Chemtrade Logistics Income Fund

Q3 2019

2019 | Third Quarter Report

CHEMTRADE LOGISTICS INCOME FUND

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2019

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 and nine months ended September 30, 2019, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2018 and the annual MD&A for the year ended December 31, 2018.

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 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: the amount of any long-term incentive compensation; the effect of changes in the exchange rate and the Fund’s ability to offset US dollar denominated debt; the ability to obtain court approval for one of the 2019 settled anti-trust class action lawsuits and the timing thereof; the outcome and timing of the remaining antitrust civil lawsuits; the ability of Chemtrade to access tax losses and tax attributes; the tax characterization of planned distributions; capital expenditures; sources, use and sufficiency of cash flows; the Fund’s expected adjusted EBITDA range and expected placement within that range for 2019; and the expected 2019 range of capital expenditures, cash interest and cash taxes. Forward-looking statements in this MD&A describe the expectations of Chemtrade as of the date hereof. These statements are based on assumptions and 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: certain items set out as key assumptions in the Financial Outlook section; 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.

Except as required by law, Chemtrade does not undertake to update or revise any forward-looking statements, whether as a result of new information, 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

Issuance of 6.50% Convertible Unsecured Subordinated Debentures

In October 2019, Chemtrade completed a public offering, on a "bought deal" basis, of $100,000 principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.50% per annum (the "Fund 2019 6.50% Debentures"). The Fund 2019 6.50% Debentures will mature on October 31, 2026. The Fund 2019 6.50% Debentures are convertible, at the option of the holder, into trust units of Chemtrade at a conversion price of $15.80 per unit. Chemtrade used the net proceeds of the offering to pay down senior debt under the Fund's existing credit agreement.

Amendment of Credit Facilities terms

On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024.

Financial Highlights

These financial highlights have been presented in accordance with IFRS.

($'000 except per unit amounts)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue	$ 395,653	$ 418,194	$ 1,177,640	$ 1,204,947
Net (loss) earnings (1)(2)	$ (163)	$ 9,194	$ (87,057)	$ (34,332)
Net (loss) earnings per unit (1)(2)(3)	$ —	$ 0.10	$ (0.94)	$ (0.37)
Diluted net (loss) earnings per unit (1)(2)(3)	$ —	$ 0.10	$ (0.94)	$ (0.37)
Total assets	$ 2,829,980	$ 2,881,167	$ 2,829,980	$ 2,881,167
Long-term debt	$ 842,190	$ 642,794	$ 842,190	$ 642,794
Convertible unsecured subordinated debentures	$ 522,987	$ 627,078	$ 522,987	$ 627,078
Adjusted EBITDA (1)(4)	$ 90,030	$ 53,778	$ 225,270	$ 131,226
Adjusted EBITDA per unit (1)(3)(4)	$ 0.97	$ 0.58	$ 2.43	$ 1.42
Cash flows from operating activities	$ 80,462	$ 102,567	$ 78,818	$ 164,611
Cash flows from operating activities per unit (3)	$ 0.87	$ 1.11	$ 0.85	$ 1.78
Adjusted cash flows from operating activities (1)(2)(4)	$ 56,807	$ 36,196	$ 126,493	$ 70,580
Adjusted cash flows from operating activities per unit (1)(2)(3)(4)	$ 0.61	$ 0.39	$ 1.37	$ 0.76
Distributable cash after maintenance capital expenditures (1)(2)(4)	$ 37,139	$ 18,986	$ 80,621	$ 24,364
Distributable cash after maintenance capital expenditures per unit (1)(2)(3)(4)	$ 0.40	$ 0.21	$ 0.87	$ 0.26
Distributions declared	$ 27,779	$ 27,779	$ 83,337	$ 83,337
Distributions declared per unit (5)	$ 0.30	$ 0.30	$ 0.90	$ 0.90
Distributions paid	$ 27,779	$ 27,779	$ 83,337	$ 83,337
Distributions paid per unit (5)	$ 0.30	$ 0.30	$ 0.90	$ 0.90

(1) Results for the nine months ended September 30, 2019 include a goodwill impairment charge of $65,600, or $0.71 per unit. See **Goodwill Impairment.** Results for the nine months ended September 30, 2019 include a $40,000, or $0.43 per unit, expense related to a legal provision. Results for the three and nine months ended September 30, 2018 include an expense of $35,000, or $0.38 per unit and $100,000, or $1.08 per unit, respectively, related to a legal provision. See **Reserve for Legal Proceedings.**

(2) Results for the nine months ended September 30, 2018 include a premium related to the repayment of certain outstanding debt of $7,417, or $0.08 per unit. See **Net Finance Costs.**

(3) Based on weighted average number of units outstanding for the period of: 92,596,006 92,596,006 92,596,006 92,596,006

(4) See **Non-IFRS Measures**.

(5) 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 and write-down 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) earnings follows:

	Three months ended		Nine months ended	
($'000)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Net (loss) earnings [1]	**$ (163)**	$ 9,194	**$ (87,057)**	$ (34,332)
Add:				
Depreciation and amortization [1]	**65,380**	53,596	**197,036**	160,667
Net finance costs [1]	**22,675**	13,092	**75,997**	48,863
Income tax recovery	**(8,825)**	(10,627)	**(28,701)**	(38,032)
EBITDA	**79,067**	65,255	**157,275**	137,166
Add:				
Impairment of goodwill	**—**	—	**65,600**	—
Loss (gain) on disposal and write-down of assets	**9,917**	(8,413)	**10,522**	(5,070)
Unrealized foreign exchange loss (gain)	**1,046**	(3,064)	**(8,127)**	(870)
Adjusted EBITDA	**$ 90,030**	$ 53,778	**$ 225,270**	$ 131,226

[1] Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. During the three and nine months ended September 30, 2019, Chemtrade recognized $13.1 million and $39.7 million, respectively, of depreciation expense related to the new right-of-use assets and $2.2 million and $6.6 million, respectively, of interest expense related to the new lease liabilities. Adjusted EBITDA and net earnings for the three and nine months ended September 30, 2018 included lease expenses of $14.0 million and $41.8 million, respectively. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

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 expenditures" and "Distributable cash after all capital expenditures", 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)	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows from operating activities (1)	$ 80,462	$ 102,567	$ 78,818	$ 164,611
Add (Less):				
Lease Payments (1)	(14,131)	—	(42,616)	—
Changes in non-cash working capital and other items	(9,524)	(66,371)	90,291	(94,031)
Adjusted cash flows from operating activities	**56,807**	**36,196**	**126,493**	**70,580**
Less:				
Maintenance capital expenditure	19,668	17,210	45,872	46,216
Distributable cash after maintenance capital expenditure	**37,139**	**18,986**	**80,621**	**24,364**
Less:				
Non-maintenance capital expenditure(2)	4,631	4,472	9,833	9,026
Distributable cash after all capital expenditure	**$ 32,508**	**$ 14,514**	**$ 70,788**	**$ 15,338**

(1) Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. Cash flow from operating activities for the three and nine months ended September 30, 2018 included lease expenses of $14.0 million and $41.8 million, respectively. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

(2) Non-maintenance capital expenditures are: (a) pre-identified or 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

Revenue for the third quarter of 2019 was $395.7 million, which was $22.5 million lower than revenue for the third quarter of 2018. On a year-to-date basis, revenue was $27.3 million lower than the revenue for the same period of 2018. The decrease in revenue for the third quarter and first nine months of 2019 is primarily due to lower selling prices for caustic soda and hydrochloric acid ("HCl") in the Electrochemicals ("EC") segment, partially offset by higher selling prices and higher sales volumes for water products in the Water Solutions and Specialty Chemicals ("WSSC") segment and higher selling prices for sulphuric acid in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Chemtrade's Adjusted EBITDA for the third quarter and for the first nine months of 2019 was $36.3 million and $94.0 million higher, respectively, than the Adjusted EBITDA for the same periods of 2018. The increase in Adjusted EBITDA for the third quarter of 2019 compared to the same period of 2018 was primarily due to the legal proceedings reserve related to anti-competitive conduct for which Chemtrade recorded a $35.0 million expense during the third quarter of 2018 (see **Reserve for Legal Proceedings**). Adjusted EBITDA for the first nine months of 2019 compared to the same period of 2018 was higher due to a $60.0 million lower expense related to the legal proceedings reserve. The increase in Adjusted EBITDA for the third quarter and first nine months of 2019 is also due to higher Adjusted EBITDA for the SPPC segment. Finally, the adoption of IFRS 16, *Leases* ("IFRS 16") also had a positive impact on Adjusted EBITDA, which resulted in the exclusion of lease expenses related to right-of-use assets for the third quarter and first nine months of 2019, whereas Adjusted EBITDA for the same periods of 2018 included $14.0 million and $41.8 million of lease expenses, respectively (see **Standards and Interpretations Adopted During the Period**).

Net earnings for the third quarter and first nine months of 2019 were lower than the same periods of 2018 by $9.4 million and $52.7 million, respectively. Net earnings for the third quarter of 2019 was lower due to a write-down of assets compared to a gain on sale of assets in the third quarter of 2018 and higher net finance costs partially offset by lower selling and administrative expenses. Net earnings for the first nine months was lower primarily due to a $65.6 million impairment of goodwill for specialty chemical products recorded during the second quarter of 2019 (see **Goodwill Impairment**), a write-down of assets compared to a gain on sale of assets in 2018, higher net finance costs and lower tax recoveries partially offset by lower selling and administrative expenses. The loss on write-down of assets recorded in the third quarter of 2019 primarily relates to a write-down in the SPPC segment resulting from the decision to rationalize regenerated acid capacity. Selling and administrative expenses were lower than the comparable periods of 2018 as expenses related to the legal proceedings reserve were lower.

Results of Operations by Business Segment

SPPC -

	Three months ended		Nine months ended	
($'000)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Revenue	$ 127,798	$ 129,572	$ 385,318	$ 380,683
Gross profit	11,086	15,006	45,894	27,018
Adjusted EBITDA [(1)(2)]	43,689	22,237	126,502	69,164
(Loss) gain on disposal and write down of assets	(9,221)	8,413	(9,973)	5,070
EBITDA [(2)]	34,468	30,650	116,529	74,234

[(1)] Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. For the three and nine months ended September 30, 2018, Adjusted EBITDA included lease expense of $5.3 million and $16.4 million, respectively; whereas, lease expense related to the three and nine months ended September 30, 2019 was excluded from the calculation of Adjusted EBITDA, as a result of recognizing depreciation expense related to right-of-use assets and interest expense related to lease liabilities. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

[(2)] 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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

Revenue for the third quarter and first nine months of 2019 was $1.8 million lower and $4.6 million higher, respectively, than the same periods of 2018. Revenue was higher for the first nine months of 2019 compared to the same period of 2018 as higher selling prices for sulphuric acid more than offset lower sales volumes. This was offset by lower volumes of other SPPC products during the third quarter and first nine months of 2019.

Gross profit for the third quarter of 2019 was $3.9 million lower than the same period in 2018 as higher margins were offset by a write-down of assets in 2019 compared to a gain on disposal of assets during the same period of 2018. The loss recorded in the third quarter of 2019 primarily relates to a write-down of assets due to the decision to rationalize regenerated acid capacity. Gross profit for the first nine months of 2019 was $18.9 million higher than the same period of 2018 as sulphuric acid manufacturing plants operated better than they did during 2018. Gross profit during 2019 also benefited from higher selling prices for acid for the first nine months. Finally, there were fewer maintenance turnarounds during the first nine months of 2019 relative to 2018.

Adjusted EBITDA for the third quarter and first nine months of 2019 was $21.5 million and $57.3 million higher, respectively, than the Adjusted EBITDA for the same periods of 2018. In addition to the change in gross profit described above, Adjusted EBITDA benefited from the adoption of IFRS 16 (see **Standards and Interpretations Adopted During the Period**), which resulted in the exclusion of lease expenses related to right-of-use assets in the third quarter and first nine months of 2019; whereas the third quarter and first nine months of 2018 included $5.3 million and $16.4 million of lease expenses, respectively.

WSSC -

	Three months ended		Nine months ended	
($'000)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Revenue	$ 122,432	$ 116,601	$ 343,330	$ 327,869
Gross profit	12,836	11,402	(34,457)	33,082
Adjusted EBITDA [(1)(2)]	24,335	24,114	63,261	65,371
Impairment of goodwill	—	—	(65,600)	—
Loss on disposal and write-down of assets	(1,661)	—	(1,657)	—
EBITDA [(2)]	22,674	24,114	(3,996)	65,371

(1) Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. For the three and nine months ended September 30, 2018, Adjusted EBITDA included lease expense of $1.1 million and $3.1 million, respectively; whereas, lease expense related to the three and nine months ended September 30, 2019 was excluded from the calculation of Adjusted EBITDA, as a result of recognizing depreciation expense related to right-of-use assets and interest expense related to lease liabilities. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

(2) 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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 nitrite, potassium chloride (KCl), phosphorus pentasulphide, and vaccine adjuvants. These products are marketed primarily to North American customers.

Revenue for the third quarter and first nine months of 2019 was $5.8 million and $15.5 million higher, respectively, than the same periods of 2018. The increase in revenue was primarily due to an increase in selling prices and sales volume for water solutions products, partially offset by lower sales volumes for specialty chemical products.

Gross profit for the third quarter of 2019 was $1.4 million higher than the same period of 2018, due to higher revenue for water solutions products partially offset by lower revenue for specialty chemical products. Gross profit for the first nine months of 2019 was $67.5 million lower than the same period of 2018. This decrease is primarily due to a $65.6 million impairment of goodwill for specialty chemical products recorded during the first nine months of 2019 (see **Goodwill Impairment**) and lower gross profit for specialty chemical products, partially offset by higher gross profit generated by water solutions products.

Adjusted EBITDA for the third quarter of 2019 was similar to the same period of 2018. Adjusted EBITDA for the first nine months of 2019 was $2.1 million lower than the same period of 2018. The impact of the adoption of IFRS 16 had a positive impact on Adjusted EBITDA (see **Standards and Interpretations Adopted During the Period**).

EC -

	Three months ended		Nine months ended	
($'000)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	98	103	294	305
Chlor-alkali sales volume (000's MECU)	49	48	140	129
Revenue	$ 145,423	$ 172,021	$ 448,992	$ 496,395
Gross profit	17,495	37,361	62,133	88,051
Adjusted EBITDA [(1)(2)]	42,804	57,121	137,298	147,246
(Loss) gain on disposal and write-down of assets	(178)	—	873	—
EBITDA [(2)]	42,626	57,121	138,171	147,246

[(1)] Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. For the three and nine months ended September 30, 2018, Adjusted EBITDA included lease expense of $7.3 million and $21.3 million, respectively; whereas, lease expense related to the three and nine months ended Sepetmber 30, 2019 was excluded from the calculation of Adjusted EBITDA, as a result of recognizing depreciation expense related to right-of-use assets and interest expense related to lease liabilities. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

[(2)] 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydrochloric acid (HCl), largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers.

Revenue for the third quarter and first nine months of 2019 was $26.6 million and $47.4 million lower, respectively, than the same periods of 2018. The lower revenue for the third quarter and the first nine months of 2019 was primarily due to lower selling prices for caustic soda and HCl. This was partially offset by higher selling prices for chlorine. Caustic soda prices during the third quarter of 2019 were 21% lower than the third quarter of 2018.

Gross profit for the third quarter and first nine months of 2019 was $19.9 million and $25.9 million lower, respectively, than the same periods of 2018. Gross profit during 2019 has been negatively affected by significantly lower selling prices for caustic soda relative to 2018. This has offset the benefit of higher production in 2019 relative to 2018 when there was an extended planned maintenance turnaround.

Additionally, there was a 42% decrease in net selling prices and a 47% decrease in netbacks (selling price less freight) for HCl in 2019 compared with 2018. Due to the unpredictability of sales demand for HCl from the oil and gas industry, Chemtrade decided to diversify its customer base to include industrial end markets with more stable demand, albeit at lower selling prices. These end markets are generally further away from Chemtrade's facility and therefore also resulted in higher freight costs. Stable demand for HCl allows Chemtrade to maintain high operating rates at the North

Vancouver chlor-alkali facility and hence higher sales volumes of caustic soda, which is the primary product produced at this facility.

Adjusted EBITDA for the third quarter and first nine months of 2019 was $14.3 million and $9.9 million lower, respectively, than the same periods of 2018. Adjusted EBITDA includes the impact of the adoption of IFRS 16 (see **Standards and Interpretations Adopted During the Period**), which resulted in the exclusion of lease expenses related to right-of-use assets during the third quarter and first nine months of 2019, whereas the same periods of 2018 included $7.3 million and $21.3 million, respectively, of lease expenses.

Corporate -

	Three months ended		Nine months ended	
($'000)	**September 30, 2019**	**September 30, 2018**	**September 30, 2019**	**September 30, 2018**
Cost of services	$ 20,798	$ 49,694	$ 101,791	$ 150,555
Adjusted EBITDA [(1)(2)]	(20,798)	(49,694)	(101,791)	(150,555)
Unrealized foreign exchange (loss) gain	(1,046)	3,064	8,127	870
Gain on lease liability	1,143	—	235	—
EBITDA [(2)]	(20,701)	(46,630)	(93,429)	(149,685)

(1) Chemtrade initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. For the three and nine months ended September 30, 2018, Adjusted EBITDA included lease expense of $0.3 million and $1.0 million, respectively; whereas, lease expense related to the three and nine months ended September 30, 2019 was excluded from the calculation of Adjusted EBITDA, as a result of recognizing depreciation expense related to right-of-use assets and interest expense related to lease liabilities. Chemtrade applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. (See *Standards and Interpretations Adopted During the Period*).

(2) 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. See **Non-IFRS Measures** for further details and a reconciliation of EBITDA and Adjusted EBITDA.

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

For the third quarter and first nine months of 2019, corporate costs, excluding unrealized foreign exchange gains and losses were $28.9 million and $48.8 million lower, respectively, than the same periods of 2018. The decrease in corporate costs for the third quarter of 2019 was primarily due to the legal proceedings reserve of $35.0 million recorded during the third quarter of 2018 (see **Reserve for Legal Proceedings**) partially offset by higher incentive compensation costs of $4.4 million. Corporate costs for the first nine months of 2019 were lower than the first nine months of 2018 as expenses related to the legal proceedings reserve were $60.0 million lower compared to the same period of 2018. This was partially offset by higher incentive compensation costs of $11.3 million. Corporate costs for the third quarter and first nine months of 2019 also included realized foreign exchange losses of $0.6 million and $4.6 million, respectively.

Corporate costs also include Long-Term Incentive Plan ("LTIP") expenses, which relate to the 2017-2019, 2018-2020, and 2019-2021 LTIPs which Chemtrade operates and pursuant to which it grants cash awards based on certain criteria. The 2017-2019, 2018-2020, and 2019-2021 LTIP payouts are payable at the beginning of 2020, 2021 and 2022, 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 over a performance period, EBITDA growth and total return to Chemtrade's Unitholders relative to the total return on the S&P/TSX Dividend Index or the companies comprising such index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP awards 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.

Chemtrade has 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. 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 recognized on a net basis in other comprehensive income. For the three and nine months ended September 30, 2019, a foreign exchange loss of $3.0 million and a foreign exchange gain of $7.7 million, respectively, on the revaluation of the U.S. dollar-denominated debt and investment in foreign operations was recognized in other comprehensive income, compared with a foreign exchange gain of $4.2 million and a foreign exchange loss of $6.0 million, respectively, during the three and nine months ended September 30, 2018.

Reserve for Legal Proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which Chemtrade obtained the benefit of conditional amnesty. General Chemical and Chemtrade are also defendants in class action lawsuits and a number of civil proceedings relating to the same conduct. Corporate costs for the year ended December 31, 2018 and for the first quarter of 2019 included an expense of $100.0 million and $40.0 million, respectively, which represented a reserve for the costs of litigating and resolving all of the civil actions commenced against General Chemical and Chemtrade and various other defendants for anti-competitive actions in the water business.

The main class action civil lawsuit was settled for US$51.0 million paid during the first quarter of 2019. Some additional settlements were negotiated following the end of the first quarter of 2019, such that all of the lawsuits, including all class action lawsuits arising directly out of the anti-competitive actions in the water business have now been settled, with only a few ex-employee initiated derivative actions outstanding. One of the class action lawsuits which was settled in 2019 remains subject to final court approval. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions is uncertain.

Assets Held For Sale

During the second quarter of 2019, management decided to pursue the sale of two specialty chemicals related assets (potassium chloride and vaccine adjuvants) within the WSSC segment. Accordingly, $206.5 million of assets, along with $19.9 million of liabilities directly associated with these assets have been presented as held for sale as at September 30, 2019.

Goodwill Impairment

During the second quarter of 2019, Chemtrade performed a test for goodwill impairment for the remaining specialty chemicals cash-generating unit ("CGU") in WSSC. This CGU excludes the assets held for sale. The impairment trigger included increased competitive pressure resulting in lower levels of gross profit for specialty chemical products. The carrying value of this CGU exceeded the recoverable amount by $65.6 million and an impairment loss of $65.6 million was fully allocated to goodwill and recognized in cost of sales and services. The recoverable amount is based on the value in use approach.

Foreign Exchange

Chemtrade has certain 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. If the Canadian dollar weakened by one-cent (for example, from $1.30 to $1.31), on an unhedged basis, this would have a positive impact on annual net earnings of approximately $1.4 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately $2.5 million and $1.4 million, respectively, and vice-versa.

Chemtrade has entered into a series of foreign exchange contracts with its principal bankers to manage the volatility of foreign exchange rates. All foreign exchange contracts are under International Swap and Derivatives Association (“ISDA”) agreements. Contracts in place at September 30, 2019 include future contracts to sell the following amounts for periods through to September 2020:

Amount	Weighted average exchange rate
US$40,000	$1.31

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 operating subsidiaries use the U.S. dollar as their functional currency. The investment in these U.S. dollar-denominated foreign operations has been hedged by Chemtrade’s U.S. dollar-denominated credit facilities. Any gains and losses from the translation of U.S. dollar-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, 2018 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2018 and September 30, 2019.

The rate of exchange used to translate U.S. dollar-denominated balances has decreased from a rate of US$1.00 = $1.36 at December 31, 2018 to US$1.00 = $1.32 at September 30, 2019. See **Risks and Uncertainties** for additional comments on foreign exchange.

Net Finance Costs

During the three and nine months ended September 30, 2019, net finance costs were $22.7 million and $76.0 million, respectively, compared with net finance costs of $13.1 million and $48.9 million during the same periods of 2018.

Net finance costs were $9.6 million higher during the third quarter of 2019, compared to the same period of 2018, primarily due to a $5.4 million increase in losses related to a change in the fair value of convertible debentures. Higher debt levels in 2019 relative to 2018 resulted in higher interest expense of $3.1 million. 2019 interest expense also includes $2.2 million of interest expenses related to newly recognized lease liabilities, due to the adoption of IFRS 16 (see **Standards and Interpretations Adopted During the Period**). These increases were partially offset by lower interest on convertible debentures of $1.3 million in the third quarter of 2019 compared to the third quarter of 2018.

Net finance costs were $27.1 million higher during the first nine months of 2019, compared to the same period of 2018, primarily due to a $23.4 million increase in losses related to a change in the fair value of convertible debentures. Higher debt levels in 2019 relative to 2018 resulted in higher interest expense of $8.0 million. 2019 interest expense also includes $6.6 million of interest expenses related to newly recognized lease liabilities, due to the adoption of IFRS 16 (see **Standards and Interpretations Adopted During the Period**). These increases were partially offset by higher debt extinguishment costs in 2018 of $7.4 million and lower interest on convertible debentures of $3.8 million in 2019.

Financing Activities.

The weighted average effective annual interest rate of the Credit Facilities at September 30, 2019 was 4.3% (December 31, 2018 - 4.0%). See **Liquidity and Capital Resources** - *Financing Activities* - *Financial Instruments* for information concerning swap arrangements.

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 53.5% 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.

On December 22, 2017, Public Law No. 115-97, originally known as the Tax Cuts and Jobs Act, (the “Tax Act”) was enacted. Among other significant changes to the U.S. Internal Revenue Code, the Tax Act lowered the U.S. federal corporate income tax rate (“U.S. Federal Tax Rate”) from 35.0% to 21.0%, effective January 1, 2018. The impact of the lower federal income tax rate has been reflected in the financial statements. The finalization of regulations for various Tax Act provisions may also impact the financial statements in the future.

Current income tax expense for the third quarter of 2019 was similar to the third quarter of 2018. For the first nine months of 2019, current income tax expense was $1.1 million lower than the same period of 2018. The decrease in current income tax expense in 2019 compared with 2018 is primarily due to Base Erosion and Anti-Abuse Tax ("BEAT tax") incurred during 2018 driven by interest deductions claimed in the U.S., partially offset by current income tax recovery in Canada in 2018. Deferred income tax recovery for the third quarter and first nine months of 2019 was $10.1 million and $32.9 million, respectively, compared with $12.2 million and $43.4 million for the same periods of 2018, respectively. The decrease in deferred income tax recovery for the third quarter and first nine months of 2019 compared with the same periods of 2018 is primarily due to utilization of non-capital loss carryforwards in Canada in 2019 and lower legal proceedings reserve in the U.S. (see **Reserve for Legal Proceedings**), partially offset by additional non-capital loss and interest deduction carryforwards in the U.S. for the first nine months of 2019 compared to 2018.

The effective tax rate for the third quarter of 2019 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, the difference in domestic corporate and trust tax rates and certain permanent differences.

During the first nine months of 2019, deferred tax assets increased by $30.2 million primarily due to the recognition of additional non-capital loss and interest deduction carryforwards in the U.S. The net decrease in deferred tax liabilities of $25.6 million at September 30, 2019 relative to December 31, 2018 is primarily due to re-classifying deferred tax liabilities associated with certain fixed assets classified as held for sale in the U.S.

The Fund does not record deferred taxes related to its deductible temporary differences nor 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 three and nine months ended September 30, 2019, and for the years ended December 31, 2018 and December 31, 2017.

($'000)	Three months ended September 30, 2019	Nine months ended September 30, 2019	Year ended December 31, 2018	Year ended December 31, 2017
Cash flows from operating activities	$ 80,462	$ 78,818	$ 244,464	$ 151,298
Net (loss) earnings	$ (163)	$ (87,057)	$ (131,517)	147,359
Distributions paid during period	$ 27,779	$ 83,337	$ 111,116	104,091
Excess (shortfall) of cash flows from operating activities over cash distributions paid	$ 52,683	$ (4,519)	$ 133,348	47,207
(Shortfall) excess of net earnings over cash distributions paid	$ (27,942)	$ (170,394)	$ (242,633)	43,268

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.

Distributions -

Distributions to Unitholders for the three and nine months ended September 30, 2019 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended September 30:			
July 31, 2019	August 30, 2019	$ 0.10	$ 9,260
August 30, 2019	September 30, 2019	0.10	9,260
September 30, 2019	October 31, 2019	0.10	9,259
Sub-total		$ 0.30	$ 27,779
Three months ended June 30, 2019		$ 0.30	$ 27,779
Three months ended March 31, 2019		$ 0.30	$ 27,779
Total for the nine months ended September 30, 2019		$ 0.90	$ 83,337

Distributions to Unitholders for the three and nine months ended September 30, 2018 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total ($'000)
Three months ended September 30:			
July 31, 2018	August 31, 2018	$ 0.10	$ 9,260
August 31, 2018	September 28, 2018	0.10	9,260
September 28, 2018	October 31, 2018	0.10	9,259
Sub-total		$ 0.30	$ 27,779
Three months ended June 30, 2018		$ 0.30	$ 27,779
Three months ended March 31, 2018		$ 0.30	$ 27,779
Total for the nine months ended September 30, 2018		$ 0.90	$ 83,337

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2018 and 2019 is as follows:

	Other Income	Dividends [(1)]	Foreign Non-Business Income	Total
2018	13.3%	40.6%	46.1%	100%
2019 [(2)]	13.0%	42.0%	45.0%	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 2019 distributions will be determined by February 28, 2020.

Liquidity and Capital Resources

The Fund's distributions to Unitholders are sourced entirely from its investments in operating subsidiary entities. The Fund's investments are financed by trust units held by Unitholders, the Credit Facilities (see *Financing Activities* below), and the convertible unsecured subordinated debentures ("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 Flows from (used in) Operating Activities

Cash flows from operating activities for the third quarter of 2019 was $22.1 million lower than the third quarter of 2018, primarily due to a large reduction in working capital during the third quarter of 2018. During the third quarter of 2018, working capital decreased as the reserve for legal proceedings was increased by $35.0 million (see **Reserve for Legal Proceedings**). This was partially offset by the effect of the adoption of IFRS 16 in 2019. Cash flows from operating activities no longer include lease expenses which were included in 2018. For the three months ended September 30, 2018, cash flows from operating activities included lease expenses of $14.0 million.

Cash flows from operating activities for the first nine months of 2019 was $85.8 million lower than the first nine months of 2018 primarily due to changes in working capital and the adoption of IFRS 16 in 2019. During the first nine months of 2018, working capital decreased by $95.4 million as the litigation reserve of $100 million was established but not paid. During the first nine months of 2019, working capital increased by $99.4 million, mainly due to the payment of a large portion of the legal reserve. Finally, cash flows from operating activities during the first nine months of 2019 also benefited by the adoption of IFRS 16 as cash flows from operating activities no longer include lease expenses which were included in 2018. For the first nine months ended September 30, 2018, cash flows from operating activities included lease expenses of $41.8 million.

Investing Activities

Capital expenditures were $24.3 million in the third quarter of 2019, compared with $21.7 million in the third quarter of 2018. These amounts include $19.7 million in the third quarter of 2019 and $17.2 million in the third quarter of 2018 for maintenance capital expenditures. Investment in capital expenditures was $55.7 million for the first nine months of 2019, compared with $55.2 million for the first nine months of 2018. These amounts include $45.9 million in the first nine months of 2019 and $46.2 million in the first nine months of 2018 for maintenance capital expenditures. Chemtrade expects to incur approximately $80.0 to $90.0 million of maintenance capital expenditures during 2019.

Non-maintenance capital expenditures were $4.6 million during the third quarter of 2019, compared with $4.5 million during the third quarter of 2018. Investment in non-maintenance capital expenditures was $9.8 million during the first nine months of 2019, compared with $9.0 million during the first nine months of 2018. Non-maintenance capital expenditures are: (i) pre-identified or 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

At September 30, 2019, Chemtrade's credit facilities were comprised of a $430.3 million (US$325.0 million) five year term loan and a $695.2 million (US$525.0 million) revolving credit facility (the "Credit Facilities").

During the first quarter of 2018, Chemtrade modified the terms of the Credit Facilities to extend the maturity date by one year to March 2023. Chemtrade incurred $0.8 million of transaction costs related to the modification. Subsequently, during the fourth quarter of 2018 Chemtrade further modified the terms of the Credit Facilities to extend the maturity date to December 2023. Chemtrade incurred $0.5 million of transaction costs related to the modification.

There was a net decrease of $14.9 million and a net increase of $172.9 million in borrowings on the revolving portion of the Credit Facilities during the third quarter and first nine months of 2019, respectively, compared with a net decrease of $52.1 million and a net increase of $61.6 million during the third quarter and first nine months of 2018. During the first nine months of 2019, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the outstanding CEI Series V Debentures at a total aggregate redemption price of $84.0 million and to make payments related to the legal proceedings reserve. During the first nine months of 2018, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining $71.5 million aggregate principal amount of CEI's Senior Notes and to repay the outstanding balance under the loan related to the Fort McMurray facility of $6.5 million.

Distributions to Unitholders during the third quarter and first nine months of 2019 were the same as the third quarter and first nine months of 2018. For additional information on cash distributions, see **Non-IFRS Measures** - *Cash Flow* and **Excess Cash Flows and Net Earnings Over Distributions Paid.**

Financial Instruments -

During the first quarter of 2019, Chemtrade's previous swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US$325.0 million of its outstanding long-term debt expired. Subsequently, during the first and third quarters of 2019, Chemtrade entered into swap arrangements of US$175.0 million and US $150.0 million respectively with its principal bankers, which fixed the LIBOR components of its interest rates on its outstanding long-term debt until December 2023. These swaps were 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 in the consolidated statements of comprehensive income.

Chemtrade hedges its investment in foreign operations that use the U.S. dollar as their functional currency with its 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 September 30, 2019, Chemtrade had net cash balances of $11.6 million and working capital of $35.9 million. Comparable figures for December 31, 2018 were $13.4 million and a working capital deficit of $3.1 million, respectively. Chemtrade defines working capital to exclude cash, assets held for sale, distributions payable, current portion of long-term debt and debentures, and liabilities directly associated with assets held for sale. 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 September 30, 2019, Chemtrade had Credit Facilities of approximately $1.1 billion (US$850.0 million), consisting of a $430.3 million (US$325.0 million) five year term loan and a $695.2 million (US$525.0 million) revolving credit facility. At September 30, 2019, Chemtrade had the entire term loan outstanding, and had drawn $415.5 million on its revolving credit facility. Additionally, it had committed a total of $11.7 million of its revolving credit facility towards standby letters of credit. On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024.

At September 30, 2019, Chemtrade had four series of Debentures outstanding (three series issued under the Fund and one series under CEI) with an aggregate par value of $546.1 million (market value of $523.0 million) and maturity dates ranging from June 30, 2021 to May 31, 2024.

In October 2019, Chemtrade completed a public offering, on a "bought deal" basis, of $100,000 principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.50% per annum (the "Fund 2019 6.50% Debentures"). The Fund 2019 6.50% Debentures will mature on October 31, 2026. The Fund 2019 6.50% Debentures are convertible, at the option of the holder, into trust units of Chemtrade at a conversion price of $15.80 per unit. Chemtrade used the net proceeds of the offering to pay down senior debt under the Fund’s existing credit agreement.

Debt Covenants -

As at September 30, 2019, Chemtrade was compliant with all debt covenants contained in its credit agreement.

Summary of Quarterly Results

($ millions)	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
Revenue	$ 395.6	$ 396.7	$ 385.3	$ 390.8	$ 418.2	$ 405.3	$ 381.5	$ 386.7
Cost of sales and services	(354.2)	(409.0)	(340.8)	(452.2)	(354.4)	(366.4)	(336.0)	(346.8)
Gross profit	41.4	(12.3)	44.5	(61.4)	63.8	38.9	45.5	39.9
Selling and administrative expenses:								
Unrealized foreign exchange (loss) gain	(1.0)	5.1	4.1	(2.7)	3.1	(2.1)	(0.1)	(1.7)
LTIP	(6.0)	(2.3)	(2.9)	2.5	(2.7)	(2.0)	0.8	(1.6)
Other	(20.7)	(24.2)	(65.4)	(21.0)	(52.5)	(89.6)	(26.5)	(32.9)
Total selling and administrative expenses	(27.7)	(21.4)	(64.2)	(21.2)	(52.1)	(93.7)	(25.8)	(36.2)
Operating income (loss)	13.7	(33.7)	(19.7)	(82.6)	11.7	(54.8)	19.6	3.7
Net finance costs:								
Mark-to-market on debentures	(1.5)	(5.0)	(7.2)	(8.1)	4.0	5.0	0.8	(1.7)
Debt issuance and extinguishment costs	—	—	—	—	—	(7.4)	—	(1.1)
Other	(21.2)	(21.2)	(19.9)	(17.2)	(17.1)	(17.7)	(16.4)	(16.9)
Total net finance costs	(22.7)	(26.2)	(27.1)	(25.3)	(13.1)	(20.1)	(15.7)	(19.7)
Income tax recovery	8.8	2.3	17.5	10.7	10.6	24.5	2.9	61.5
Net (loss) earnings from continuing operations	(0.2)	(57.6)	(29.3)	(97.2)	9.2	(50.4)	6.9	45.5
Net earnings from discontinued operations	—	—	—	—	—	—	—	1.0
Net (loss) earnings	$ (0.2)	$ (57.6)	$ (29.3)	$ (97.2)	$ 9.2	$ (50.4)	$ 6.9	$ 46.4

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

During the second quarter of 2019, gross profit was lower due to goodwill impairment of $65.6 million related to certain specialty chemical products. During the fourth quarter of 2018, goodwill impairment of $90.0 million for water treatment products was recorded. During the fourth quarter of 2017, a recurrence of an operating issue at the North Vancouver chlor-alkali plant resulted in an unplanned interruption of production for approximately two weeks in the EC segment. Gross profit was also negatively affected during the second quarter of 2018 when this facility took an extended maintenance turnaround to permanently repair the affected equipment.

Selling and Administrative Expenses

The change in fair value of Chemtrade's LTIP obligation is 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.

During the first quarter of 2019, other selling and administrative expenses were high due to a $40.0 million legal proceedings reserve expensed in the period (see **Reserve for Legal Proceedings**). During the second and third quarters of 2018, an expense of $65.0 million and $35.0 million related to this legal proceedings reserve were also recorded in the respective periods. Other selling and administrative expenses were high during the fourth quarter of 2017 primarily due to an onerous lease provision of $8.6 million recorded during the quarter related to the Calgary office, which was the former corporate office of Canexus.

Net Finance Costs

Net finance costs include changes in the fair value of the Debentures. The amount recorded in any quarter related to the fair value adjustments on the Debentures fluctuates depending upon the market value of the Debentures at the end of the period. The primary component of other net finance costs is interest from Chemtrade's Credit Facilities and Debentures.

Starting 2019, net finance costs include $2.2 million per quarter of interest expense related to lease liabilities recorded in each quarter, resulting from the adoption of IFRS 16 (see **Standards and Interpretations Adopted During the Period**). The second quarter of 2018 includes debt extinguishment costs on the redemption of the CEI Senior Notes of $7.2 million.

Income Taxes

During the second quarter of 2019, there was a lower income tax recovery primarily due to utilization of non-capital loss carryforwards in Canada. Income tax recovery was high in the first quarter of 2019 and the second quarter of 2018 primarily as a result of the reserve for legal proceedings. Income tax recovery was high in the fourth quarter of 2017 primarily due to the reduction in the U.S. Federal Tax Rate.

Discontinued Operations

Discontinued operations represent the International segment which was classified as a discontinued operation. The transaction closed on May 31, 2017. Net earnings during the year ended December 31, 2017 include a $18.1 million gain on sale of the discontinued operation and the reclassification of the cumulative amount of foreign exchange differences of $49.0 million from equity to net earnings. This was previously recognized in other comprehensive income.

Outstanding Securities of the Fund

As at November 5, 2019 and September 30, 2019, the following common units and securities convertible into units of the Fund were issued and outstanding:

	November 5, 2019		September 30, 2019	
	Convertible Securities	**Units**	**Convertible Securities**	**Units**
Common units outstanding		**92,596,006**		**92,596,006**
5.25% Debentures [(1)]	**126,500**	**4,517,857**	**126,500**	**4,517,857**
5.00% Debentures [(2)]	**143,750**	**5,784,708**	**143,750**	**5,784,708**
4.75% Debentures [(3)]	**201,250**	**7,537,453**	**201,250**	**7,537,453**
Units outstanding and issuable upon conversion of Debentures		**110,436,024**		**110,436,024**

(1) Convertible at $28.00 per unit

(2) Convertible at $24.85 per unit

(3) Convertible at $26.70 per unit

Contractual Obligations

Information concerning contractual obligations at September 30, 2019 is shown below:

Contractual Obligations ***($'000)***	**Total**	**Less Than 1 Year**	**1-3 Years**	**4-5 Years**	**After 5 Years**
Long-term debt	$ 845,872	$ —	$ —	$ 845,872	$ —
Debentures	546,084	—	201,084	345,000	—
Purchase commitments	98,484	19,860	29,952	29,952	18,720
Interest on debentures	95,292	28,236	44,535	22,521	—
Interest on long-term debt	154,594	36,375	72,750	45,469	—
Total contractual obligations	$ 1,740,326	$ 84,471	$ 348,321	$ 1,288,814	$ 18,720

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, spent acid processing services, inorganic coagulants for water treatment, sodium chlorate, sodium nitrite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, sodium hydrosulphite and zinc oxide. Additionally, Chemtrade provides industrial services such as processing 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 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 financial risks, the systems implemented to monitor those risks and the strategies in place to manage those risks. Chemtrade's Responsible Care Committee reviews major operational 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, 2018. There have been no material changes to the business of Chemtrade that require an update to the discussion of these risks except as noted below.

Risk of Legal Proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which Chemtrade obtained the benefit of conditional amnesty. General Chemical and Chemtrade are also defendants in class action lawsuits and a number of civil proceedings relating to the same conduct. Chemtrade recorded a provision of $100.0 million during 2018 and of $40.0 million during the first quarter of 2019 with respect to the civil actions. All of the lawsuits, including all class action lawsuits arising directly out of the anti-competitive actions in the water business have been settled. One of the class action lawsuits which was settled in 2019 remains subject to final court approval. A few ex-employee initiated derivative actions remain outstanding. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions is uncertain.

Critical Judgments and Sources of Estimation Uncertainty

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, 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, 2018. There have been no material changes to the business of Chemtrade that require an update to the discussion of these sources of estimation uncertainty.

Standards and Interpretations Adopted During the Period

IFRS 16, *Leases*

Chemtrade has initially adopted IFRS 16, *Leases* ("IFRS 16") from January 1, 2019.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

Chemtrade has applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Under this approach, Chemtrade has not restated comparative information presented for 2018. Comparative information for 2018 is presented as previously reported under IAS 17 and related interpretations. Chemtrade has changed its accounting policy for lease contracts as detailed below.

A. Definition of a lease

Previously, Chemtrade determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4, *Determining Whether an Arrangement contains a Lease* ("IFRIC 4"). Under IFRS 16, Chemtrade assesses whether a contract is or contains a lease based on the new definition of a lease provided in IFRS 16. IFRS 16 provides that a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, Chemtrade elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether they met the IFRS 16 definition of a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component in which Chemtrade is a lessee, Chemtrade allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for certain leases where it is a lessee, in accordance with IFRS 16, Chemtrade has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

Chemtrade leases various assets that include properties, rail cars, vehicles, IT equipment and other heavy-duty machinery and equipment to conduct its daily operations.

Chemtrade previously classified leases as operating or finance leases. Chemtrade assessed whether a lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to Chemtrade, in which case it was classified as a finance lease and recognized on the balance sheet. Payments made under operating leases were recognized in comprehensive income on a straight-line basis over the term of the lease (i.e. they were off-balance sheet). Under IFRS 16, Chemtrade recognizes right-of-use assets and lease liabilities for most leases - i.e. leases are on-balance sheet.

On transition to IFRS 16, Chemtrade elected to apply recognition exemptions for short-term leases (i.e. leases with terms less than 12 months or entered into on a month-to-month basis) and leases of IT equipment that are considered to be low-dollar value leases. For leases of other assets, which were classified as operating leases under IAS 17, Chemtrade recognized right-of-use assets and lease liabilities.

i. Significant Accounting Policy

Policy applicable from January 1, 2019

Chemtrade recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost. Subsequent to initial application, the right-of-use asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Chemtrade has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Chemtrade is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and right-of-use assets recognized.

ii. Transition of leases classified as operating leases under IAS 17

At transition from IAS 17 to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at Chemtrade's incremental borrowing rate as at January 1, 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Chemtrade used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.

- Adjusted the right-of-use assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemptions not to recognize right-of-use assets and liabilities for leases with less than 12 months of lease term and/or of low-dollar value.
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application.

iii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the right-of-use asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

Chemtrade is not required to make any adjustments on transition to IFRS 16 for its leases in which it acts as a lessor, except for a sub-lease. Chemtrade accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, Chemtrade is required to assess the classification of a sub-lease with reference to the right-of-use asset, not the underlying asset. On transition from IAS 17 to IFRS 16, Chemtrade reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. Chemtrade concluded that the sub-lease is a finance lease under IFRS 16.

D. Impacts on financial statements

i. Impact on transition

On transition to IFRS 16, Chemtrade recognized an additional $191.7 million of right-of-use assets and lease liabilities. The amount attributed to right-of-use assets was then adjusted net of the present value of the sub-lease, lease incentives and the onerous provision. Lease liabilities were also adjusted to include the impact of prepayments made by Chemtrade.

When measuring lease liabilities, Chemtrade discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied ranged from 4.0% to 5.3%.

(in millions of Canadian dollars)		**January 1, 2019**
Right-of-use assets at January 1, 2019	$	191.7
Adjustments[1][2]		(15.0)
Right-of-use assets recognized at January 1, 2019	**$**	**176.7**

[1] Includes adjustments related to the present value of the sub-lease, lease incentives and the onerous provision.
[2] There was no impact to opening deficit as a result of the transition to IFRS 16.

(in millions of Canadian dollars)		January 1, 2019
Operating lease commitments at December 31, 2018	$	195.8
Adjustments[1]		27.4
Impact of discounting using the incremental borrowing rate		(33.3)
Lease liabilities recognized at January 1, 2019	**$**	**189.9**

[1] Includes the impact of recognition exemptions including those for short-term and low-dollar value leases; includes the impact of judgment applied with regard to lease terms in which Chemtrade is a lessee that include renewal options; includes prepayments made; and includes the onerous provision liability that was included as part of other provisions on the balance sheet at December 31, 2018.

ii. Current period impact

As a result of the initial adoption of IFRS 16 and Chemtrade recognizing right-of-use assets in the amount of $176.7 million, during the three and nine months ended September 30, 2019, there was depreciation expense of $13.1 million and $39.7 million, respectively, related to these assets. Due to the addition of lease liabilities at the present value of their lease payments, during the three and nine months ended September 30, 2019, Chemtrade recognized finance costs of $2.2 million and $6.6 million, respectively, related to these liabilities.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The adoption of IFRIC 23 did not have a material impact on Chemtrade's consolidated financial statements.

For additional information regarding IFRS standards and interpretations not yet adopted, refer to note 3(q) of the audited consolidated financial statements of Chemtrade for the year ended December 31, 2018.

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 September 30, 2019 through inquiry and review. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at September 30, 2019, Chemtrade's disclosure control procedures were effective.

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 September 30, 2019. There have been no changes to the design of internal controls over financial reporting that occurred during the three and nine months ended September 30, 2019 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

Financial Outlook

At the end of the first quarter of 2019, Chemtrade had disclosed that it expected its 2019 Adjusted EBITDA to range between $335.0 million and $375.0 million, which includes a lease benefit of between $55.0 and $60.0 million. Chemtrade believes that its Adjusted EBITDA will be at the low end of this range.

Chemtrade's guidance is based on numerous assumptions. Certain key assumptions for 2019 that underpin the guidance are as follows:

- None of the principal manufacturing facilities (as set out in section 6 of Chemtrade's March 1, 2019 Annual Information Form) incurs significant unplanned downtime.
- Key assumptions in the EC Segment are as follows:
    - North American MECU production volume of approximately 190,000;
    - a 2019 average caustic price based on the 2019 average IHS NE Asia caustic price Index being US $15 per tonne higher than the IHS NE Asia caustic price Index at the end of November 2018, which was the basis for Chemtrade's first quarter 2019 pricing;
    - average HCl realized netback for 2019 averaging $65 per wet tonne lower than 2018 and chlorine conversion into HCl of roughly 37%; and
    - North American production volume of sodium chlorate to be approximately 400,000 MT.
- A foreign exchange rate of US$ 0.75 per C$ 1.00. See **Foreign Exchange**.
- Chemtrade also expects:
    - Maintenance Capital Expenditures to range between $80.0 million and 90.0 million.
    - Cash Interest (excluding the impact of IFRS 16) to range between $70.0 million and $75.0 million.
    - Cash Taxes to range between $5.0 million and $10.0 million.

Other

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

November 6, 2019

Condensed Consolidated Interim Financial Statements of

CHEMTRADE LOGISTICS INCOME FUND

Three and nine months ended
September 30, 2019 and 2018
(Unaudited)

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position
(In thousands of Canadian dollars)
(Unaudited)

	Notes		September 30, 2019		December 31, 2018
ASSETS					
Current assets					
Cash and cash equivalents		**$**	**11,642**	$	13,413
Trade and other receivables			**177,640**		199,871
Inventories			**120,483**		143,539
Income taxes receivable			**1,618**		5,629
Prepaid expenses and other assets			**4,018**		5,373
Assets held for sale	**4**		**206,510**		—
Total current assets			**521,911**		367,825
Non-current assets					
Property, plant and equipment			**1,131,549**		1,260,670
Right-of-use assets	**3**		**169,378**		—
Other assets			**11,061**		11,643
Intangible assets	**8**		**896,568**		1,167,636
Deferred tax assets			**99,513**		69,314
Total non-current assets			**2,308,069**		2,509,263
Total assets		**$**	**2,829,980**	$	2,877,088
LIABILITIES AND UNITHOLDERS' EQUITY					
Current liabilities					
Trade and other payables	**14**	**$**	**198,851**	$	238,578
Distributions payable			**9,257**		9,257
Provisions	**10**		**21,267**		118,903
Lease liabilities	**3**		**47,719**		—
Convertible unsecured subordinated debentures	**6**		**—**		84,011
Liabilities directly associated with assets held for sale	**4**		**19,873**		—
Total current liabilities			**296,967**		450,749
Non-current liabilities					
Long-term debt	**5, 16**		**842,190**		689,014
Convertible unsecured subordinated debentures	**6, 16**		**522,987**		495,208
Other long-term liabilities			**30,715**		18,288
Long-term lease liabilities	**3**		**131,409**		—
Employee benefits			**59,707**		50,113
Provisions			**127,544**		114,791
Deferred tax liabilities	**13**		**16,598**		42,212
Total non-current liabilities			**1,731,150**		1,409,626
Total liabilities			**2,028,117**		1,860,375
Unitholders' equity					
Units	**7**		**1,461,995**		1,461,995
Contributed surplus			**9,720**		9,720
Deficit			**(834,474)**		(656,548)
Accumulated other comprehensive income			**164,622**		201,546
Total unitholders' equity			**801,863**		1,016,713
Total liabilities and unitholders' equity		**$**	**2,829,980**	$	2,877,088

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

* Chemtrade initially adopted IFRS 16, *Leases* on January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

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 September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Revenue		**$ 395,653**	$ 418,194	**$ 1,177,640**	$ 1,204,947
Cost of sales and services	**8, 12**	**(354,236)**	(354,425)	**(1,104,070)**	(1,056,796)
Gross profit		**41,417**	63,769	**73,570**	148,151
Selling and administrative expenses	**10**	**(27,730)**	(52,110)	**(113,331)**	(171,652)
Operating income (loss)		**13,687**	11,659	**(39,761)**	(23,501)
Net finance costs	**11**	**(22,675)**	(13,092)	**(75,997)**	(48,863)
Loss before income tax		**(8,988)**	(1,433)	**(115,758)**	(72,364)
Income tax (expense) recovery	**13**				
Current		**(1,309)**	(1,525)	**(4,246)**	(5,388)
Deferred		**10,134**	12,152	**32,947**	43,420
		8,825	10,627	**28,701**	38,032
Net (loss) earnings		**$ (163)**	$ 9,194	**$ (87,057)**	$ (34,332)
Other comprehensive (loss) income					
Items that may subsequently be reclassified to earnings:					
(Loss) gain on net investment hedge of foreign operations, net of tax recovery of $400 and expense of $352 (2018 - expense of nil and $3,561)	**14**	**(2,598)**	4,174	**7,373**	(6,010)
Foreign currency translation differences for foreign operations, net of tax expense of nil and $1,328 (2018 - recovery of $854 and expense of $1,279)		**7,965**	(15,673)	**(25,856)**	22,942
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of $321 and $2,922 (2018 - recovery of $149 and expense of $71)	**14**	**(1,619)**	(406)	**(8,348)**	193
Items that will not be reclassified to earnings:					
Defined benefit plan adjustments, net of tax recovery of $529 and $2,660 (2018 - expense of $444 and $1,765)		**(1,611)**	1,203	**(7,532)**	4,778
Change in fair value of convertible debentures due to credit risk, net of tax recovery of $5,557 and $4,071 (2018 - recovery of $3,975 and expense of $1,288)		**(14,782)**	(1,098)	**(10,093)**	2,554
Other comprehensive (loss) income		**(12,645)**	(11,800)	**(44,456)**	24,457
Total comprehensive loss		**$ (12,808)**	$ (2,606)	**$ (131,513)**	$ (9,875)
Net (loss) earnings per unit	**7**				
Basic net (loss) earnings per unit		**$ —**	$ 0.10	**$ (0.94)**	$ (0.37)
Diluted net (loss) earnings per unit		**$ —**	$ 0.10	**$ (0.94)**	$ (0.37)

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

* Chemtrade initially adopted IFRS 16, *Leases* on January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

CHEMTRADE LOGISTICS INCOME FUND

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

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2019		**$ 1,461,995**	**$ 9,720**	**$ (656,548)**	**$ 216,070**	**$ (27,664)**	**$ 13,140**	**$ 1,016,713**
Net loss		—	—	(87,057)	—	—	—	**(87,057)**
Other comprehensive loss		—	—	(7,532)	(25,856)	(975)	(10,093)	**(44,456)**
Distributions	7	—	—	(83,337)	—	—	—	**(83,337)**
Balance at September 30, 2019		**$ 1,461,995**	**$ 9,720**	**$ (834,474)**	**$ 190,214**	**$ (28,639)**	**$ 3,047**	**$ 801,863**

	Notes	Units	Contributed surplus	Deficit	Cumulative translation account*	Unrealized (gains) losses on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
Balance at January 1, 2018		**$ 1,461,995**	**$ 9,720**	**$ (453,425)**	**$ 138,111**	**$ (7,748)**	**—**	**$ 1,148,653**
Adjustment from adoption of IFRS 9		—	—	30,663	—	—	(30,663)	**—**
Net loss		—	—	(34,332)	—	—	—	**(34,332)**
Other comprehensive income (loss)		—	—	4,778	22,942	(5,817)	2,554	**24,457**
Distributions	7	—	—	(83,337)	—	—	—	**(83,337)**
Balance at September 30, 2018		**$ 1,461,995**	**$ 9,720**	**$ (535,653)**	**$ 161,053**	**$ (13,565)**	**$ (28,109)**	**$ 1,055,441**

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

* Accumulated other comprehensive income.
** Chemtrade initially adopted IFRS 16, *Leases* on January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows (Continued)
(In thousands of Canadian dollars)
(Unaudited)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Cash flows from operating activities:					
Net (loss) earnings		**$ (163)**	$ 9,194	**$ (87,057)**	$ (34,332)
Adjustments for:					
Depreciation and amortization	**12**	**65,380**	53,596	**197,036**	160,667
Loss (gain) on disposal and write-down of assets		**9,917**	(8,413)	**10,522**	(5,070)
Impairment of goodwill	**8**	**—**	—	**65,600**	—
Income tax recovery		**(8,825)**	(10,627)	**(28,701)**	(38,032)
Net interest costs		**17,300**	15,560	**50,449**	46,378
Interest costs - lease liabilities	**3**	**2,207**	—	**6,619**	—
Accretion expense	**11**	**1,228**	1,011	**3,847**	3,373
Net pension interest	**11**	**485**	497	**1,467**	1,465
Debt extinguishment costs including realized foreign exchange loss	**11**	**—**	—	**—**	7,417
Change in fair value of convertible unsecured subordinated debentures	**6**	**1,455**	(3,976)	**13,615**	(9,770)
Unrealized foreign exchange loss (gain)	**10**	**1,046**	(3,064)	**(8,127)**	(870)
		90,030	53,778	**225,270**	131,226
Decrease (increase) in working capital		**3,714**	65,372	**(99,408)**	95,403
Interest paid		**(17,169)**	(14,029)	**(47,281)**	(53,782)
Interest received		**138**	85	**472**	293
Income taxes refunded (paid)		**3,749**	(2,639)	**(235)**	(8,529)
Net cash flows from operating activities		**80,462**	102,567	**78,818**	164,611
Cash flows from investing activities:					
Additions to property, plant and equipment	**15**	**(24,299)**	(21,682)	**(55,705)**	(55,242)
Decrease in other assets		**763**	1,702	**581**	2,398
Net cash flows used in investing activities		**(23,536)**	(19,980)	**(55,124)**	(52,844)
Cash flows from financing activities:					
Distributions to unitholders	**7**	**(27,779)**	(27,779)	**(83,337)**	(83,337)
Repayment of term debt	**5**	**—**	—	**—**	(7,830)
Repayment of lease liability	**3**	**(14,131)**	—	**(42,616)**	—
Repayment of convertible debentures	**6**	**—**	—	**(84,011)**	—
Net change in revolving credit facility	**5**	**(14,893)**	(52,105)	**172,935**	61,622
Financing transaction costs	**5**	**—**	—	**—**	(793)
Increase (decrease) in other long-term liabilities		**1,881**	1,430	**11,850**	(11,457)
Principal redemption of high-yield senior notes	**5**	**—**	—	**—**	(71,500)
Net cash flows used in financing activities		**(54,922)**	(78,454)	**(25,179)**	(113,295)

CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows (Continued)
(In thousands of Canadian dollars)
(Unaudited)

	Notes	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Increase (decrease) in cash and cash equivalents		**2,004**	4,133	**(1,485)**	(1,528)
Cash and cash equivalents, beginning of the period		**9,556**	4,697	**13,413**	10,372
Effect of exchange rates on cash held in foreign currencies		**82**	(1)	**(286)**	(15)
Cash and cash equivalents, end of the period		**$ 11,642**	$ 8,829	**$ 11,642**	$ 8,829

The accompanying notes are an integral part of these unaudited condensed consolidated interim financial statements.

* Chemtrade initially adopted IFRS 16, *Leases* on January 1, 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying IFRS 16, if any, is recognized in retained earnings at the date of initial application. See *Note 3.*

1. CORPORATE INFORMATION:

Chemtrade Logistics Income Fund (the "Fund") is a publicly listed Income Trust formed in Ontario, Canada and its units are listed on the Toronto Stock Exchange ("TSX"). The term "Chemtrade" refers to the Fund and its consolidated subsidiaries. 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"), Electrochemicals ("EC") and Corporate ("Corp"). For additional information regarding Chemtrade's business segments, see note 15.

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 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 2018 annual consolidated financial statements, except as discussed in note 3.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2018 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees on November 6, 2019.

2. BASIS OF PREPARATION (continued):

(b) 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.

(c) 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.

3. SIGNIFICANT ACCOUNTING POLICIES:

Standards and interpretations adopted during the period:

IFRS 16, *Leases*

Chemtrade has initially adopted International Financial Reporting Standards 16, *Leases* ("IFRS 16") from January 1, 2019.

IFRS 16 introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

Chemtrade has applied IFRS 16 with a date of initial application of January 1, 2019 using the modified retrospective approach, under which the cumulative effect of initial application is recognized in retained earnings at January 1, 2019. Under this approach, Chemtrade has not restated comparative information presented for 2018. Comparative information for 2018 is presented as previously reported under IAS 17 and related interpretations. Chemtrade has changed its accounting policy for lease contracts as detailed below.

A. Definition of a lease

Previously, Chemtrade determined at contract inception whether an arrangement is or contains a lease under International Financial Reporting Interpretations Committee 4, *Determining Whether an Arrangement contains a Lease* ("IFRIC 4"). Under IFRS 16, Chemtrade assesses whether a contract is or contains a lease based on the new definition of a lease provided in IFRS 16. IFRS 16 provides that a contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration.

On transition to IFRS 16, Chemtrade elected to apply the practical expedient to grandfather the assessment of which transactions are leases. It applied IFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed to determine whether they met the IFRS 16 definition of a lease. Therefore, the definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

At inception or on reassessment of a contract that contains a lease component in which Chemtrade is a lessee, Chemtrade allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for certain leases where it is a lessee, in accordance with IFRS 16, Chemtrade has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

B. As a lessee

Chemtrade leases various assets that include properties, rail cars, vehicles, IT equipment and other heavy-duty machinery and equipment to conduct its daily operations.

Chemtrade previously classified leases as operating or finance leases. Chemtrade assessed whether a lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset to Chemtrade, in which case it was classified as a finance lease and recognized on the balance sheet. Payments made under operating leases were recognized in comprehensive income on a straight-line basis over the term of the lease (i.e. they were off-balance sheet). Under IFRS 16, Chemtrade recognizes ROU assets and lease liabilities for most leases - i.e. leases are on-balance sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

On transition to IFRS 16, Chemtrade elected to apply recognition exemptions for short-term leases (i.e. leases with terms less than 12 months or entered into on a month-to-month basis) and leases of IT equipment that are considered to be low-dollar value leases. For leases of other assets, which were classified as operating leases under IAS 17, Chemtrade recognized ROU assets and lease liabilities.

i. Significant Accounting Policy

Policy applicable from January 1, 2019

Chemtrade recognizes a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost. Subsequent to initial application, the ROU asset is measured at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. In comparison, the lease liability is increased by the interest cost on the lease liability and decreased by lease payments made. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, a change in the estimate of the amount expected to be payable under a residual value guarantee, or as appropriate, changes in the assessment of whether a purchase or extension option is reasonably certain to be exercised or a termination option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

Chemtrade has applied judgment to determine the lease term for some lease contracts in which it is a lessee that include renewal options. The assessment of whether Chemtrade is reasonably certain to exercise such options impacts the lease term, which significantly affects the amount of lease liabilities and ROU assets recognized.

ii. Transition of leases classified as operating leases under IAS 17

At transition from IAS 17 to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at Chemtrade's incremental borrowing rate as at January 1, 2019. ROU assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

Chemtrade used the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Applied a single discount rate to a portfolio of leases with similar characteristics.
- Adjusted the ROU assets by the amount of IAS 37 onerous contract provision immediately before the date of initial application, as an alternative to an impairment review.
- Applied the exemptions not to recognize ROU assets and liabilities for leases with less than 12 months of lease term and/or of low-dollar value.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

- Excluded initial direct costs from measuring the ROU asset at the date of initial application.

iii. Leases previously classified as finance leases

For leases that were classified as finance leases under IAS 17, the carrying amount of the ROU asset and the lease liability at January 1, 2019 were determined at the carrying amount of the lease asset and lease liability under IAS 17 immediately before that date.

C. As a lessor

Chemtrade is not required to make any adjustments on transition to IFRS 16 for its leases in which it acts as a lessor, except for a sub-lease. Chemtrade accounted for its leases in accordance with IFRS 16 from the date of initial application.

Under IFRS 16, Chemtrade is required to assess the classification of a sub-lease with reference to the ROU asset, not the underlying asset. On transition from IAS 17 to IFRS 16, Chemtrade reassessed the classification of a sub-lease contract previously classified as an operating lease under IAS 17. Chemtrade concluded that the sub-lease is a finance lease under IFRS 16.

D. Impacts on financial statements

i. Impact on transition

On transition to IFRS 16, Chemtrade recognized an additional $191,676 of ROU assets and lease liabilities. The amount attributed to ROU assets was then adjusted net of the present value of the sub-lease, lease incentives and the onerous provision. Lease liabilities were also adjusted to include the impact of prepayments made by Chemtrade.

When measuring lease liabilities, Chemtrade discounted lease payments using its incremental borrowing rate at January 1, 2019. The weighted-average rate applied ranged from 4.00% to 5.25%.

		January 1, 2019
ROU assets at January 1, 2019	$	191,676
Adjustments[(1)(2)]		(14,961)
ROU assets recognized at January 1, 2019	**$**	**176,715**

[(1)] Includes adjustments related to the present value of the sub-lease, lease incentives and the onerous provision.
[(2)] There was no impact to opening deficit as a result of the transition to IFRS 16.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued):

		January 1, 2019
Operating lease commitments at December 31, 2018	$	195,837
Adjustments[1]		27,408
Impact of discounting using the incremental borrowing rate		(33,308)
Lease liabilities recognized at January 1, 2019	**$**	**189,937**

[1] Includes the impact of recognition exemptions including those for short-term and low-dollar value leases; includes the impact of judgment applied with regard to lease terms in which Chemtrade is a lessee that include renewal options; includes prepayments made; and, includes the onerous provision liability that was included as part of other provisions on the balance sheet at December 31, 2018.

ii. Current period impact

As a result of the initial adoption of IFRS 16 and Chemtrade recognizing ROU assets in the amount of $176,715, during the three and nine months ended September 30, 2019, there was depreciation expense of $13,097 and $39,709, respectively, related to these assets. Due to the addition of lease liabilities at the present value of their lease payments, during the three and nine months ended September 30, 2019, Chemtrade recognized finance costs of $2,207 and $6,619, respectively, related to these liabilities.

IFRIC 23, *Uncertainty over Income Tax Treatments*

In June 2017, the IFRS Interpretations Committee of the IASB issued IFRIC 23, *Uncertainty over Income Tax Treatments* ("IFRIC 23"). The interpretation provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The interpretation is effective for the annual period beginning on January 1, 2019. The adoption of IFRIC 23 did not have a material impact on Chemtrade's consolidated financial statements.

4. ASSETS HELD FOR SALE:

During the second quarter of 2019, management decided to pursue the sale of two specialty chemicals related assets (potassium chloride and vaccine adjuvants) within the WSSC segment. Accordingly, these assets have been presented as assets held for sale.

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

4. ASSETS HELD FOR SALE (continued):

Following are details regarding the assets held for sale and the liabilities associated with them as at September 30, 2019:

Assets held for sale		
Trade and other receivables	$	7,428
Inventories		7,964
Prepaid expenses and other assets		111
Property, plant and equipment		57,725
ROU assets		298
Intangible assets		132,984
Total	**$**	**206,510**

Liabilities directly associated with assets held for sale		
Trade and other payables	$	5,502
Lease liabilities		265
Deferred tax liabilities		14,106
Total	**$**	**19,873**

5. LONG-TERM DEBT:

		September 30, 2019		December 31, 2018
Term bank debt				
US$325,000 (December 31, 2018 - US$325,000)	**$**	**430,333**	$	443,203
Revolving credit				
US$273,244 (December 31, 2018 - US$183,554)		**361,802**		250,313
Canadian dollar-denominated		**53,737**		—
Less: Transaction costs		**(3,682)**		(4,502)
Long-term debt (note (a))	**$**	**842,190**	$	689,014

(a) Long-term debt:

At September 30, 2019, Chemtrade had senior credit facilities of $1,125,485 (US $850,000) ("Credit Facilities"), consisting of a term loan of $430,333 (US$325,000) and a revolving credit facility of $695,152 (US$525,000). At September 30, 2019, Chemtrade had drawn $415,539 (December 31, 2018 - $250,313) on the revolving credit facility and had committed a total of $11,715 (December 31, 2018 - $18,433) of this facility towards standby letters of credit.

5. LONG-TERM DEBT (continued):

The Credit Facilities are secured by certain property, plant and equipment ("PPE") of Chemtrade. At September 30, 2019, the weighted average effective interest rate of the facilities is 4.3% (December 31, 2018 - 4.0%).

During the first quarter of 2018, Chemtrade modified the terms of the Credit Facilities to extend the maturity date by one year to March 2023. Chemtrade incurred $793 of transaction costs related to the modification. These costs have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method. Subsequently, during the fourth quarter of 2018 Chemtrade further modified the terms of the Credit Facilities to extend the maturity date to December 2023. Chemtrade incurred $512 of transaction costs related to the modification. These costs have also been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

Chemtrade is subject to certain covenants pursuant to its Credit Facilities, which include a Net Debt to EBITDA ratio and an Interest Coverage ratio (as such terms are defined in the credit agreement). Chemtrade monitors these ratios and reports them to its lenders on a quarterly basis. As at September 30, 2019, Chemtrade was in compliance with all covenants.

On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities (see Note 16).

(b) Senior unsecured notes:

On March 10, 2017, Chemtrade assumed $110,000 of senior unsecured notes of Canexus Corporation ("Canexus", now Chemtrade Electrochem Inc. ("CEI")) as part of its acquisition of Canexus (the "Acquisition"). The senior notes were issued at par value, bearing interest at a rate of 7.875% per annum maturing on September 20, 2023 (the "CEI Senior Notes"), with interest payments payable semi-annually on March 20 and September 20. On June 26, 2017, CEI redeemed $38,500 aggregate principal amount of its CEI Senior Notes.

On June 25, 2018, CEI redeemed the remaining $71,500 aggregate principal amount of its CEI Senior Notes. The notes were redeemed at a total aggregate redemption price of $78,657, being equal to 110.01% of the principal amount, plus accrued interest. The redemption price paid in excess of the principal amount has been included as an expense within net finance costs in the consolidated statement of comprehensive income for the year ended December 31, 2018.

(c) Long-term loan - Fort McMurray facility:

Chemtrade's Fort McMurray facility operates processing facilities at Syncrude's Mildred Lake oil sands facility in Alberta. In order to finance a portion of the construction of Chemtrade's facility, a separate loan secured by the assets was entered into, bearing interest at a fixed rate of 7.3% per annum with monthly principal repayments due until December 2019. On June 29, 2018, Chemtrade repaid the outstanding balance under the loan for a total of $6,489, including a prepayment premium of $260 plus accrued interest.

6. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

On January 3, 2019, the Fund redeemed the remaining portion of the outstanding CEI Series V Debentures at a total aggregate redemption price of $84,052, being equal to 100% of the principal amount of debentures outstanding, plus accrued and unpaid interest to, but excluding, the redemption date. This represented a redemption in full of the CEI Series V Debentures. Chemtrade used its Credit Facilities to fund the redemption.

At September 30, 2019, the Fund had $126,500 principal amount of 5.25% of convertible unsecured subordinated debentures outstanding (the "Fund 2014 5.25% Debentures"), $143,750 principal amount of 5.00% convertible unsecured subordinated debentures outstanding (the "Fund 2016 5.00% Debentures") and $201,250 principal amount of 4.75% convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures"). The Fund 2014 5.25% Debentures, the Fund 2016 5.00% Debentures and the Fund 2017 4.75% Debentures are collectively referred to as the "Fund Debentures". At September 30, 2019, $74,584 principal amount of CEI Series VI Debentures were also outstanding. The Fund Debentures and the CEI Series VI Debentures are collectively referred to as the "Debentures".

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At September 30, 2019, the fair value of the Debentures was $522,987 (December 31, 2018 - $579,219).

For the three and nine months ended September 30, 2019, there were net finance costs of $8,572 and $34,807, respectively (2018 - $4,478 and $15,200, respectively) related to the Debentures, which included a loss of $1,455 and $13,615, respectively (2018 - gain of $3,976 and $9,770, respectively) due to the change in fair value of the Debentures and interest expense of $7,117 and $21,192, respectively (2018 - $8,454 and $24,970, respectively). For the three and nine months ended September 30, 2019, the change in fair value of the Debentures due to Chemtrade's own credit risk was a loss of $20,339 and $14,164, respectively, (2018 - loss of $5,073 and gain of $3,842, respectively), which has been presented in other comprehensive income rather than net earnings.

In October 2019, Chemtrade completed a public offering, on a "bought deal" basis, of $100,000 principal amount of convertible subordinated debentures (see Note 16).

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

6. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

The table below summarizes the key terms of each convertible debenture series outstanding at September 30, 2019:

	Fund 2014 5.25% Debentures	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	CEI Series VI Debentures
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	December 31, 2021
Interest rate	5.25%	5.00%	4.75%	6.50%
Principal outstanding	$126,500	$143,750	$201,250	$74,584

The table below summarizes the key terms of each convertible debenture series outstanding at December 31, 2018:

	Fund 2014 5.25% Debentures	Fund 2016 5.00% Debentures	Fund 2017 4.75% Debentures	CEI Series V Debentures	CEI Series VI Debentures
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	December 31, 2020	December 31, 2021
Interest rate	5.25%	5.00%	4.75%	6.00%	6.50%
Principal outstanding	$126,500	$143,750	$201,250	$84,011	$74,584

7. 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:

	2019		2018	
	Number of Units	**Amount**	**Number of Units**	**Amount**
Units				
Balance – January 1 and September 30	**92,596,006**	**$ 1,461,995**	92,596,006	$ 1,461,995

(b) Distributions:

Distributions paid for the three and nine months ended September 30, 2019 were $27,779 and $83,337, respectively (2018 - $27,779 and $83,337, respectively), or $0.30 and $0.90 per unit, respectively (2018 - $0.30 and $0.90 per unit, respectively). All of Chemtrade's distributions are discretionary and subject to Board approval.

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

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

(c) Net (loss) earnings per unit:

Net (loss) earnings per unit have 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) earnings per unit and diluted net (loss) earnings per unit:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Numerator				
Net (loss) earnings	**$ (163)**	$ 9,194	**$ (87,057)**	$ (34,332)
Net interest and fair value adjustment on convertible unsecured subordinated debentures [(1)]	**—**	—	**—**	—
Diluted net (loss) earnings	**$ (163)**	$ 9,194	**$ (87,057)**	$ (34,332)

[(1)] For the three and nine months ended September 30, 2019 and 2018, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss per unit would be anti-dilutive.

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Denominator				
Weighted average number of units	**92,596,006**	92,596,006	**92,596,006**	92,596,006
Weighted average convertible unsecured subordinated debenture dilutive units [(1)]	**—**	—	**—**	—
Weighted average number of diluted units	**92,596,006**	92,596,006	**92,596,006**	92,596,006

[(1)] For the three and nine months ended September 30, 2019 and 2018, the potential conversion of the convertible unsecured subordinated debentures has not been included as the effect on net loss per unit would be anti-dilutive.

8. GOODWILL IMPAIRMENT:

During the second quarter of 2019, Chemtrade performed a test for goodwill impairment for the remaining specialty chemicals cash-generating unit ("CGU") in WSSC. This CGU excludes the assets held for sale. The impairment trigger included increased competitive pressure resulting in lower levels of gross profit for specialty chemical products. The carrying value of this CGU exceeded the recoverable amount by $65,600 and an impairment loss of $65,600 was fully allocated to goodwill and recognized in cost of sales and services. The recoverable amount is based on the value in use approach.

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

9. SHARE-BASED PAYMENTS:

Chemtrade operates a Long-Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2017-2019, 2018-2020 and 2019-2021 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 Dividend Index or the companies comprising such index. Total Unitholder return consists of changes in unit price and distributions paid to Unitholders. The restricted share unit component of the LTIP awards is a phantom plan which is payable in cash at the end of the performance period.

As at September 30, 2019, a liability of $17,511 (December 31, 2018 - $11,480) has been recorded, of which $5,133 (December 31, 2018 - $5,116) is included in trade and other payables and $12,378 (December 31, 2018 - $6,364) is included in other long-term liabilities. For the three and nine months ended September 30, 2019, Chemtrade recorded an expense of $5,957 and $11,176, respectively, (2018 - expense of $2,658 and $3,861, respectively) in selling and administrative expenses related to the fair value adjustments on 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 simulation 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.

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

	September 30, 2019	December 31, 2018
Chemtrade units:		
Average base price	**$15.41**	$17.20
Period-end unit price	**$11.18**	$10.48
Average expected volatility	**30.82%**	27.41%
Index units:		
Average base price	**$151.71**	$133.35
Period-end unit price	**$177.80**	$149.55
Average expected volatility	**8.34%**	13.98%
Average risk free interest rate	**1.63%**	1.79%
Average expected remaining term	**1.25 years**	1.50 years

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

10. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	Three months ended September 30, 2019	Three months ended September 30, 2018	Nine months ended September 30, 2019	Nine months ended September 30, 2018
Wages, salaries and benefits, including bonuses and other	**$ 25,104**	$ 18,324	**$ 74,115**	$ 67,686
Realized foreign exchange loss	**639**	1,303	**4,597**	3,475
Unrealized foreign exchange (gain) loss	**1,046**	(3,064)	**(8,127)**	(870)
Depreciation (note 12)	**941**	547	**2,746**	1,361
Reserve for Legal Proceedings	**—**	35,000	**40,000**	100,000
	$ 27,730	$ 52,110	**$ 113,331**	$ 171,652

Reserve for Legal Proceedings

General Chemical (which was acquired by Chemtrade) was a subject of an investigation by the U.S. Department of Justice concerning alleged anti-competitive conduct in the water treatment chemicals industry, for which Chemtrade obtained the benefit of conditional amnesty. General Chemical and Chemtrade are also defendants in class action lawsuits and a number of civil proceedings relating to the same conduct. Corporate costs for the year ended December 31, 2018 and for the first quarter of 2019 included an expense of $100,000 and $40,000, respectively, which represented a reserve for the costs of litigating and resolving all of the civil actions commenced against General Chemical and Chemtrade and various other defendants for anti-competitive actions in the water business.

The main class action civil lawsuit was settled for US$51,000 paid during the first quarter of 2019. Some additional settlements were negotiated following the end of the first quarter of 2019, such that all of the lawsuits, including all class action lawsuits arising directly out of the anti-competitive actions in the water business have now been settled, with only a few ex-employee initiated derivative actions outstanding. One of the class action lawsuits which was settled in 2019 remains subject to final court approval. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions is uncertain.

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

11. NET FINANCE COSTS:

The components of net finance costs are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Interest expense on long-term debt	**$ 10,321**	$ 7,190	**$ 29,729**	$ 21,700
Debt extinguishment costs	**—**	—	**—**	7,417
Interest expense on convertible debentures	**7,117**	8,454	**21,192**	24,970
Change in the fair value of convertible debentures (note 6)	**1,455**	(3,976)	**13,615**	(9,770)
Interest expense on lease liabilities (note 3)	**2,207**	—	**6,619**	—
Accretion expense on financing transaction costs	**243**	311	**824**	1,279
Accretion of provisions	**985**	700	**3,023**	2,094
Pension interest	**485**	497	**1,467**	1,465
Interest income	**(138)**	(84)	**(472)**	(292)
Net finance costs	**$ 22,675**	$ 13,092	**$ 75,997**	$ 48,863

12. DEPRECIATION AND AMORTIZATION:

The components of depreciation expense of PPE and ROU assets and amortization expense of intangible assets are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Cost of sales and services:				
Depreciation expense on PPE	**$ 35,549**	$ 34,459	**$ 103,721**	$ 103,582
Depreciation expense on ROU assets (note 3)	**12,631**	—	**38,314**	—
Amortization expense	**16,259**	18,590	**52,255**	55,724
Selling and administrative expenses (note 10):				
Depreciation expense on PPE	**475**	547	**1,351**	1,361
Depreciation expense on ROU assets (note 3)	**466**	—	**1,395**	—
Total depreciation and amortization expense	**$ 65,380**	$ 53,596	**$ 197,036**	$ 160,667

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

13. 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 53.5% 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, Chemtrade 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 and nine months ended September 30, 2019 was 98.2% and 24.8%, respectively, (2018 - 741.5% and 52.6%, respectively), compared to a statutory rate of 26.8% (2018 - 26.9%).

The effective tax rate for the third quarter and first nine months of 2019 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, difference in domestic corporate and trust tax rates and certain permanent differences.

14. FINANCIAL INSTRUMENTS:

(a) Derivatives and hedging:

		September 30, 2019			December 31, 2018	
		Fair Value			Fair Value	
	Notional Amount	**Asset**	**Liability**	Notional Amount	Asset	Liability
Derivatives designated in a formal hedging relationship						
Interest rate swaps	**US$ 325,000**	**$ —**	$ 10,938	US$ 325,000	$ 332	$ —
Derivatives not designated in a formal hedging relationship						
Foreign exchange contracts [(1)]	**—**	**—**	**544**	—	—	5,737
Total		**$ —**	**$ 11,482**		$ 332	$ 5,737

[(1)] See below for notional amounts.

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

14. FINANCIAL INSTRUMENTS (continued):

Chemtrade had in place swap arrangements with its principal bankers which fixed the LIBOR components of its interest rates on US$325,000 of its outstanding long-term debt which expired on January 23, 2019. On January 24, 2019, Chemtrade entered into new swap arrangements which fixed the LIBOR components of its interest rates on US$175,000 of its outstanding long-term debt until December 2023. On August 14, 2019, Chemtrade entered into additional swap arrangements, effective August 24, 2019, which fixed the LIBOR components of its interest rates on US$150,000 of its outstanding long-term debt until December 2023. 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.

Chemtrade hedges 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 and nine months ended September 30, 2019, a foreign exchange loss of $2,998 and a gain of $7,725, respectively, (2018 - gain of $4,174 and loss of $2,449, respectively) on the revaluation of the U.S. dollar-denominated debt related to this hedging strategy was recognized in other comprehensive income.

Chemtrade has entered into foreign exchange contracts to manage some 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 September 30, 2019 include future contracts to sell the following amounts for periods through to September 2020:

Amount	Weighted average exchange rate
US$40,000	$1.31

(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 long-term debt, excluding transaction costs, approximates fair value as the debt accrues interest at prevailing market rates.

14. FINANCIAL INSTRUMENTS (continued):

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.

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 Fund's Debentures are classified within Level 1 because they are actively traded on the TSX and the fair value is based on the quoted prices on the TSX. The CEI debentures are classified as Level 2 as their fair value is determined using observable inputs. Any changes in the fair value of the 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 and other assets, trade and other payables, and other long-term liabilities 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.

15. BUSINESS SEGMENTS:

Chemtrade operates in four reportable segments: SPPC, WSSC, EC, 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.

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

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 nitrite, potassium chloride (KCl), phosphorus pentasulphide and vaccine adjuvants. These products are marketed primarily to North American customers.

EC manufactures and markets sodium chlorate and chlor-alkali products including caustic soda, chlorine and hydro-chloric acid (HCl), largely for the pulp and paper, oil and gas and water treatment industries. These products are marketed primarily to North American and South American customers.

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

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

15. BUSINESS SEGMENTS (continued):

Three months ended September 30, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 127,798	$ 122,432	$ 145,423	$ —	**$ 395,653**
Inter-segment revenues	6,586	—	1,064	—	**7,650**
Operating income (loss) [(1)]	9,650	10,075	14,663	(20,701)	**13,687**
Net finance costs [(1)]					**(22,675)**
Income tax recovery					**8,825**
Net loss					**(163)**
Depreciation and amortization [(1)]	24,818	12,599	27,963	—	**65,380**
Loss (gain) on disposal and write-down of assets	9,221	1,661	178	(1,143)	**9,917**
Capital expenditures	6,894	7,270	9,978	157	**24,299**

[(1)]Chemtrade has initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. During the three months ended September 30, 2019, Chemtrade recognized $13,097 of depreciation expense related to the new ROU assets and $2,207 of interest expense related to the new lease liabilities. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. See Note 3.

Three months ended September 30, 2018

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 129,572	$ 116,601	$ 172,021	$ —	$ 418,194
Inter-segment revenues	5,647	—	564	—	6,211
Operating income (loss)	12,639	10,946	34,704	(46,630)	11,659
Net finance costs					(13,092)
Income tax recovery					10,627
Net earnings					9,194
Depreciation and amortization	18,011	13,168	22,417	—	53,596
Gain on disposal and write-down of assets	(8,413)	—	—	—	(8,413)
Capital expenditures	6,476	6,927	8,049	230	21,682

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

15. BUSINESS SEGMENTS (continued):

Nine Months Ended September 30, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 385,318	$ 343,330	$ 448,992	$ —	**$1,177,640**
Inter-segment revenues	18,679	—	3,462	—	**22,141**
Operating income (loss) [(1)]	41,550	(42,816)	54,934	(93,429)	**(39,761)**
Net finance costs [(1)]					**(75,997)**
Income tax recovery					**28,701**
Net loss					**(87,057)**
Depreciation and amortization [(1)]	74,979	38,820	83,237	—	**197,036**
Impairment of goodwill	—	65,600	—	—	**65,600**
Loss (gain) on disposal and write-down of assets	9,973	1,657	(873)	(235)	**10,522**
Capital expenditures	16,722	19,498	19,024	461	**55,705**

[(1)]Chemtrade has initially applied IFRS 16 at January 1, 2019. In applying IFRS 16, in relation to the leases that were previously classified as operating leases, Chemtrade recognizes depreciation and interest expense, instead of operating lease expense. During the nine months ended September 30, 2019, Chemtrade recognized $39,709 of depreciation expense related to the new ROU assets and $6,619 of interest expense related to the new lease liabilities. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. See Note 3.

Nine months ended September 30, 2018

	SPPC	WSSC	EC	Corp	Total
Revenue	$ 380,683	$ 327,869	$ 496,395	$ —	$ 1,204,947
Inter-segment revenues	13,315	—	2,187	—	15,502
Operating income (loss)	19,728	26,765	79,691	(149,685)	(23,501)
Net finance costs					(48,863)
Income tax recovery					38,032
Net loss					(34,332)
Depreciation and amortization	54,506	38,606	67,555	—	160,667
Gain on disposal and write-down of assets	(5,070)	—	—	—	(5,070)
Capital expenditures	15,634	15,408	23,227	973	55,242

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

15. BUSINESS SEGMENTS (continued):

September 30, 2019

	SPPC	WSSC	EC	Corp	Other[2]	Total
Total assets [1]	$ 901,312	$ 835,926	$ 989,656	$ 3,573	$ 99,513	**$ 2,829,980**
Total liabilities [1]	195,866	186,924	213,570	49,981	1,381,776	**2,028,117**
Intangible assets	322,990	322,249	251,329	—	—	**896,568**

[1]Chemtrade has initially applied IFRS 16 at January 1, 2019, which requires the recognition of ROU assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, Chemtrade recognized $176,715 of ROU assets and $189,937 of lease liabilities from those lease contracts. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. See Note 3.

[2] In 2019, Chemtrade reconfigured certain items in total assets and total liabilities between its segments. The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including convertible unsecured subordinated debentures) shown as a consolidated balance.

December 31, 2018

	SPPC	WSSC	EC	Corp	Other[1]	Total
Total assets	$ 985,316	$ 851,958	$ 962,830	$ 7,670	$ 69,314	$ 2,877,088
Total liabilities	125,168	179,657	131,885	113,220	1,310,445	1,860,375
Intangible assets	429,506	465,486	272,644	—	—	1,167,636

[1] In 2019, Chemtrade reconfigured certain items in total assets and total liabilities between its segments. The "Other" column includes deferred tax assets, deferred tax liabilities and all outstanding debt (including convertible unsecured subordinated debentures) shown as a consolidated balance. Comparatives have been restated to conform with current period presentation.

Geographic segments:

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

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	**2019**	2018
Canada	**$ 126,311**	$ 132,116	**$ 374,207**	$ 381,193
United States	**251,606**	265,045	**747,766**	758,050
South America	**17,736**	21,033	**55,667**	65,704
	$ 395,653	$ 418,194	**$ 1,177,640**	$ 1,204,947

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

15. BUSINESS SEGMENTS (continued):

PPE, ROU assets and intangible assets

	September 30, 2019[1]	December 31, 2018
Canada	**$ 1,070,474**	$ 988,202
United States	**987,627**	1,290,467
South America	**139,394**	149,637
	$ 2,197,495	$ 2,428,306

[1]Chemtrade has initially applied IFRS 16 at January 1, 2019, which requires the recognition of ROU assets and lease liabilities for lease contracts that were previously classified as operating leases. As a result, Chemtrade recognized $176,715 of ROU assets. Chemtrade has applied IFRS 16 using the modified retrospective approach, under which comparative information is not restated. See Note 3.

16. SUBSEQUENT EVENTS:

Issuance of 6.50% Convertible Unsecured Subordinated Debentures

In October 2019, Chemtrade completed a public offering, on a "bought deal" basis, of $100,000 principal amount of convertible unsecured subordinated debentures, at a price of $1,000 per debenture, with an interest rate of 6.50% per annum (the "Fund 2019 6.50% Debentures"). The Fund 2019 6.50% Debentures will mature on October 31, 2026. The Fund 2019 6.50% Debentures are convertible, at the option of the holder, into trust units of Chemtrade at a conversion price of $15.80 per unit. Chemtrade used the net proceeds of the offering to pay down senior debt under the Fund’s existing credit agreement.

Amendment of Credit Facilities terms

On October 24, 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024.

CHEMTRADE UNITHOLDER INFORMATION

Chemtrade Senior Management Team

Mark Davis
President and Chief Executive Officer

Rohit Bhardwaj
Chief Financial Officer

Scott Rook
Chief Operating Officer

Leon Aarts
Group Vice-President
Corporate Development and Strategy

Dan Dietz
Group Vice-President
WSSC and EC

Tab McCullough
Group Vice-President
Manufacturing

Emily Powers
Group Vice-President
Human Resources and Responsible Care

Michael St. Pierre
Group Vice-President
SPPC

Tejinder Kaushik
Vice-President
Information Technology

Susan Paré
General Counsel

Head Office

155 Gordon Baker Road, Suite 300
Toronto, Ontario M2H 3N5

Tel: (416) 496-5856 Fax: (416) 496-9414
www.chemtradelogistics.com

The Toronto Stock Exchange Symbol: CHE.UN

Transfer Agent and Registrar
Computershare Investor Services
100 University Avenue, 8th Floor
Toronto, Ontario
M5J 2Y1

Tel: 1-800-564-6253
Email: service@computershare.com
www.computershare.com

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

Rohit Bhardwaj
Chief Financial Officer (416) 496-5856