\$ 20,566	\$ 17,999
Distributions declared per unit ⁽⁴⁾	\$ 0.30	\$ 0.30
Distributions paid	\$ 20,554	\$ 16,163
Distributions paid per unit ⁽⁴⁾	\$ 0.30	\$ 0.30

⁽¹⁾ Certain comparative figures have been re-classified to conform with the current quarter's presentation.

⁽²⁾ See **Non-IFRS Measures**.

⁽³⁾ Based on weighted average number of units outstanding for the period of:

68,519,636

55,514,428

⁽⁴⁾ Based on actual number of units outstanding on record date.

Non-IFRS Measures

EBITDA and Adjusted EBITDA -

Management defines EBITDA as net earnings before any deduction for net finance costs, taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as gains and losses on the disposal of assets, and unrealized foreign exchange gains and losses. EBITDA and Adjusted EBITDA are metrics used by many investors and analysts to compare organizations on the basis of ability to generate cash from operations. Management considers Adjusted EBITDA (as defined) to be an indirect measure of operating cash flow, which is a significant indicator of the success of any business. Adjusted EBITDA is not intended to be representative of cash flow from operations or results of operations determined in accordance with IFRS or cash available for distribution.

EBITDA and Adjusted EBITDA are not recognized measures under IFRS. Chemtrade's method of calculating EBITDA and Adjusted EBITDA may differ from methods used by other income trusts or companies, and accordingly may not be comparable to similar measures presented by other organizations. A reconciliation of EBITDA and Adjusted EBITDA to net loss from continuing operations follows:

(\$'000)	<u>Three months ended</u>	
	March 31, 2015	March 31, 2014 ⁽¹⁾
Net loss from continuing operations	\$ (8,955)	\$ (22,991)
Add:		
Depreciation and amortization	36,317	30,965
Net finance costs	19,658	27,800
Income tax expense (recovery)	387	(12,640)
EBITDA	47,407	23,134
Add:		
(Gain) loss on disposal of assets	(373)	803
Unrealized foreign exchange loss (gain)	11,049	(129)
Adjusted EBITDA	\$ 58,083	\$ 23,808

⁽¹⁾ Certain comparative figures have been re-classified to conform with the current quarter's presentation.

Cash Flow -

The following table is derived from, and should be read in conjunction with, the consolidated statements of cash flows. Management believes this supplementary disclosure provides useful additional information related to the cash flows of Chemtrade including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities. Certain sub-totals presented within the cash flows table below, such as "Adjusted cash flows from operating activities", "Distributable cash after maintenance capital expenditure" and "Distributable cash after all capital expenditure", are not defined terms under IFRS. These sub-totals are used by Management as measures of internal performance and as a supplement to the consolidated statements of cash flows. Investors are cautioned that these measures should not be construed as an alternative to using net earnings as a measure of profitability or as an

alternative to the IFRS consolidated statements of cash flows. Further, Chemtrade's method of calculating each measure may not be comparable to calculations used by other income trusts or companies bearing the same description.

(\$'000)	<u>Three months ended</u>	
	March 31, 2015	March 31, 2014
Cash flows from operating activities	\$ (20,326)	\$ (40,328)
Add:		
Changes in non-cash working capital and other items	65,741	58,284
Adjusted cash flows from operating activities	45,415	17,956
Less:		
Maintenance capital expenditure	3,710	3,661
Distributable cash after maintenance capital expenditure	41,705	14,295
Less:		
Non-maintenance capital expenditure ⁽¹⁾	2,938	2,334
Distributable cash after all capital expenditure	\$ 38,767	\$ 11,961

⁽¹⁾ Non-maintenance capital expenditure is: (a) pre-funded, usually as part of a significant acquisition and related financing; (b) considered to expand the capacity of Chemtrade's operations; (c) significant environmental capital expenditures that are considered to be non-recurring; or (d) capital expenditures to be reimbursed by a third party.

Consolidated Operating Results

Consolidated revenue from continuing operations for the first quarter of 2015 was \$326.0 million, which was \$59.9 million higher than the level recorded during the first quarter of 2014. The first quarter of 2015 includes three months of results from the General Chemical businesses acquired in 2014, whereas the first quarter of 2014 includes results for only two months. The increase in revenues is also due to the positive impact of the stronger U.S. dollar on U.S. denominated earnings. Additionally, there were higher volumes and prices of sulphuric acid in international markets.

Chemtrade's Adjusted EBITDA for the first three months of 2015 was higher than the same period of 2014 by \$34.3 million. The increase in Adjusted EBITDA in the first quarter of 2015 over the first quarter of 2014 was primarily due to \$17.7 million of acquisition related costs and associated foreign exchange losses incurred in 2014. Additionally, the stronger U.S. dollar had a positive impact on Adjusted EBITDA of approximately \$5.8 million in 2015. Fair value adjustments related to Chemtrade's Long-Term Incentive Plan ("LTIP") were also \$3.7 million higher in the first quarter of 2014 compared with the first quarter of 2015. The first quarter of 2015 also includes three months of results from the General Chemical businesses, whereas 2014 included only two months.

Net loss from continuing operations for the three months of 2015 was lower than the comparative period of 2014 by \$14.0 million. Higher Adjusted EBITDA and lower net finance costs in the first quarter of 2015 were partially offset by higher levels of depreciation and amortization, and by higher unrealized foreign exchange losses in 2015 compared with the same period of 2014. Net finance costs were lower in the first quarter of 2015, compared with the first quarter of 2014 primarily due to the fair value adjustments on the convertible unsecured subordinated debentures ("Debentures") and due to the prior year write-down of previously deferred financing costs related to the former credit facilities that were repaid in the first quarter of 2014.

Results of Operations by Business Segment

SPPC -

(\$'000)	Three months ended	
	March 31, 2015	March 31, 2014 ⁽¹⁾
Revenue from continuing operations	\$ 160,771	\$ 137,818
Adjusted EBITDA	40,412	30,601
Gain (loss) of disposal of assets	373	(803)
EBITDA	40,785	29,798
Depreciation and amortization	(20,207)	(18,415)
Net finance cost	(5,491)	(9,715)
Income tax recovery	3,092	10,181
Net earnings from continuing operations	\$ 18,179	\$ 11,849

⁽¹⁾ Certain comparative figures have been re-classified to conform with the current quarter's presentation.

SPPC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, liquid sulphur dioxide, sodium hydrosulphite, elemental sulphur, hydrogen sulphide, and sodium bisulphite, and provides other processing services. These products are marketed primarily to North American customers.

For the first quarter of 2015, SPPC generated revenue from continuing operations which was \$23.0 million higher than the same period of 2014. Adjusted EBITDA for the first quarter of 2015 was \$9.8 million higher than the same period of 2014. The main reason for the increased revenue and higher Adjusted EBITDA in the first quarter of 2015 was the inclusion of results from the newly acquired General Chemical businesses for a full three months compared with only two months in 2014. There was also a positive impact of foreign exchange of approximately \$3.6 million due to the stronger U.S. dollar in 2015. Net earnings from continuing operations for the first quarter of 2015 were \$6.3 million higher than the comparative period of 2014. The lower income tax recovery and higher level of depreciation and amortization in 2015 was partially offset by lower net finance costs compared with the same period of 2014. Finance costs were higher in the comparative period due to the write-down of deferred financing costs. The income tax recovery for the first three months of 2014 was due to an increase in deferred tax assets and the reversal of deferred tax liabilities.

WSSC -**Three months ended**

(\$'000)	March 31, 2015	March 31, 2014
Revenue	\$ 108,278	\$ 87,787
EBITDA	29,182	24,872
Depreciation and amortization	(15,603)	(12,050)
Net finance costs	(2,428)	(2,236)
Income tax (expense) recovery	(2,529)	1,220
Net earnings	\$ 8,622	\$ 11,806

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium chlorate, sodium nitrite, potassium chloride, phosphorus pentasulphide, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers.

Revenue and Adjusted EBITDA during the first quarter of 2015 were higher than the first quarter of 2014 by \$20.5 million and \$4.3 million, respectively. The increase in revenues and Adjusted EBITDA in the first quarter of 2015 was primarily due to the inclusion of results from the newly acquired General Chemical businesses for a full three months compared with only two months in 2014. There was also a positive impact of foreign exchange of approximately \$2.4 million due to the stronger U.S. dollar. Net earnings for the first quarter of 2015 were \$3.2 million lower than the same period of 2014. The lower level of net earnings is due to increased depreciation and amortization expense, as well as an income tax expense in the first quarter of 2015, compared with an income tax recovery in 2014. The income tax recovery in the first three months of 2014 was primarily due to an increase in deferred tax assets and the reversal of deferred tax liabilities.

International -**Three months ended**

(\$'000)	March 31, 2015	March 31, 2014
Revenue	\$ 56,981	\$ 40,493
EBITDA	4,752	3,386
Depreciation and amortization	(507)	(500)
Net finance costs	(3)	—
Income tax expense	(739)	(577)
Net earnings	\$ 3,503	\$ 2,309

International operations provide removal and marketing services for elemental sulphur and sulphuric acid. These products are marketed to customers globally.

During the first quarter of 2015, International's revenues were \$16.5 million higher than the levels achieved during the comparable period of 2014. The increase in revenues is mainly due to the positive impact of the stronger U.S. dollar, as well as higher volumes and prices of sulphuric acid in international markets. Adjusted EBITDA during the first quarter of 2015 was higher than the same period of 2014 by \$1.4 million. The positive impact of foreign exchange on Adjusted EBITDA in the first quarter of 2015 was approximately \$0.8 million compared with the same period of 2014 .

Corporate -

(\$'000)	Three months ended	
	March 31, 2015	March 31, 2014
Cost of services	\$ 16,263	\$ 35,051
Adjusted EBITDA	(16,263)	(35,051)
Unrealized foreign exchange (loss) gain	(11,049)	129
EBITDA	(27,312)	(34,922)
Net finance costs	(11,736)	(15,849)
Income tax (expense) recovery	(211)	1,816
Net loss	\$ (39,259)	\$ (48,955)

The Corporate segment includes the administrative costs of corporate activities such as treasury, finance, information technology, human resources, legal and risk management, which are not directly allocable to an operating segment.

For the first quarter of 2015, corporate costs, excluding unrealized foreign exchange gains and losses, net finance costs and income taxes were \$18.8 million lower than the first quarter of 2014 primarily due to \$17.7 million of acquisition related costs and associated foreign exchange losses incurred in 2014. Additionally, the fair value adjustments relating to Chemtrade's LTIP were \$3.7 million lower in the first quarter of 2015 compared with the first quarter of 2014.

The comments on LTIP expenses relate to the 2013-2015, 2014-2016, and 2015-2017 LTIPs. The 2013-2015, 2014-2016, and 2015-2017 LTIP payouts are payable at the beginning of 2016, 2017 and 2018, respectively. The LTIP awards have a performance based component and a restricted share unit component. The performance based component is based on total Unitholder return achieved over the three year performance period of the plan, Adjusted EBITDA growth, and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Capped Industrial Index. The restricted share unit component of the LTIP award is a phantom plan which is payable in cash at the end of the performance period. The nature of these calculations makes it difficult to forecast the amount of LTIP expenses that will be recorded in any period, as it is based upon a valuation model which considers several variables.

In 2014, the Corporate segment included unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated debt into Canadian dollars. The fluctuation in the value of the U.S. dollar relative to the Canadian dollar also resulted in offsetting unrealized foreign exchange gains and losses on the translation of U.S. dollar denominated assets in self-sustaining foreign operations that were shown in other comprehensive income. On January 1, 2015, Chemtrade hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its U.S. dollar denominated long-term debt. As a result, any gains and losses arising from the U.S.

denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. denominated debt and investment in foreign operations are now being recognized net in other comprehensive income. For the three months ended March 31, 2015, other comprehensive income includes a foreign exchange loss of \$17.6 million on the revaluation of the U.S. dollar denominated debt.

Net finance costs for the first quarter of 2015 were \$4.1 million lower than the first quarter of 2014 mainly due to a lower loss recorded on the fair value adjustment of the Debentures. In the first quarter of 2015, a fair value loss of \$8.4 million was recorded compared with a fair value loss of \$13.4 million in the first quarter of 2014.

There was an income tax recovery in the first three months of 2014 due to an increase in deductible temporary differences.

Foreign Exchange

Chemtrade has certain non-Canadian operating subsidiaries that use the U.S. dollar as their functional currency. As Chemtrade reports in Canadian dollars, its reported net earnings are exposed to fluctuations in the Canadian/U.S. dollar exchange rate. Chemtrade currently estimates that on an unhedged basis, a one-cent increase in the Canadian/U.S. dollar exchange rate reduces Distributable cash after maintenance capital expenditure by less than \$0.8 million on an annual basis and vice-versa.

To manage the volatility of foreign exchange rates, Chemtrade has entered into a series of foreign exchange contracts with its principal bankers. All foreign exchange contracts are under International Swap and Derivatives Association ("ISDA") agreements. Contracts in place at March 31, 2015 include future contracts to sell US\$4.1 million, US\$1.7 million, US\$0.4 million, and €4.3 million at weighted average exchange rates of €0.88, CHF0.96, 8.16SEK, and US\$1.06 respectively, for periods through to January 1, 2016. There were net unrealized losses of \$0.5 million from these contracts at March 31, 2015.

The purpose of these contracts is to manage foreign exchange risk on specific transactions in a foreign currency. The amount of the related derivative is recorded at fair value at the period end and is included with prepaid expenses and other assets or trade and other payables on the consolidated statements of financial position. The resultant non-cash charge or gain is included in selling and administrative expenses. The impact of this non-cash charge or gain is excluded from the computation of Adjusted EBITDA and Distributable cash after maintenance capital expenditures. See **Non-IFRS Measures - Cash Flow**.

Certain of Chemtrade's International and U.S. based operations use the U.S. dollar as their functional currency. On January 1, 2015, the investment in these U.S. denominated foreign operations has been hedged by Chemtrade's U.S. dollar denominated senior secured credit facilities. Any gains and losses from the translation of U.S. denominated borrowings on the credit facilities will be offset by the foreign currency gain or loss arising from the investment in the U.S. foreign operations. The gains and losses on the translation of the designated amount of long-term debt and investment in foreign operations are recorded in other comprehensive income.

The changes recorded in the accumulated other comprehensive income account since December 31, 2014 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2014 and March 31, 2015.

The rate of exchange used to translate U.S. denominated balances has increased from a rate of US\$1.00 = \$1.16 at December 31, 2014 to US\$1.00 = \$1.27 at March 31, 2015. See **Risks and Uncertainties** for additional comments on foreign exchange.

Finance Income and Costs

Net finance costs were \$19.7 million in the first quarter of 2015 compared with net finance costs of \$27.8 million in the first quarter of 2014. Net finance costs were lower in the first quarter of 2015 primarily due to lower fair value adjustments on the Debentures. Additionally, net finance costs were higher in first quarter of 2014 due to the write-off of transaction costs associated with the repayment of former credit facilities.

The weighted average effective annual interest rate on senior debt at March 31, 2015 was 3.16% (December 31, 2014 - 3.90%). See **Liquidity and Capital Resources - Financing Activities - Financial Instruments** for information concerning swap arrangements.

Net finance costs include the change in the fair value of Chemtrade's Debentures. For the three months ended March 31, 2015 there was a fair value loss of \$8.4 million in the fair value of the Debentures compared with a fair value loss of \$13.4 million in the first three months of 2014.

During the three months ended March 31, 2015 and 2014, Chemtrade recorded accretion expense of \$0.4 million and \$0.6 million, respectively, due to the amortization of transaction costs related to Chemtrade's borrowings. See **Liquidity and Capital Resources - Financing Activities**.

Income Taxes

The Fund is a mutual fund trust and a specified investment flow-through trust ("SIFT") for income tax purposes. The Fund is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 49.5% on all taxable income not distributed to Unitholders. The Fund is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate. The Fund is not subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of the Fund and its subsidiaries, Chemtrade expects that its income distributed to Unitholders will not be subject to SIFT tax.

Taxable income distributed by the Fund to its Unitholders is considered taxable income of those Unitholders.

During the first three months of 2015, current income tax expense was \$2.4 million, compared with a current income tax expense of \$0.8 million for the same period of 2014. The increase in current income tax expense is primarily due to an increase in taxable income in Chemtrade's U.S. and international subsidiaries. During the first three months of 2015, deferred income tax recovery was \$2.0 million, compared with \$13.5 million for the same period of 2014. The

decrease in deferred tax recovery is primarily due to the utilization of non-capital losses due to higher taxable income in the first quarter of 2015 compared with the same period of 2014. Additionally, there was a deferred tax expense recognized in the first quarter of 2015 related to foreign exchange gains in U.S. subsidiaries.

The effective tax rate for the first three months of 2015 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders and due to income earned in jurisdictions with different effective income tax rates.

The net increase in deferred tax asset of \$1.5 million at March 31, 2015 relative to December 31, 2014 is due to the recognition of certain deductible temporary differences.

The net increase in deferred tax liabilities of \$22.8 million at March 31, 2015 relative to December 31, 2014 is primarily due to the impact of foreign exchange as the U.S. dollar strengthened relative to the Canadian dollar in the first quarter of 2015.

The Fund does not record deferred taxes related to its deductible temporary differences or those of its flow-through subsidiaries as these differences primarily relate to investments in corporate subsidiaries and are expected to reverse without tax consequences to the Fund.

Excess Cash Flows and Net Earnings Over Distributions Paid

The following table presents excess cash flows from operating activities and net earnings over distributions paid for the first three months of 2015 and for the years ended December 31, 2014 and December 31, 2013.

<u>(\$'000)</u>	<u>Three months ended</u> March 31, 2015	<u>Year ended</u> December 31, 2014	<u>Year ended</u> December 31, 2013
Cash flows (used in) from operating activities	\$ (20,326)	\$ 104,296	\$ 107,844
Net (loss) earnings	(8,955)	21,030	5,462
Distributions paid during period	20,554	71,394	50,003
(Shortfall) excess of cash flows from operating activities over cash distributions paid	(40,880)	32,902	57,841
(Shortfall) of net earnings over cash distributions paid	(29,509)	(50,364)	(44,541)

Chemtrade considers the amount of cash generated by the business in determining the amount of distributions available for payment to its Unitholders. In general, Chemtrade does not take into account quarterly working capital fluctuations as these tend to be temporary in nature. Chemtrade does not generally consider net earnings in setting the level of distributions as this is a non-cash metric and is not reflective of the level of cash flow that Chemtrade can generate. This divergence is particularly relevant for Chemtrade as it has a relatively high level of depreciation and amortization expenses, foreign exchange gains and losses, and deferred tax expenses and recoveries.

For the three months ended March 31, 2015, distributions to Unitholders exceeded cash flows from operating activities mainly due to an increase in working capital during the quarter. Chemtrade maintains a revolving credit facility to manage the effects of temporary fluctuations in working capital.

Distributions -

Distributions to Unitholders for the three months ended March 31, 2015 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
Three months ended March 31:			
January 30, 2015	February 27, 2015	\$ 0.10	\$ 6,847
February 27, 2015	March 31, 2015	0.10	6,859
March 31, 2015	April 30, 2015	0.10	6,860
Total for the three months ended March 31, 2015		\$ 0.30	\$ 20,566

Distributions to Unitholders for the three months ended March 31, 2014 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
Three months ended March 31:			
January 31, 2014	February 28, 2014	\$ 0.10	\$ 5,995
February 28, 2014	March 31, 2014	0.10	6,000
March 31, 2014	April 30, 2014	0.10	6,004
Total for the three months ended March 31, 2014		\$ 0.30	\$ 17,999

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2014 and 2015 is as follows:

	Other Income	Dividends ⁽¹⁾	Foreign Non-Business Income	Total
2014	20.9%	13.8%	65.3%	100%
2015 ⁽²⁾	18.0%	19.0%	63.0%	100%

⁽¹⁾ These dividends are not considered to be eligible dividends for Canadian resident Unitholders and therefore not eligible for the enhanced tax credit.

⁽²⁾ Represents anticipated tax characterization of planned distributions. The actual tax treatment of 2015 distributions will be determined by February 28, 2016.

Liquidity and Capital Resources

The Fund's distributions to Unitholders are sourced entirely from its investments in operating subsidiary companies. The Fund's investments are financed by trust units held by Unitholders, syndicated senior secured credit facilities, and Debentures. The cash flow of Chemtrade is required to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Cash Flow from Operating Activities

Cash flow from operating activities for the first quarter of 2015 was an outflow of \$20.3 million, a decrease of \$20.0 million from the outflow generated during the first quarter of 2014. The improvement in cash flow from operating

activities in the quarter is primarily due to increased operating cash flows from the newly acquired businesses and lower acquisition related costs, partially offset by higher income taxes paid.

Investing Activities

On January 16, 2015, Chemtrade completed the purchase of the operating assets of HTL. This transaction was financed through the syndicated senior secured credit facilities. See **Recent Developments** for details.

Capital expenditures were \$6.6 million in the first quarter of 2015, compared with \$6.0 million in the first quarter of 2014. These amounts include \$3.7 million in both the first quarter of 2015 and the first quarter of 2014 for maintenance capital requirements. Chemtrade expects to incur approximately \$50.0 million of maintenance capital expenditures in 2015.

Non-maintenance capital expenditures were \$2.9 million during the first quarter of 2015 compared with \$2.3 million during the first quarter of 2014. Non-maintenance capital expenditures are: (i) pre-funded, usually as part of a significant acquisition and related financing; (ii) considered to expand or improve the capacity of Chemtrade's operations; (iii) significant environmental capital expenditures that are considered to be non-recurring; or (iv) capital expenditures to be reimbursed by a third party.

Financing Activities

During the first quarter of 2014, Chemtrade entered into new credit facilities which mature in January 2019. These comprised of a \$657.7 million (US\$600.0 million) five year term loan and a \$438.4 million (US\$400.0 million) long-term revolving credit facility. Total amount drawn on January 23, 2014 from the credit facility to finance the General Chemical Acquisition and to repay Chemtrade's former credit facilities was \$833.0 million. Costs related to the new credit facility amounted to \$11.4 million in the first quarter of 2014. These costs were deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

During the first quarter of 2014, Chemtrade issued 18,170,000 units for gross proceeds of \$345.2 million. This included 2,370,000 units issued pursuant to the exercise in full of the underwriters' over-allotment option. Issuance costs in relation to the equity offering amounted to \$14.8 million.

During the first quarter of 2015, Chemtrade modified the terms of its credit facilities to extend the maturity from January 23, 2019 to January 23, 2020. Chemtrade incurred \$1.0 million of costs related to the amendment. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

There was a net increase in the long-term revolving facility of \$86.3 million and a net decrease of \$23.5 million in the first quarter of 2015 and the first quarter of 2014, respectively.

Distributions to Unitholders during the three months ended March 31, 2015 were higher than the same period of 2014. This is mainly due to the new issuance of units during the fourth quarter of 2014 while the distribution per unit remained consistent. For additional information on cash distributions, see **Non-IFRS Measures - Cash Flow and Excess Cash Flows and Net Earnings Over Distributions Paid**.

Financial Instruments -

In July 2011 and March 2014, Chemtrade entered into swap arrangements with its principal bankers, which fix the LIBOR components of its interest rates on US\$50.0 million and US\$325.0 million of its outstanding long-term debt until June 2015 and January 2019, respectively. These swaps have been formally designated as hedges at the date of inception. All changes in the fair value of the swap arrangements have been recorded in other comprehensive income in the consolidated statements of comprehensive income.

During the first quarter of 2015, Chemtrade hedged its investment in foreign operations that use the U.S. dollar as their functional currency with its Chemtrade's U.S. dollar denominated long-term debt. Any gains and losses arising from the U.S. dollar denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the translation of the designated amount of U.S. dollar denominated debt and investment in foreign operations are being recognized in other comprehensive income.

Cash Balances -

At March 31, 2015, Chemtrade had net cash balances of \$17.1 million and working capital of \$53.0 million. Comparable figures for December 31, 2014 were \$11.2 million and a working capital deficit of \$15.4 million, respectively. Chemtrade defines working capital to exclude cash, distributions payable and current portion of long-term debt. Cash generated by Chemtrade will be used to fund cash distributions to Unitholders, capital requirements, interest, general corporate purposes and other legal obligations.

Future Liquidity -

The future liquidity of Chemtrade is primarily dependent on cash flows of its operating subsidiaries. These cash flows will be used to finance ongoing expenditures, including maintenance capital, distributions to Unitholders and normal course financial commitments. Cash flows are sensitive to changes in volume, sales prices and input costs and any changes in these may impact future liquidity. Management believes that cash flows from operating activities will be sufficient for Chemtrade to meet future obligations and commitments that arise in the normal course of business activities. In addition, Chemtrade has revolving credit facilities which can be used for general corporate purposes, including to fund capital expenditures. See *Capital Resources* below for more details.

Capital Resources -

At March 31, 2015, Chemtrade had senior credit facilities of approximately US\$932.0 million, consisting of a term loan of US\$432.0 million, and a long-term revolving credit facility of US\$500.0 million. These credit facilities are due in January 2020. At March 31, 2015, Chemtrade had US\$432.0 million of its term loan outstanding, had drawn \$88.3 million on the long-term revolving credit facility, and committed a total of \$27.1 million of its long-term revolving credit facility towards standby letters of credit.

At March 31, 2015, Chemtrade had a long-term loan of \$17.6 million related to facilities at Syncrude's Mildred Lake oil sands facility in Alberta. The loan is secured by the assets at this facility. The loan bears interest at a fixed rate of 7.3% per annum with monthly principal repayments due until December 2019.

At March 31, 2015, Chemtrade had three series of Debentures outstanding with an aggregate par value of \$242.7 million (market value of \$270.3 million) and maturity dates ranging from March 31, 2017 to June 30, 2021.

Debt Covenants -

As at March 31, 2015, Chemtrade was compliant with all debt covenants contained in its credit agreements.

Summary of Quarterly Results

(\$ millions)	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014 ⁽¹⁾	Q4 2013 ⁽¹⁾	Q3 2013 ⁽¹⁾	Q2 2013 ⁽¹⁾
Revenue from continuing operations	\$ 326.0	\$ 313.3	\$ 314.0	\$ 310.1	\$ 266.1	\$ 194.1	\$ 201.6	\$ 212.3
Cost of sales and services	(278.3)	(300.5)	(268.2)	(267.9)	(231.6)	(172.7)	(168.4)	(183.7)
Gross profit	47.8	12.7	45.8	42.2	34.5	21.4	33.3	28.6
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(11.0)	(11.9)	(19.6)	14.2	0.1	(4.8)	3.3	(5.0)
LTIP (expense) recovery	(2.6)	(3.1)	(2.6)	(2.3)	(6.3)	(8.7)	(1.2)	0.3
Other	(23.1)	(10.7)	(19.4)	(18.4)	(36.2)	(18.7)	(13.1)	(13.1)
Total selling and administrative expenses	(36.7)	(25.7)	(41.6)	(6.4)	(42.4)	(32.2)	(10.9)	(17.8)
Operating income (loss)	11.1	(13.0)	4.2	35.8	(7.8)	(10.8)	22.3	10.8
Net finance costs:								
Mark to market on Debentures	(8.4)	4.5	(1.2)	(0.8)	(13.4)	(17.6)	2.5	2.2
Debt extinguishment costs	—	(0.4)	(1.2)	(1.4)	(4.3)	—	—	—
Other	(11.3)	(13.9)	(12.3)	(20.1)	(10.1)	(5.2)	(5.1)	(5.2)
Total net finance costs	(19.7)	(9.8)	(14.7)	(22.2)	(27.8)	(22.8)	(2.6)	(3.0)
Income tax (expense) recovery	(0.4)	12.7	4.6	4.6	12.6	6.2	1.9	3.8
Net (loss) earnings from continuing operations	\$ (9.0)	\$ (10.1)	\$ (5.9)	\$ 18.2	\$ (23.0)	\$ (27.4)	\$ 21.6	\$ 11.5
Net earnings (loss) from discontinued operations	\$ —	\$ —	\$ 17.7	\$ 22.7	\$ 1.4	\$ (1.8)	\$ (1.3)	\$ (1.5)
Net (loss) earnings	\$ (9.0)	\$ (10.1)	\$ 11.8	\$ 40.9	\$ (21.6)	\$ (29.2)	\$ 20.4	\$ 10.0

⁽¹⁾ Certain comparative figures have been re-classified to conform with the current quarter's presentation.

In general, seasonality has had a limited impact on financial results. Below are some of the key items that had a significant impact on financial results over the last eight quarters.

Revenue and Gross Profit

Sales volumes of sulphur and sulphuric acid were lower in the fourth quarter of 2013. Results include the newly acquired businesses beginning the first quarter of 2014. The first quarter of 2015 includes the positive impact of foreign exchange due to the strengthening of the U.S. dollar relative to the Canadian dollar. Gross profit was lower in the fourth quarter of 2014 due to the amortization of certain intangible assets acquired as part of the General Chemical Acquisition that had a useful life of approximately one year.

Selling and Administrative Expenses

In 2013 and 2014, selling and administrative expenses include unrealized foreign exchange gains and losses resulting from the translation of the U.S. dollar denominated borrowings on a portion of the credit facilities. The amount recognized in a quarter depends upon changes in the value of the U.S. dollar relative to the Canadian dollar in that quarter. Chemtrade also has certain non-Canadian operating subsidiaries that use the U.S. dollar as their functional currency. Any gains or losses arising from the translation of the assets and liabilities of these foreign subsidiaries are recorded in other comprehensive income. In the first quarter of 2015, Chemtrade hedged its investment in U.S. foreign subsidiaries with its U.S. dollar denominated borrowings. As a result, the translation of the U.S. dollar denominated borrowings are being recognized in other comprehensive income.

The change in fair value of Chemtrade's LTIP obligation is also included in selling and administrative expenses. The amount of the expense recorded in any quarter depends on changes in the various factors used in arriving at the fair value of the obligation.

Other selling and administrative expenses were high during the fourth quarter of 2013 and the first quarter of 2014 due to the expenses related to the acquisition of General Chemical and other merger and acquisition activities. Additionally, effective the first quarter of 2014, selling and administrative expenses are higher due to the increased scale of the business resulting from the General Chemical Acquisition. Expenses during the fourth quarter of 2014 were low as they include settlement gains of \$10.2 million associated with changes made to certain of Chemtrade's post-employment benefit plans.

Net Finance Costs

Net finance costs include the change in fair value of Chemtrade's Debentures. The amount recorded in any quarter related to the fair value adjustments on the Debentures can fluctuate widely depending upon the market value of the Debentures.

Beginning the first quarter of 2014, net finance costs are higher due to finance costs associated with the additional debt taken on to finance the General Chemical Acquisition. The first quarter of 2014 also includes debt extinguishment costs from the repayment of the former credit facilities. In the second quarter of 2014, finance costs include \$5.4 million of transaction costs related to the issuance of Debentures, as well as a \$1.4 million loss related to the ineffectiveness of Chemtrade's cash flow hedges as a result of the repayment of debt from the proceeds of the Debenture offering.

Income Taxes

Income tax recovery was high in the second quarter of 2013 primarily due to the recognition of previously unrecognized deductible temporary differences. Income tax recovery was high in the fourth quarter of 2013 due to the recognition of deferred tax assets. Beginning the first quarter of 2014, results include those from the newly acquired General Chemical businesses. Income tax recoveries were high in the first and fourth quarters of 2014 primarily due to higher net losses incurred during these quarters. There was an income tax expense in the first quarter of 2015 due to the recognition of deferred tax liabilities.

Discontinued Operations

Discontinued operations represents the Montreal East business which was sold in the third quarter of 2014. The higher net earnings in the second quarter of 2014 was primarily due to a high tax recovery resulting from a change in management's estimate of when certain deferred tax liabilities will reverse due to such assets being held for sale. The higher net earnings in the third quarter of 2014 was primarily due to the recognition of \$9.4 million of accounts receivable into revenues upon sale of the Montreal East business pursuant to an agreement with a previous customer of this business. Additionally, there was a gain realized upon sale of the business of \$7.7 million after taxes.

Outstanding Securities of the Fund

As at May 13, 2015 and March 31, 2015, the following units and securities convertible into units were issued and outstanding:

	May 13, 2015		March 31, 2015	
	Convertible Securities	Units	Convertible Securities	Units
Units outstanding		68,940,627		68,595,566
6.0% Debentures ⁽¹⁾	31,054	1,940,875	36,571	2,285,688
5.75% Debentures ⁽²⁾	79,659	3,982,950	79,664	3,983,200
5.25% Debentures ⁽³⁾	126,500	4,517,857	126,500	4,517,857
Units outstanding and issuable upon conversion of Debentures		79,382,309		79,382,311

⁽¹⁾ Convertible at \$16.00 per unit

⁽²⁾ Convertible at \$20.00 per unit

⁽³⁾ Convertible at \$28.00 per unit

Contractual Obligations

Information concerning contractual obligations at March 31, 2015 is shown below:

Contractual Obligations (\$'000)	Total	Less Than 1 Year	1-3 Years	4-5 Years	After 5 Years
Long-term debt	\$ 653,054	\$ 3,217	\$ 7,181	\$ 642,656	\$ —
Debentures	242,735	—	36,571	79,664	126,500
Operating leases	107,464	33,816	47,800	19,826	6,022
Interest on long-term debt	96,471	20,516	40,285	35,670	—
Interest on Debentures	63,074	13,416	24,638	16,718	8,302
Total contractual obligations	\$ 1,162,798	\$ 70,965	\$ 156,475	\$ 794,534	\$ 140,824

Risks and Uncertainties

Chemtrade operates a diversified business providing industrial chemicals and services to customers in North America and around the world. Chemtrade is one of North America's largest suppliers of sulphuric acid, inorganic coagulants for water treatment, liquid sulphur dioxide, sodium nitrite, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading processor of spent acid as well as a leading regional supplier of sulphur, sodium chlorate, potassium chloride and zinc oxide. Additionally, Chemtrade provides industrial services such as processing hydrogen sulphide and other by-products and waste streams. Chemtrade faces various risks associated with its business. These risks include, amongst others, a general reduction in demand for its products, the loss of a portion of its customer base, the interruption of the supply of sulphur-based products or raw materials, price fluctuations in the products sold and/or raw materials purchased, industry capacity, acquisition integration and operational, transportation and product hazard risks associated with the nature of its business. Chemtrade imports key raw materials and products from overseas and as such has additional risks associated with the sourcing activity. Chemtrade makes extensive use of the railway system to transport material within North America. Certain locations are serviced by a sole carrier and thus a disruption in service or changes to the regulatory environment relating to transportation could have a significant negative impact on results. In addition, Chemtrade sells a significant portion of its major products to large customers. While many of these customers are under contract, there can be no assurance that these contracts will be renewed. As Chemtrade's business is international in nature, it is exposed to foreign exchange risks related to the payment of dividends and other transactions by its foreign subsidiaries. For a more detailed discussion of Chemtrade's risks, please refer to the "RISK FACTORS" section of the most recently filed Annual Information Form.

Chemtrade manages the risks associated with its customer base and sales prices by seeking to obtain contractual protection to mitigate these risks. Chemtrade also seeks to differentiate its products and services with customers to mitigate price fluctuations and uses its scale to obtain beneficial raw material contracts.

Chemtrade's Board of Trustees periodically reviews a framework identifying the principal risks of Chemtrade's business, and ensures the implementation of appropriate systems to manage these risks. The Audit Committee reviews major operations and financial risks, the systems implemented to monitor those risks and the strategies in place to manage

those risks. In addition, Chemtrade maintains an extensive insurance program which includes general liability and environmental coverage.

There are a number of risks that warrant additional disclosure which are discussed in detail in the MD&A for the year ended December 31, 2014. There have been no material changes to the business of Chemtrade that require an update to the discussion of these risks.

Critical Judgements and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

Key Sources of Estimation Uncertainty

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are discussed in detail in the MD&A for the year ended December 31, 2014. There have been no material changes to the business of Chemtrade that require an update to the discussion of these sources of estimation uncertainty.

IFRS Standards and Interpretations Not Yet Adopted

For information regarding IFRS standards and interpretations not yet adopted, refer to note 3(p) of the audited consolidated financial statements of Chemtrade for the year ended December 31, 2014.

Accounting standards adopted in the current year

In November 2013, the IASB issued amendments to pension accounting under IAS 19, Employee Benefits. Chemtrade adopted these amendments on January 1, 2015. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendments had no material impact on Chemtrade's financial statements.

Disclosure Controls and Procedures and Internal Controls Over Financial Reporting

Chemtrade maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed in the reports that the Fund publicly files is recorded, processed, summarized and reported within a timely manner and that such information is accumulated and communicated to Chemtrade's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding disclosure. The Chief Executive Officer and the Chief Financial Officer have evaluated Chemtrade's disclosure controls procedures as of March 31, 2015 through inquiry and review.

Chemtrade also maintains a system of internal controls over financial reporting designed under the supervision of Chemtrade's Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with IFRS.

Chemtrade's Management, including the Chief Executive Officer and the Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting and evaluating its effectiveness. Management has used The Committee of Sponsoring Organizations of the Treadway Commission ("COSO") framework (2013) to evaluate the effectiveness of Chemtrade's internal control over financial reporting as of March 31, 2015. There have been no changes to the design of internal controls over financial reporting that occurred during the quarter ended March 31, 2015 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Outlook

We remain confident that our portfolio of businesses, business model and our strong balance sheet will allow us to comfortably sustain our distributions and increase our financial flexibility by reducing leverage levels.

Other

Additional information concerning Chemtrade, including the Annual Information Form, is filed on SEDAR and can be accessed at www.sedar.com.

May 14, 2015

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	March 31, 2015	December 31, 2014
ASSETS			
Current assets			
Cash and cash equivalents		\$ 17,091	\$ 11,165
Trade and other receivables		184,831	162,175
Inventories		74,035	59,809
Prepaid expenses and other assets	11	16,180	9,625
Total current assets		292,137	242,774
Non-current assets			
Property, plant and equipment		879,736	825,994
Other assets		8,175	7,699
Intangible assets		1,234,366	1,147,675
Deferred tax assets	10	11,401	9,915
Total non-current assets		2,133,678	1,991,283
Total assets		\$ 2,425,815	\$ 2,234,057
LIABILITIES AND UNITHOLDERS' EQUITY			
Current liabilities			
Trade and other payables	5, 11	\$ 195,972	\$ 201,419
Distributions payable		6,860	6,847
Provisions		7,245	7,040
Income taxes payable		18,854	38,550
Current portion of long-term debt		3,217	3,159
Total current liabilities		232,148	257,015
Non-current liabilities			
Long-term debt	6	640,674	508,482
Convertible unsecured subordinated debentures	7	270,271	264,492
Other long-term liabilities	5, 11	18,340	17,805
Employee benefits		88,650	84,200
Provisions		54,811	53,092
Deferred tax liabilities	10	241,578	218,738
Total non-current liabilities		1,314,324	1,146,809
Total liabilities		1,546,472	1,403,824
Unitholders' equity			
Units	8	1,036,960	1,034,308
Contributed surplus		9,720	9,720
Deficit		(332,426)	(302,905)
Accumulated other comprehensive income		165,089	89,110
Total unitholders' equity		879,343	830,233
Total liabilities and unitholders' equity		\$ 2,425,815	\$ 2,234,057

The accompanying notes on pages 25 to 41 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Comprehensive Income

(In thousands of Canadian dollars, except per unit amounts)

(Unaudited)

	Notes	Three months ended March 31,	
		2015	2014
Revenue		\$ 326,030	\$ 266,098 (note 4)
Cost of sales and services	9	(278,277)	(231,573)
Gross profit		47,753	34,525
Selling and administrative expenses	9	(36,663)	(42,356)
Operating income (loss)		11,090	(7,831)
Finance income		4	9
Finance costs	6, 7	(19,662)	(27,809)
Loss before income tax		(8,568)	(35,631)
Income tax (expense) recovery	10		
Current		(2,373)	(819)
Deferred		1,986	13,459
		(387)	12,640
Net loss from continuing operations		(8,955)	(22,991)
Net earnings from discontinued operations	4	—	1,438
Net loss		\$ (8,955)	\$ (21,553)
Other comprehensive income			
Items that may subsequently be reclassified to earnings:			
Foreign currency translation differences for foreign operations, net of tax expense of \$5,680 (2014 - \$1,218)		96,450	20,933
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of \$1,015 (2014 - net of tax expense of \$67)		(20,471)	273
Other comprehensive income		75,979	21,206
Total comprehensive income (loss)		\$ 67,024	\$ (347)
Net loss per unit	8		
Basic net loss per unit		\$ (0.13)	\$ (0.39)
Diluted net loss per unit		\$ (0.13)	\$ (0.39)
Loss per unit from continuing operations			
Basic loss per unit		\$ (0.13)	\$ (0.41)
Diluted loss per unit		\$ (0.13)	\$ (0.41)

The accompanying notes on pages 25 to 41 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Changes in Unitholders' Equity
(In thousands of Canadian dollars)
(Unaudited)

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains/ losses on cash flow hedges*	Total unitholders' equity
Balance at January 1, 2015	\$ 1,034,308	\$ 9,720	\$ (302,905)	\$ 91,418	\$ (2,308)	830,233
Net loss	—	—	(8,955)	—	—	(8,955)
Other comprehensive income (loss)	—	—	—	96,450	(20,471)	75,979
Distributions (note 8)	—	—	(20,566)	—	—	(20,566)
Issuance of units (note 8)	2,652	—	—	—	—	2,652
Balance at March 31, 2015	\$ 1,036,960	\$ 9,720	\$ (332,426)	\$ 187,868	\$ (22,779)	879,343

	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized gains/ losses on cash flow hedges*	Total unitholders' equity
Balance at January 1, 2014	\$ 519,474	\$ 9,720	\$ (240,126)	\$ 21,347	\$ (1,996)	308,419
Net loss	—	—	(21,553)	—	—	(21,553)
Other comprehensive income	—	—	—	20,933	273	21,206
Distributions (note 8)	—	—	(17,999)	—	—	(17,999)
Issuance of units	338,067	—	—	—	—	338,067
Balance at March 31, 2014	\$ 857,541	\$ 9,720	\$ (279,678)	\$ 42,280	\$ (1,723)	628,140

*Accumulated other comprehensive income.

The accompanying notes on pages 25 to 41 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

		Three months ended March 31,	
	Notes	2015	2014
Cash flows from operating activities:			
Net loss		\$ (8,955)	\$ (21,553)
Adjustments for:			(note 4)
Depreciation and amortization	9	36,317	33,353
(Gain) loss on disposal of assets		(373)	803
Income tax expense (recovery)		387	(12,068)
Net interest costs		9,518	8,851
Accretion expense		954	656
Net pension interest		777	580
Debt extinguishment costs including realized foreign exchange loss		—	14,231
Change in fair value of convertible unsecured subordinated debentures	7	8,409	13,376
Unrealized foreign exchange loss (gain)		11,049	(129)
		58,083	38,100
Increase in working capital		(44,714)	(64,834)
Interest paid		(7,474)	(8,525)
Interest received		4	9
Income taxes paid		(26,225)	(5,078)
Net cash flows used in operating activities		(20,326)	(40,328)
Cash flows from investing activities:			
Increase in restricted cash		(67)	(45)
Additions to property, plant and equipment		(6,648)	(5,995)
(Increase) decrease in other assets		(463)	22
Acquisition (net of cash acquired)	3	(27,645)	(897,129)
Net cash flows used in investing activities		(34,823)	(903,147)
Cash flows from financing activities:			
Distributions to unitholders	8	(20,554)	(16,163)
Issuance of units		—	345,230
Share issuance costs		—	(14,843)
Repayment of term debt		(768)	(714)
Increase in term debt		—	657,660
Net change in long-term revolving credit facility		86,257	(23,526)
(Decrease) increase in other long-term liabilities		(3,239)	4,428
Financing transaction costs	6	(955)	(11,405)
Net cash flows from financing activities		60,741	940,667
Increase (decrease) in cash and cash equivalents		5,592	(2,808)
Cash and cash equivalents, beginning of the period		11,165	9,621
Effect of exchange rates on cash held in foreign currencies		334	155
Cash and cash equivalents, end of the period		\$ 17,091	\$ 6,968

The accompanying notes on pages 25 to 41 are an integral part of these consolidated financial statements.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund ("Chemtrade") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). Chemtrade commenced operations on July 18, 2001 when it completed an initial public offering. Chemtrade operates in four business segments: Sulphur Products & Performance Chemicals ("SPPC"), Water Solutions & Specialty Chemicals ("WSSC"), International ("Intl") and Corporate ("Corp"). For additional information regarding Chemtrade's business segments, see note 12.

Chemtrade is an entity domiciled in Canada. The head office, principal address, and registered and records office of Chemtrade are located at 155 Gordon Baker Road, Suite 300, Toronto, Ontario, M2H 3N5.

Chemtrade's condensed consolidated interim financial statements include all of its controlled subsidiaries and have been prepared on a going concern basis, which contemplates the realization of assets and settlements of liabilities in the normal course of business.

2. BASIS OF PREPARATION:

(a) Statement of compliance:

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, using the same accounting policies and standards as were used for Chemtrade's 2014 annual consolidated financial statements, except for the new accounting standards adopted during the first quarter of 2015 as described in 2(b) below.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2014 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on May 14, 2015.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

2. BASIS OF PREPARATION (continued):

(b) Accounting standards adopted in the current year:

In November 2013, the IASB issued amendments to pension accounting under IAS 19, *Employee Benefits*. Chemtrade adopted these amendments on January 1, 2015. The amendments introduce a relief (practical expedient) that will reduce the complexity and burden of accounting for certain contributions from employees or third parties. When employee contributions are eligible for the practical expedient, a company is permitted (but not required) to recognize them as a reduction of the service cost in the period in which the related service is rendered. The amendments had no material impact on Chemtrade's financial statements.

(c) Basis of measurement:

The condensed consolidated interim financial statements have been prepared on the historical cost basis, except for the following material items in the condensed consolidated interim statements of financial position:

- Derivative financial instruments are measured at fair value;
- Financial instruments at fair value through profit or loss are measured at fair value;
- Liabilities for cash settled share-based payment arrangements are measured at fair value;
- The defined benefit liability is recognized as the fair value of the plan assets and the present value of the defined benefit obligation; and
- Deferred tax assets and liabilities are measured at the tax rates that are expected to be applied to temporary differences when they reverse.

(d) Presentation currency:

These condensed consolidated interim financial statements are presented in thousands of Canadian dollars, except for net earnings per unit information which is presented in Canadian dollars.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

3. ACQUISITIONS:

(a) General Chemical:

On January 23, 2014, Chemtrade completed the purchase of 100% of the businesses of Parsippany, New Jersey-based General Chemical Holding Company ("General Chemical"). The purchase price allocation for this acquisition was finalized in 2014. For details of the purchase price allocation, refer to Chemtrade's 2014 annual consolidated financial statements.

(b) Hydor-Tech:

On January 16, 2015, Chemtrade completed the purchase of the operating assets of Hydor-Tech Ltd. ("HTL"), an Edmonton-based manufacturer of inorganic coagulants. HTL was a leading western Canadian manufacturer of polyaluminum chloride that is widely used in municipal and industrial water treatment plants. The business combination was structured as an asset acquisition for \$27,645. The transaction was financed by drawing upon the syndicated senior secured credit facilities ("credit facilities").

Acquisitions are accounted for under the acquisition method of accounting, and the results of operations since the respective dates of acquisition are included in comprehensive income. From time to time, as a result of the timing of acquisitions in relation to Chemtrade's reporting schedule and the availability of information, certain information relating to the purchase allocations and valuations may not be finalized at the time of reporting. Purchase price allocations are completed within one year from acquisition. Such preliminary purchase price allocations are based on management's best estimates of the fair value of the acquired assets and liabilities at the reporting date. Upon finalization, adjustments to the initial estimates may be required, and such adjustments may be material.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
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(Unaudited)

Three months ended March 31, 2015 and 2014

3. ACQUISITIONS (continued):

The aggregate consideration for this acquisition was preliminarily allocated as follows:

	January 16, 2015	
Cash	\$	27,645
		Preliminary allocation
Net working capital	\$	1,045
Property, plant and equipment		11,000
Intangible assets ⁽¹⁾		15,600
Consideration — Cash	\$	27,645

⁽¹⁾ Balance represents goodwill

Adjustments have been made to the purchase price allocation disclosed as a subsequent event in the prior year which have been reflected in the table above. These adjustments primarily related to a decrease in net working capital.

Goodwill is comprised of the value of expected synergies arising from the acquisition, the expertise and reputation of the assembled workforce acquired, and the geographic location of the acquiree.

The amount of revenue and earnings attributable to HTL since acquisition have been included in the consolidated statement of comprehensive income and is included in the WSSC business segment.

4. DISCONTINUED OPERATIONS:

On May 12, 2014, Chemtrade entered into a definitive agreement to sell its Montreal East business to Suncor Energy Products Inc. ("Suncor") for proceeds of \$120,388. The transaction, which was subject to relevant regulatory approvals, closed on July 17, 2014. The business provides sulphur removal and compliance services to Suncor's Montreal oil refinery and was included in the SPPC segment.

The comparative consolidated statement of comprehensive income has been restated to show the discontinued operation separately from the continuing operations.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

4. DISCONTINUED OPERATIONS (continued):

(a) Results of discontinued operations:

	<u>Three months ended</u> <u>March 31,</u> <u>2014</u>	
Revenue	\$	7,821
Cost of sales and services		(5,391)
Gross profit		2,430
Selling and administrative expenses		(420)
Income before tax		2,010
Deferred income tax expense		(572)
Net earnings from discontinued operations	\$	1,438
Basic and diluted net earnings per unit from discontinued operations	\$	0.03

(b) Cash flows used in discontinued operations:

	<u>Three months ended</u> <u>March 31,</u> <u>2014</u>	
Net cash flows used in operating activities	\$	(67)
Net cash flows used in investing activities		(103)
Net cash flows used in financing activities		(112)
Net cash flows for the period	\$	(282)

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

5. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2013-2015, 2014-2016, and 2015-2017 LTIP awards have a performance based component and a restricted share unit component. The performance based component is based on total Unitholder return over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Capped Industrial Index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP award is a phantom plan which is payable in cash at the end of the performance period.

Chemtrade accounts for these awards as liabilities with the value of these liabilities being remeasured at each reporting period, based upon changes in the fair value of the awards. Any gains or losses on remeasurement are recorded in selling and administrative expenses in the condensed consolidated interim statements of comprehensive income, provided that the aggregate compensation cost accrued during the performance period is not adjusted below zero.

As at March 31, 2015, a liability of \$11,414 (December 31, 2014 - \$19,899) has been recorded, of which \$7,686 (December 31, 2014 - \$11,146) is included in trade and other payables and \$3,728 (December 31, 2014 - \$8,753) is included in other long-term liabilities. For the three months ended March 31, 2015, Chemtrade recorded an expense of \$2,590 (2014 - \$6,320) in selling and administration expenses related to the LTIP.

Inputs for measurement of fair values

The fair value of the share-based component of LTIP is measured based on the Monte Carlo sampling method. Base price is the average unit price for the first 20 business days at the beginning of each LTIP performance period. Expected volatility is estimated by considering historic average unit price volatility. The risk-free interest rate is based on Canadian government bonds and Canadian government treasury bills.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

5. SHARE-BASED PAYMENTS (continued):

The inputs used in the measurement of the fair value of the share-based component of LTIP are as follows:

	March 31, 2015	December 31, 2014
Chemtrade units:		
Average base price	\$19.22	\$17.34
Period-end unit price	\$21.41	\$20.70
Average expected volatility	15.77%	14.50%
Index units:		
Average base price	\$201.88	\$183.08
Period-end unit price	\$248.48	\$248.22
Average expected volatility	14.38%	14.02%
Average risk free interest rate	0.49%	0.96%
Average expected remaining term	1.75 years	1.50 years

6. LONG-TERM DEBT:

On March 16, 2015, Chemtrade modified the terms of its credit facilities to extend the maturity from January 23, 2019 to January 23, 2020. Chemtrade incurred \$955 of costs related to the amendment. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

At March 31, 2015, Chemtrade had senior credit facilities of approximately US\$932,000, consisting of a term loan of US\$432,000, and a long-term revolving credit facility of US\$500,000. At March 31, 2015, Chemtrade had drawn \$88,289 (December 31, 2014 - \$504) on the long-term revolving credit facility and had committed a total of \$27,134 (December 31, 2014 - \$25,639) of this facility towards standby letters of credit. The credit facilities are secured by all the property, plant and equipment of Chemtrade, excluding the Fort McMurray facility. At March 31, 2015, the weighted average effective interest rate of the facilities is 3.0% (December 31, 2014 - 3.8%).

Chemtrade is subject to certain covenants on its credit facilities, which include a Net Debt to EBITDA ratio (as both terms are defined in the credit agreement) and an interest coverage ratio. Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at March 31, 2015, Chemtrade was in compliance with the above covenants.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

7. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

Chemtrade has designated the convertible unsecured subordinated debentures as financial liabilities at fair value through profit or loss. At March 31, 2015, the fair value of the convertible unsecured subordinated debentures was \$270,271 (December 31, 2014 - \$264,492). For the three months ended March 31, 2015, net finance costs related to these convertible unsecured subordinated debentures were \$11,734 (2014 - \$15,849). This comprised of a loss of \$8,409 (2014 - \$13,376) due to the change in fair value of the convertible unsecured subordinated debentures and interest expense of \$3,325 (2014 - \$2,473).

8. UNITS AND OTHER COMPONENTS OF EQUITY:

(a) Units:

Chemtrade has authorized an unlimited number of units. Chemtrade's units have no par value. The following table presents the number of units outstanding:

	Number of Units	Amount
Units		
Balance – January 1, 2015	68,470,630	\$ 1,034,308
Conversion of unsecured subordinated convertible debentures	124,936	2,652
Balance – March 31, 2015	68,595,566	\$ 1,036,960

(b) Distributions

Distributions paid for the three months ended March 31, 2015 were \$20,554 (2014 - \$16,163) or \$0.30 per unit (2014 - \$0.30 per unit). All of Chemtrade's distributions are discretionary and subject to approval by the Board of Trustees.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

8. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(c) Net loss per unit and loss per unit from continuing operations:

Net loss per unit has been calculated on the basis of the weighted average number of units outstanding. The following tables provide a breakdown of the numerator and denominator used in the calculation of net loss per unit, diluted net loss per unit, loss per unit from continuing operations and diluted loss per unit from continuing operations:

(i) Loss per unit:

	<u>Three months ended March 31,</u>	
	2015	2014
Numerator		
Net loss	\$ (8,955)	\$ (21,553)
Net interest and fair value adjustment on convertible unsecured subordinated debentures ⁽¹⁾	—	—
Diluted net loss	\$ (8,955)	\$ (21,553)

⁽¹⁾ For the three months ended March 31, 2015 and 2014, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

	<u>Three months ended March 31,</u>	
	2015	2014
Denominator		
Weighted average number of units	68,519,636	55,514,428
Weighted average convertible unsecured subordinated debenture dilutive units ⁽¹⁾	—	—
Weighted average number of diluted units	68,519,636	55,514,428

⁽¹⁾ For the three months ended March 31, 2015 and 2014, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit would be anti-dilutive.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

8. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

(ii) Loss per unit from continuing operations:

	<u>Three months ended March 31,</u>	
	2015	2014
Numerator		
Net loss from continuing operations	\$ (8,955)	\$ (22,991)
Net finance costs on convertible unsecured subordinated debentures ⁽¹⁾	—	—
Diluted net loss from continuing operations	\$ (8,955)	\$ (22,991)

⁽¹⁾ For the three months ended March 31, 2015 and 2014, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit from continuing operations would be anti-dilutive.

	<u>Three months ended March 31,</u>	
	2015	2014
Denominator		
Weighted average number of units	68,519,636	55,514,428
Weighted average convertible unsecured subordinated debenture dilutive units ⁽¹⁾	—	—
Weighted average number of diluted units	68,519,636	55,514,428

⁽¹⁾ For the three months ended March 31, 2015 and 2014, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net earnings per unit from continuing operations would be anti-dilutive.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

9. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of property, plant and equipment and amortization expense of intangible assets are as follows:

	<u>Three months ended March 31,</u>	
	<u>2015</u>	<u>2014</u>
Cost of sales and services:		
Depreciation expense	\$ 21,316	\$ 18,361
Amortization expense	14,811	14,852
Selling and administrative expenses:		
Depreciation expense	190	140
Total depreciation and amortization expense	\$ 36,317	\$ 33,353

For the three months ended March 31, 2014, there was \$2,388 of depreciation and amortization expense related to discontinued operations.

10. INCOME TAXES:

Chemtrade is a mutual fund trust and a specified investment flow-through trust ("SIFT") for income tax purposes. Chemtrade is subject to current income taxes at the top marginal tax rate applicable to individuals of approximately 49.5% on all taxable income not distributed to Unitholders. Chemtrade is also subject to current income taxes on all taxable income, other than dividends, earned from Canadian corporate and flow-through subsidiaries (other than Canadian subsidiaries that earn certain investment income) at a tax rate similar to the corporate tax rate. Chemtrade will not be subject to tax on income received from non-Canadian subsidiaries, provided that the income is distributed to Unitholders during the year. Based on the current organization of Chemtrade and its subsidiaries, it expects that its income distributed to Unitholders will not be subject to SIFT tax.

Income tax expense is recognized based on management's best estimate of the weighted average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. Chemtrade calculates the consolidated estimated effective annual tax rate by determining the amount of current and deferred income taxes as a percentage of income before tax. Chemtrade's consolidated estimated effective tax rate in respect of continuing operations for the three months ended March 31, 2015 was negative 4.5% compared to a statutory rate of 26.1% (2014 - positive 35.5% effective annual tax rate and 26.1% statutory rate, respectively)

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

10. INCOME TAXES (continued):

The effective tax rate for the first three months of 2015 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders and due to income earned in jurisdictions with different effective income tax rates.

11. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging

	Notional Amount	March 31, 2015 Fair Value		Notional Amount	December 31, 2014 Fair Value	
		Asset	Liability		Asset	Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	US\$ 375,000	\$ —	\$ 7,011	US\$ 375,000	\$ —	\$ 3,127
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts ⁽¹⁾	\$ —	\$ 12	\$ 493	\$ —	\$ 43	\$ 402
Commodity forward contracts ⁽²⁾	N/A	264	264	N/A	389	389
Total		\$ 276	\$ 7,768		\$ 432	\$ 3,918

⁽¹⁾ See below for notional amounts.

⁽²⁾ Includes commitments to buy and sell commodities and commodity forward contracts related to those commitments.

At March 31, 2015, Chemtrade had swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US\$50,000 and US\$325,000 of its outstanding long-term debt until June 2015 and January 2019, respectively. These swaps are formally designated as cash flow hedges at the date of inception and any changes in the fair value of the effective portion of the swaps are recognized in other comprehensive income.

On January 1, 2015, Chemtrade hedged its investment in foreign operations that use the U.S. dollar as their functional currency by Chemtrade's U.S. dollar denominated long-term debt. Any foreign currency gains and losses arising from the U.S. dollar denominated debt will be offset by the foreign currency gain or loss arising from the investment in the foreign operations. The gains and losses on the foreign currency translation of the designated amount of U.S. dollar denominated debt and investment in foreign operations are being recognized in other comprehensive income. For the three months ended March 31, 2015, there was a \$17,601 foreign exchange loss on the revaluation of the U.S. dollar denominated debt recognized in other comprehensive income.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

11. FINANCIAL INSTRUMENTS (continued):

Chemtrade has entered into foreign exchange contracts to manage certain of its exposure to foreign currencies. Chemtrade buys and sells specific amounts of currencies at pre-determined dates and exchange rates, which are matched with the anticipated operational cash flows. Contracts in place at March 31, 2015 include future contracts to sell US\$4,099, US\$1,743, US\$410, and €4,272 at weighted average exchange rates of €0.88, CHF0.96, 8.16SEK, and US\$1.06 respectively, for periods through to January 1, 2016.

Chemtrade's Intl business segment has commitments to buy and sell commodities and has entered into commodity forward contracts to manage its exposure to commodity price changes.

The commitments to buy and sell commodities are treated as derivatives and are measured at fair value. The commodity forward contracts are derivatives and are measured at fair value.

(b) Fair values of financial instruments

Fair value is the value that would be agreed upon in an arm's length transaction between willing and knowledgeable counter-parties. The carrying amounts of cash and cash equivalents, trade and other receivables, trade and other payables and distributions payable approximate their fair values because of the short-term maturity of these financial instruments. The carrying amount of restricted cash, long-term receivables, and the note receivable approximates their fair value. The carrying amount of long-term debt, excluding transaction costs, approximates fair value as the debt accrues interest at prevailing market rates.

For fair value estimates relating to the convertible unsecured subordinated debentures and derivatives, Chemtrade classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Unadjusted quoted prices at the measurement date for identical assets or liabilities in active markets.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3 - Significant unobservable inputs which are supported by little or no market activity.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

11. FINANCIAL INSTRUMENTS (continued):

The fair value hierarchy also requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The convertible unsecured subordinated debentures are classified within Level 1 because the convertible unsecured subordinated debentures actively trade on the TSX and the fair value is based on the quoted prices on the TSX. Any changes in the fair value of the convertible unsecured subordinated debentures are recognized in net earnings.

All of Chemtrade's derivative financial instruments are classified within Level 2 because they are based on rates quoted by banks and other public data sources. These derivatives are recorded in prepaid expenses, other assets and trade and other payables on the statements of financial position.

The fair value of the foreign exchange contracts is the difference between the forward exchange rate and the contract rate. Any changes in the fair value of these contracts are recognized in net earnings.

The fair value of the interest rate swap arrangements is the difference between the forward interest rates and the contract rates discounted. The liability is recorded in other long-term liabilities in the statements of financial position. Any changes in the fair value of these arrangements are recognized in other comprehensive income.

12. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, Intl and Corp. The reportable segments of Chemtrade are strategic business groups that offer products and services to target markets, as described below. The accounting policies applied by the segments are the same as those applied by Chemtrade. Comparatives have been restated to conform with the current period presentation.

SPPC markets, removes and/or produces merchant, regenerated and ultra pure sulphuric acid, liquid sulphur dioxide, sodium hydrosulphite, elemental sulphur, hydrogen sulphide, and sodium bisulphite, and provides other processing services. These products are marketed primarily to North American customers.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

12. BUSINESS SEGMENTS (continued):

WSSC manufactures and markets a variety of inorganic coagulants used in water treatment, including aluminum sulphate, aluminum chlorohydrate, polyaluminum chloride, and ferric sulphate; and a number of specialty chemicals, including sodium chlorate, sodium nitrite, potassium chloride, phosphorus pentasulphide, vaccine adjuvants, and sulphides. These products are marketed primarily to North American customers.

Intl provides removal and marketing services for elemental sulphur and sulphuric acid. These products are marketed to customers in Europe, the Mediterranean, North Africa, Central and South America, North America, as well as in the Pacific region.

Corp is a non-operating segment that provides centralized services, such as treasury, finance, information technology, human resources, legal and risk management.

Three months ended March 31, 2015

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 160,771	\$ 108,278	\$ 56,981	\$ —	326,030
Inter-segment revenues	5,725	522	—	—	6,247
Operating income (loss)	20,578	13,579	4,245	(27,312)	11,090
Net finance costs	(5,491)	(2,428)	(3)	(11,736)	(19,658)
Income tax recovery (expense)	3,092	(2,529)	(739)	(211)	(387)
Net earnings (loss)	18,179	8,622	3,503	(39,259)	(8,955)
Capital expenditures	2,269	3,916	85	378	6,648
Depreciation and amortization	20,207	15,603	507	—	36,317
Gain on disposal of assets	(373)	—	—	—	(373)

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

12. BUSINESS SEGMENTS (continued):

Three months ended March 31, 2014

	SPPC	WSSC	Intl	Corp	Total
Revenue	\$ 137,818	\$ 87,787	\$ 40,493	\$ —	266,098
Inter-segment revenues	3,102	39	—	—	3,141
Operating income (loss)	11,383	12,822	2,886	(34,922)	(7,831)
Net finance costs	(9,715)	(2,236)	—	(15,849)	(27,800)
Income tax recovery (expense)	10,181	1,220	(577)	1,816	12,640
Earnings from discontinued operations	1,438	—	—	—	1,438
Net earnings (loss)	13,287	11,806	2,309	(48,955)	(21,553)
Capital expenditures	3,209	2,723	12	51	5,995
Depreciation and amortization	20,803	12,050	500	—	33,353
Loss on disposal of assets	803	—	—	—	803

March 31, 2015

	SPPC	WSSC	Intl	Corp	Total
Total assets	\$ 1,166,068	\$ 1,184,915	\$ 71,523	\$ 3,309	2,425,815
Total liabilities	558,977	672,814	31,079	283,602	1,546,472
Intangible assets	500,645	706,315	27,406	—	1,234,366

December 31, 2014

	SPPC	WSSC	Intl	Corp	Total
Total assets	\$ 1,101,312	\$ 1,058,443	\$ 70,892	\$ 3,410	2,234,057
Total liabilities	455,663	640,956	31,558	275,647	1,403,824
Intangible assets	477,042	644,860	25,773	—	1,147,675

Geographic segments:

Chemtrade operates primarily in Canada, the United States and Europe. Revenue is attributed to customers based on location of sale.

CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements
(In thousands of Canadian dollars, except per unit amounts)
(Unaudited)

Three months ended March 31, 2015 and 2014

12. BUSINESS SEGMENTS (continued):

Revenue

	<u>Three months ended March 31,</u>	
	2015	2014
Canada	\$ 61,471	\$ 61,186
United States	207,578	164,419
Europe	56,981	40,493
	<u>\$ 326,030</u>	<u>\$ 266,098</u>

Property, plant and equipment, and intangible assets

	March 31, 2015	December 31, 2014
Canada	\$ 453,608	\$ 423,160
United States	1,626,381	1,518,267
Europe	34,113	32,242
	<u>\$ 2,114,102</u>	<u>\$ 1,973,669</u>



UNITHOLDER INFORMATION

Senior Management

Mark Davis
President and CEO

Rohit Bhardwaj
Vice-President, Finance and CFO

Leon Aarts
Group Vice-President

Dan Dietz
Vice-President

Tab McCullough
Group Vice-President

Maryann Romano
Vice-President, Human Resources

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Investor Information

Unitholders or other interested parties seeking financial information about Chemtrade are invited to call:

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