

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS FULL YEAR 2018 AND FOURTH QUARTER RESULTS

TORONTO, February 13, 2019 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results from continuing operations for the three months and year ended December 31, 2018. The financial statements and MD&A will be available on Chemtrade's website at www.chemtradelogistics.com and on SEDAR at www.sedar.com.

Revenue from continuing operations for the fourth quarter of 2018 was \$390.8 million, which was \$4.1 million higher than the fourth quarter of 2017, largely due to higher revenues in the Water Solutions & Specialty Products ("WSSC") segment.

Net loss from continuing operations for the fourth quarter of 2018 was \$97.2 million, compared with net earnings from continuing operations of \$45.5 million in 2017, which included a tax recovery of \$61.5 million compared with \$10.7 million in 2018. During the fourth quarter of 2018, a goodwill impairment of \$90.0 million related to the water products business was recorded.

Adjusted EBITDA from continuing operations⁽¹⁾ for the fourth quarter of 2018 was \$65.0 million compared with \$61.5 million in the fourth quarter of 2017. The increase in Adjusted EBITDA is mainly attributable to lower corporate costs, including lower incentive compensation accruals.

Cash flows from operating activities were \$79.9 million compared with \$62.2 million during the fourth quarter of 2017. Adjusted cash flows from operating activities from continuing operations⁽¹⁾ were \$48.7 million compared with \$41.4 million generated during the fourth quarter of 2017. Distributable cash after maintenance capital expenditures from continuing operations⁽¹⁾ for the fourth quarter of 2018 was \$17.3 million or \$0.19 per unit compared with \$6.7 million or \$0.07 per unit in 2017.

For the full year 2018, consolidated revenue from continuing operations was \$1.6 billion, which was \$126.6 million higher than 2017. The increase was due primarily to the full year contributions from the acquired businesses compared with less than ten months in 2017.

The full year 2018 results include a litigation reserve ("Litigation Reserve") of \$100.0 million established in the second and third quarters to cover the costs of resolving the civil actions commenced against General Chemical entities acquired by Chemtrade in 2014. This is related to conduct that occurred prior to Chemtrade's acquisition of General Chemical. The results also include \$7.4 million costs incurred to repay certain Canexus Senior Notes and another small project financing loan that was inherited as part of another acquisition. Adjusted EBITDA for 2018 includes the litigation reserve and distributable cash for 2018 includes both the litigation reserve and the loan repayment costs.

Adjusted EBITDA from continuing operations for 2018 before the litigation reserve was \$296.2 million compared with \$301.7 million in the previous year, before severances, accruals for an onerous lease and Canexus acquisition costs incurred during that year. Distributable cash from continuing operations after maintenance capital expenditures and before the litigation reserve and loan repayment costs, was \$149.0 million, or \$1.61 per unit, compared with \$157.7 million, or \$1.79 per unit in 2017 (excluding the foreign exchange loss and acquisition-related costs incurred in 2017). The per unit amounts are based on a weighted average number of units outstanding of 92.6 million units in 2018, versus 88.2 million units outstanding in 2017.

Chemtrade President and Chief Executive Officer, Mark Davis, said, “Our results for 2018 were disappointing, and reflect the challenges we faced during the year. We took action on most of these issues, which will drive improvements in 2019 and future years. It’s clear that improved execution by Chemtrade and our suppliers will improve results and remains our key focus.”

In the fourth quarter of 2018, the Sulphur Products & Performance Chemicals (“SPPC”) segment generated revenue of \$129.1 million, essentially the same as the \$129.0 million generated in 2017. However, Adjusted EBITDA for the quarter was \$17.3 million, which was \$7.1 million lower than 2017. From a revenue perspective, higher prices for merchant sulphuric acid helped to offset the impact of lower volumes due to reduced availability of merchant sulphuric acid supply. The decrease in Adjusted EBITDA was driven by several factors. From a merchant acid perspective, margins were flat despite the revenue increase due to lower volume, contractual sharing some of the price increases with suppliers, and higher raw material and freight costs. Adjusted EBITDA was negatively affected by unplanned downtime at a few customers’ sites and an extended maintenance outage at a regen customer. Results were also negatively affected by an extended outage at one of Chemtrade’s large regen plants, which resulted in higher costs to outsource the processing of a customer’s product.

The WSSC segment reported fourth quarter revenue of \$102.4 million compared with \$95.2 million in 2017. Adjusted EBITDA was \$11.9 million compared with \$15.0 million generated in 2017. The increased revenue was mainly due to higher volumes and selling prices of water products. However, despite increasing prices, the rising raw materials costs continue to squeeze margins. Margins are expected to improve as contracts are renewed at prices reflecting the higher raw material costs. During the quarter, two specialty chemicals customers (for potassium chloride, (KCl) and phosphorus pentasulfide, or P₂S₅) significantly reduced their purchases. A return to historic buying levels is expected once the customers’ inventory levels are normalized, although in the case of KCl this may take over one year. Therefore, additional sales opportunities are being actively pursued. Until recently this business’ facility was operating at full capacity.

The Electrochemicals (“EC”) segment reported revenue of \$159.3 million and Adjusted EBITDA of \$46.2 million for the fourth quarter, both of which were close to levels achieved in 2017. Lower caustic prices were offset by higher hydrochloric (HCl) acid prices. However, a sudden downturn in demand for HCl late in the second half of the quarter led to lower production of chlor-alkali. Although there has been some volatility in caustic soda prices recently, the long-term forecast for caustic soda pricing remains favourable.

Corporate costs during the fourth quarter of 2018 were \$10.4 million, compared with \$24.6 million in the fourth quarter of 2017. The primary reasons for the decrease was an accrual in the fourth quarter of 2017 of \$8.6 million related to the Calgary Canexus office lease. Also, Long-Term Incentive Plan and Incentive Compensation costs in the fourth quarter of 2018 were \$6.4 million lower than the fourth quarter of 2017.

Mr. Davis said, “The market supply/demand characteristics for most of our products are quite favourable. The current strong pricing environment for sulphuric acid and alum will have a beneficial effect on earnings as renewed contracts with customers reflect the higher prices and cost recoveries. The forecasted mid-to long-term pricing of caustic soda is expected to support solid results for our chlor-alkali business for the next several years.”

Distributions

Distributions declared in the fourth quarter totalled \$0.30 per unit, comprised of monthly distributions of \$0.10 per unit.

About Chemtrade

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.

(1) 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 net earnings to EBITDA and Adjusted EBITDA is provided below:

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
Net (loss) earnings from continuing operations	\$ (97,185)	\$ 45,457	\$ (131,517)	\$ 78,822
Add:				
Depreciation and amortization	53,840	55,880	214,507	204,447
Net finance costs	25,263	19,721	74,126	86,073
Income tax recovery	(10,648)	(61,464)	(48,680)	(92,692)
EBITDA from continuing operations	(28,730)	59,594	108,436	276,650
Impairment of goodwill	90,000	—	90,000	—
(Gain) loss on disposal and write-down of assets	1,031	152	(4,039)	4,498
Unrealized foreign exchange loss (gain)	2,696	1,708	1,826	2,027
Adjusted EBITDA from continuing operations	\$ 64,997	\$ 61,454	\$ 196,223	\$ 283,175

Segmented information

SPPC -

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue	\$ 129,082	\$ 129,012	\$ 509,765	\$ 509,373
Gross Profit	1,023	10,622	28,041	51,535
Adjusted EBITDA	17,254	24,325	86,418	112,892
(Loss) gain on disposal and write-down of assets	(1,031)	380	4,039	(38)
EBITDA	16,223	24,705	90,457	112,854
Depreciation and amortization	(17,904)	(16,979)	(72,410)	(72,613)
Net finance costs	(3,589)	(3,164)	(13,728)	(18,676)
Income tax recovery	3,289	23,894	14,450	40,582
Net (loss) earnings	\$ (1,981)	\$ 28,456	\$ 18,769	\$ 62,147

WSSC -

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue	\$ 102,442	\$ 95,174	\$ 430,311	\$ 411,935
Gross Profit	(88,168)	5,634	(55,106)	50,560
Adjusted EBITDA	11,929	14,968	77,300	88,836
Impairment of goodwill	(90,000)	—	(90,000)	—
Loss on disposal and write-down of assets	—	—	—	(25)
EBITDA	(78,071)	14,968	(12,700)	88,811
Depreciation and amortization	(13,178)	(13,019)	(51,784)	(52,578)
Net finance costs	(5,100)	(4,266)	(17,876)	(19,341)
Income tax recovery	8,292	38,100	26,371	61,437
Net (loss) earnings	\$ (88,057)	\$ 35,783	\$ (55,989)	\$ 78,329

EC -

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>	<u>December 31,</u> <u>2018</u>	<u>December 31,</u> <u>2017</u>
North American Sales Volumes:				
Sodium Chlorate Sales Volume (000's MT)	101	98	406	353
Chlor-alkali Sales Volume (000's MECU)	46	42	178	158
Revenue	\$ 159,276	\$ 162,483	\$ 655,671	\$ 547,830
Gross Profit	25,797	23,611	113,848	88,939
Adjusted EBITDA	46,196	46,763	193,442	156,720
Loss on write-down of assets	—	(532)	—	(4,435)
EBITDA	46,196	46,231	193,442	152,285
Depreciation and amortization	(22,758)	(25,882)	(90,313)	(79,256)
Net finance costs	(1,348)	(7,111)	(18,742)	(19,518)
Income tax expense	(4,439)	340	(15,881)	(7,931)
Net earnings	\$ 17,651	\$ 13,578	\$ 68,506	\$ 45,580

Cash Flow –

Management believes supplementary disclosure related to the cash flows of the Fund including the amount of cash available for distribution to Unitholders, repayment of debt and other investing activities provides useful additional information. A cash flows table presenting this information is included in the Fund's MD&A filed on SEDAR. The table is derived from, and should be read in conjunction with, the consolidated statements of cash flows. Certain sub-totals presented within the cash flows table, 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.

A reconciliation of these supplementary cash flow measures to cash flow from operating activities is provided below:

(\$'000)	<u>Three months ended</u>		<u>Year ended</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash flow from operating activities	\$ 79,853	\$ 62,168	\$ 244,464	\$ 151,296
Less:				
Cash flow used in operating activities of discontinued operations	—	—	—	(3,809)
Cash flow from operating activities of continuing operations	79,853	62,168	244,464	155,107
Add (deduct):				
Changes in non-cash working capital and other items	(31,105)	(20,739)	(125,136)	32,436
Adjusted cash flows (used in) from operating activities of continuing operations	48,748	41,429	119,328	187,543
Less:				
Maintenance capital expenditure	31,474	34,738	77,690	66,715
Distributable cash after maintenance capital expenditure from continuing operations	17,274	6,691	41,638	120,828
Less:				
Non-maintenance capital expenditure ⁽¹⁾	5,650	2,243	14,676	8,060
Distributable cash after all capital expenditure from continuing operations	\$ 11,624	\$ 4,448	\$ 26,962	\$ 112,768

⁽¹⁾ 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.

Caution Regarding Forward-Looking Statements

Certain statements contained in this news release 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 news release include statements respecting certain future expectations about: the effectiveness of actions by Chemtrade and its suppliers to improve future results; Chemtrade’s ability to improve margins on contract renewal for water products; the return to historic levels of customer purchases of KCl and P₂S₅ and the timing thereof; the effect on earnings of the pricing environment for sulphuric acid and alum; and the ability of caustic pricing to create solid results for the chlor-alkali business to earn solid results and the length of such results. Forward-looking statements in this news release describe the expectations of the Fund and its subsidiaries 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 of the Fund’s most recent Management’s Discussion & Analysis.

Although the Fund 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 news release, the Fund has made assumptions regarding: there being no significant disruptions affecting the operations of the Fund and its subsidiaries, whether due to labour disruptions, supply disruptions, power disruptions, transportation disruptions, damage to equipment or otherwise; the ability of the Fund 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 the Fund’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 the Fund’s expectations; the ability of the Fund to successfully access tax losses and tax attributes; the ability of the Fund to obtain financing on acceptable terms; currency, exchange and interest rates being consistent with current levels or in line with the Fund’s expectations; and global economic performance.

Except as required by law, the Fund 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.

Further information can be found in the disclosure documents filed by Chemtrade Logistics Income Fund with the securities regulatory authorities, available at www.sedar.com.

A conference call to review the fourth quarter 2018 results will be webcast live on www.chemtradelogistics.com and www.cision.com on Thursday, February 14, 2019 at 10.00 a.m. ET.

###

For further information:

Mark Davis
President and CEO
Tel: (416) 496-4176

Rohit Bhardwaj
Vice-President, Finance and CFO
Tel: (416) 496-4177