

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS SECOND QUARTER 2020 RESULTS

TORONTO, August 13, 2020 - Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months and six months ended June 30, 2020. The financial statements and MD&A will be available on Chemtrade's website at www.chemtradelogistics.com and on SEDAR at www.sedar.com.

Chemtrade President and Chief Executive Officer, Mark Davis, said, "Despite significant COVID-19 effects, our results for the second quarter were better than we had anticipated at the start of the quarter. Our acid regeneration ('regen') business suffered the most, as people drove less due to the pandemic resulting in a significant drop in refinery utilization. As the quarter progressed, refinery utilization rates improved more quickly than we had expected, so the results for regen were better than we had anticipated. Additionally, our water business performed very well, continuing the improvement that commenced more than a year ago."

Revenue for the second quarter of 2020 was \$347.5 million, which was \$49.2 million lower than the second quarter of 2019. The primary reasons for the lower revenue were lower sales volumes and selling prices for hydrochloric acid ("HCl") and caustic soda in the Electrochemicals ("EC") segment, and lower sales volumes of regen and merchant sulphuric acid in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Net earnings for the second quarter of 2020 were \$4.5 million, compared with a net loss of \$57.6 million in 2019, which included a \$65.6 million non-cash goodwill impairment charge. Excluding the goodwill impairment, net earnings in the second quarter in 2019 were \$8.0 million.

Adjusted EBITDA⁽¹⁾ ("EBITDA") for the second quarter of 2020 was \$75.5 million compared with \$91.3 million in the second quarter of 2019. For the second quarter this year, Chemtrade's operating businesses generated \$17.7 million lower EBITDA than last year and corporate expense was \$1.9 million better. As expected, the largest shortfall was in the SPPC segment, largely due to lower refinery utilization rates affecting regen.

Cash flow from operating activities was \$66.7 million compared with \$51.8 million during the second quarter of 2019. Adjusted cash flow from operating activities⁽¹⁾ was \$43.7 million compared with \$58.2 million generated during the second quarter of 2019.

Distributable Cash after maintenance capital expenditures⁽¹⁾ for the second quarter of 2020 was \$31.7 million or \$0.34 per unit compared with \$41.0 million or \$0.44 per unit in 2019.

For the six months ended June 30, 2020, Distributable Cash after maintenance capital expenditures was \$69.9 million, or \$0.75 per unit compared with \$43.5 million, or \$0.47 per unit in 2019. Results for the first six months of 2019 included a litigation reserve ("Litigation Reserve") of \$40.0 million. Excluding the litigation reserve, Distributable Cash after maintenance capital expenditures was \$83.5 million, or \$0.90 per unit for the first six months of 2019.

Revenue for the first six months of 2020 was \$714.4 million (2019: \$782.0 million). EBITDA was \$156.4 million (2019: \$135.2 million). Adjusted cash flow from operating activities was \$93.0 million (2019: \$69.7 million).

In the second quarter of 2020, SPPC generated revenue of \$104.0 million compared with \$126.4 million in 2019. The decrease in revenue in the second quarter of 2020 was primarily due to the COVID-19 pandemic which resulted in lower sales volumes for regen and merchant acid and sulphur products. These factors, particularly the reduction in regen volume, were the primary reasons for EBITDA during the second quarter of 2020 of \$31.6 million being \$13.7 million lower than the second quarter of 2019.

The Water Products and Specialty Chemicals (“WSSC”) segment reported second quarter revenue of \$113.5 million compared with \$115.5 million in 2019. The slight decrease is due to lower sales volumes of water solutions products and lower sales volumes of specialty chemical products, partially offset by higher selling prices for water solutions products. EBITDA improved to \$27.2 million from the \$20.9 million generated in 2019. The improvement was due to higher margins for water products, which benefitted from higher selling prices and lower raw material costs.

The EC segment reported revenue of \$130.1 million for the second quarter of 2020, which was \$24.7 million lower than the same period of 2019. The lower revenue in the second quarter of 2020 was primarily due to a 37% decrease in chlor-alkali sales volumes, a decrease of 39% in selling prices for HCl, and a decrease of 15% in selling prices for caustic soda. This was partially offset by a 6% increase in selling prices for chlorine. EBITDA of \$36.0 million for the second quarter of 2020 was \$10.4 million lower than the same period of 2019. This was primarily due to lower selling prices for both caustic soda and HCl, as well as the effect of operating the North Vancouver facility at reduced rates. The plant’s production rate was constrained by reduced demand for HCl. In the second quarter, netbacks, i.e., selling prices less freight, for HCl were 54% lower compared with the same period of 2019.

Corporate costs during the second quarter of 2020 were \$19.4 million, compared with \$21.3 million in the second quarter of 2019. The lower costs were primarily due to lower incentive compensation accruals.

Mr. Davis said, “While the effects of COVID-19 are far reaching, they should not have a material effect on certain of our businesses, such as the water business. We expect that COVID-19 will continue to negatively affect our regen business, but to a lesser extent than we had forecasted at the end of the first quarter. We have also started to see some lower demand for sodium chlorate as demand for printing paper has declined with large numbers of people working from home. When the economy returns to more normal course activity, we expect to see demand for our products increase. While we have not reinstated our Guidance, the Financial Outlook section of the second quarter MD&A does include updates on certain assumptions, while cautioning that the situation remains very fluid. The comments contained there are based on input from customers which can, and likely will, change over time.”

Distributions & Distribution Reinvestment Plan

Distributions declared in the second quarter totalled \$0.15 per unit, comprised of monthly Distributions of \$0.05 per unit. In July 2020, Chemtrade established a Distribution Reinvestment Plan that became available with the July distribution, which is payable at the end of August 2020. The plan provides a way for unitholders to accumulate additional Chemtrade units without fees and currently includes a 3% bonus distribution.

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, sodium hydrosulphite and phosphorus pentasulphide. Chemtrade is a leading regional supplier of sulphur, chlor-alkali products, liquid sulphur dioxide, potassium chloride, 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 June 30</u> | | <u>Six months ended June 30</u> | |
|--|-----------------------------------|-------------|---------------------------------|-------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net earnings (loss) | \$ 4,499 | \$ (57,576) | \$ (93,376) | \$ (86,894) |
| Add: | | | | |
| Depreciation and amortization | 69,009 | 64,192 | 132,926 | 131,656 |
| Net finance costs | 2,706 | 26,211 | 70,158 | 53,322 |
| Income tax expense (recovery) | 6,122 | (2,342) | (14,999) | (19,876) |
| EBITDA | 82,336 | 30,485 | 94,709 | 78,208 |
| Add: | | | | |
| Impairment of goodwill | - | 65,600 | 56,000 | 65,600 |
| Change in environmental liability | 362 | - | 3,743 | - |
| Loss (gain) on disposal and write-down of property, plant and equipment | 13 | 302 | (469) | 605 |
| Unrealized foreign exchange (gain) loss | (7,183) | (5,110) | 2,425 | (9,173) |
| Adjusted EBITDA | \$ 75,528 | \$ 91,277 | \$ 156,408 | \$ 135,240 |

SPPC -

| (\$'000) | <u>Three months ended June 30</u> | | | <u>Six months ended June 30</u> | | |
|---|-----------------------------------|------------|--|---------------------------------|------------|--|
| | 2020 | 2019 | | 2020 | 2019 | |
| Revenue | \$ 103,960 | \$ 126,441 | | \$ 216,982 | \$ 257,520 | |
| Gross profit | 9,494 | 18,325 | | 23,955 | 34,808 | |
| Adjusted EBITDA | 31,614 | 45,288 | | 66,246 | 82,813 | |
| (Loss) gain on disposal and write-down of property, plant and equipment | (32) | (754) | | 17 | (752) | |
| EBITDA | \$ 31,582 | \$ 44,534 | | \$ 66,263 | \$ 82,061 | |

WSSC -

| (\$'000) | <u>Three months ended June 30</u> | | | <u>Six months ended June 30</u> | | |
|--|-----------------------------------|-------------|--|---------------------------------|-------------|--|
| | 2020 | 2019 | | 2020 | 2019 | |
| Revenue | \$ 113,456 | \$ 115,508 | | \$ 226,794 | \$ 220,898 | |
| Gross profit (loss) | 16,955 | (53,481) | | (25,415) | (47,293) | |
| Adjusted EBITDA | 27,240 | 20,859 | | 52,946 | 38,926 | |
| Impairment of goodwill | - | (65,600) | | (56,000) | (65,600) | |
| Change in environmental liability | (362) | - | | (3,743) | - | |
| Gain on disposal and write-down of property, plant and equipment | - | 2 | | 457 | 4 | |
| EBITDA | \$ 26,878 | \$ (44,739) | | \$ (6,340) | \$ (26,670) | |

EC -

| (\$'000) | <u>Three months ended June 30</u> | | | <u>Six months ended June 30</u> | | |
|---|-----------------------------------|------------|--|---------------------------------|------------|--|
| | 2020 | 2019 | | 2020 | 2019 | |
| North American sales volumes: | | | | | | |
| Sodium chlorate sales volume (000's MT) | 94 | 95 | | 196 | 196 | |
| Chlor-alkali sales volume (000's MECU) | 33 | 52 | | 69 | 91 | |
| Revenue | \$ 130,118 | \$ 154,786 | | \$ 270,659 | \$ 303,569 | |
| Gross profit | 6,173 | 22,874 | | 13,026 | 44,638 | |
| Adjusted EBITDA | 36,034 | 46,400 | | 68,967 | 94,494 | |
| Gain (loss) on disposal and write-down of property, plant and equipment | 19 | 1,055 | | (5) | 1,051 | |
| EBITDA | \$ 36,053 | \$ 47,455 | | \$ 68,962 | \$ 95,545 | |

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 June 30</u> | | <u>Six months ended June 30</u> | |
|--|-----------------------------------|------------------|---------------------------------|------------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flows from (used in) operating activities | \$ 66,677 | \$ 51,826 | \$ 97,897 | \$ (1,644) |
| Add (Less): | | | | |
| Lease payments net of sub-lease receipts | (14,367) | (13,842) | (28,162) | (28,485) |
| Changes in non-cash working capital and other items | (8,591) | 20,233 | 23,258 | 99,815 |
| Adjusted cash flows from operating activities | 43,719 | 58,217 | 92,993 | 69,686 |
| Less: | | | | |
| Maintenance capital expenditures | 12,055 | 17,246 | 23,098 | 26,204 |
| Distributable cash after maintenance capital expenditures | 31,664 | 40,971 | 69,895 | 43,482 |
| Less: | | | | |
| Non-maintenance capital expenditures | 794 | 2,759 | 1,540 | 5,201 |
| Distributable cash after all capital expenditures | \$ 30,870 | \$ 38,212 | \$ 68,355 | \$ 38,281 |

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 effects of COVID-19 on the water and regen businesses; and the expectation that the economy will return to normal state and the anticipated increase in product demand at such time; 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 second quarter 2020 results will be webcast live on Friday, August 14, 2020 at 10:00 a.m. ET. To access the webcast [click here](#).

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