

NEWS RELEASE

CHEMTRADE LOGISTICS INCOME FUND REPORTS SECOND QUARTER 2021 RESULTS

Issues guidance for 2021

TORONTO, Ontario, August 11, 2021 – Chemtrade Logistics Income Fund (TSX: CHE.UN) today announced results for the three months ended June 30, 2021. 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 for the second quarter of 2021 was \$337.3 million, which was \$10.3 million lower than the second quarter of 2020. The decrease in revenue for the second quarter is primarily due to the stronger Canadian dollar (\$29.4 million) and lower selling prices for sodium chlorate and caustic soda in the Electrochemicals ("EC") segment, partially offset by higher sales volume of all chlor-alkali products in the EC segment and higher sales volume and selling prices of Regen acid in the Sulphur Products and Performance Products ("SPPC") segment and higher sales volume of water solutions products in the Water Solutions and Specialty Chemicals ("WSSC") segment.

The Canadian dollar relative to the U.S. dollar was significantly stronger during the three months ended June 30, 2021 (US\$1.00 = \$1.23) compared with the same period of 2020 (US\$1.00 = \$1.39). This had a negative impact on the financial results of all the operating segments in the second quarter of 2021.

Adjusted EBITDA⁽¹⁾ ("EBITDA") for the second quarter of 2021 was \$65.2 million, which was \$10.4 million lower than the second quarter of 2020. The decrease in EBITDA for the three months ended June 30, 2021 is primarily due to the stronger Canadian dollar (\$7.5 million) which impacted all operating segments.

Cash flows from operating activities in the second quarter of 2021 were \$50.8 million, which was a decrease of \$16.1 million compared with the same period in 2020. This was primarily due to lower EBITDA and changes in working capital, partially offset by lower interest and income taxes paid. Adjusted cash flow from operating activities⁽¹⁾ was \$36.8 million compared with \$43.7 million generated during the second quarter of 2020.

Distributable Cash after maintenance capital expenditures⁽¹⁾ for the second quarter of 2021 was \$21.2 million or \$0.21 per unit compared with \$31.7 million or \$0.34 per unit in 2020.

For the six months ended June 30, 2021, Distributable Cash after maintenance capital expenditures was \$39.1 million, or \$0.39 per unit compared with \$69.9 million, or \$0.75 per unit in 2020.

Revenue for the first six months of 2021 was \$649.7 million (2020: \$714.4 million). EBITDA was \$120.6 million (2020: \$156.4 million). Adjusted cash flow from operating activities was \$62.9 million (2020: \$93.0 million).

In the second quarter of 2021, SPPC generated revenue of \$105.2 million, which was \$1.2 million higher compared to the same period in 2020. The increase was primarily the result of higher sales volume of Regen acid due to refineries operating at higher rates and higher selling prices of Regen and merchant acid, partially offset by lower sales volumes of Ultrapure and merchant acid and the impact of the stronger Canadian dollar (\$10.2 million). EBITDA for the quarter was \$30.5 million, which was \$1.1 million lower than 2020.

The WSSC segment reported second quarter revenue of \$108.6 million, which was \$4.9 million lower than the same period in 2020 primarily due to the stronger Canadian dollar (\$10.7 million). EBITDA for the quarter was \$23.5 million, which was \$3.7 million lower than 2020. The lower EBITDA was primarily due to significant increases in the cost of raw materials and the impact of the stronger Canadian dollar, partially offset by higher selling prices for water solutions products than the same period of 2020.

The EC segment reported revenue of \$123.5 million for the second quarter of 2021, which was \$6.6 million lower than the same period of 2020. The lower revenue in the second quarter of 2021 was primarily due to the impact of the stronger Canadian dollar (\$8.5 million) in addition to lower sales volume and selling prices for sodium chlorate and a decrease of 12% in selling prices for caustic soda, partially offset by a 38% increase in sales volume of HCl and a 26% increase in chlorine sales volumes. EBITDA for the second quarter of 2021 was \$23.8 million, which was \$10.9 million lower than the same period of 2020. EBITDA during 2021 was negatively affected by the impact of the stronger Canadian dollar, lower chlor-alkali and sodium chlorate selling prices relative to 2020 and lower sales volumes of sodium chlorate.

Corporate costs during the second quarter of 2021 were \$12.6 million, compared with \$18.0 million in the second quarter of 2020. The decrease in corporate costs during the second quarter of 2021 was primarily due to a realized foreign exchange gain of \$4.1 million during the second quarter of 2021 compared with a loss of \$2.1 million during the same period of 2020, \$1.0 million in government grants recognized in relation to the CEWS and the CERS programs during the second quarter of 2021 and reduced discretionary spending in the second quarter of 2021 relative to 2020. This was partially offset by \$2.9 million higher LTIP costs during the second quarter of 2021 compared with same period of 2020.

Scott Rook, President and CEO said, “The business generally performed well during the second quarter, but we faced significant headwinds due to the sharp appreciation of the Canadian dollar relative to the US dollar. We are encouraged by the recovery in refinery utilization rates and positive momentum in the chlor-alkali business. The North East Asia spot index for caustic soda, which is a key determinant of our selling price, continued its strong upward trajectory. The US market for chlorine has also been strong. We look forward to the continued economic recovery”.

He also said, “Although some parts of the business continue to be affected by the COVID-19 pandemic, our visibility has improved. Consequently, we have decided to issue earnings guidance for 2021. The guidance, along with key assumptions are shown below”.

2021 Financial Outlook

At the onset of the COVID-19 pandemic in March, 2020, Chemtrade decided to suspend its guidance for 2020 and to not provide guidance until economic conditions stabilized and there was increased certainty. Although, conditions have improved over the past few months, there is still considerable uncertainty, particularly with variants of COVID-19 that are highly contagious and seem to be spreading in various parts of the world. However, Chemtrade has decided to issue guidance for 2021. Chemtrade expects its 2021 Adjusted EBITDA to range between \$245.0 million and \$260.0 million, which compares with 2020 Adjusted EBITDA of \$265.3 million.

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

- There will be no North American lockdowns or stay-at-home orders issued due to a resurgence of COVID-19 pandemic for the remainder of 2021.
- None of the principal manufacturing facilities (as set out in Chemtrade’s Annual Information Form) incurs significant unplanned downtime.
- Vale’s operations in Sudbury experienced a work stoppage from June 1, 2021 until the first week of August 2021. It has been assumed that the smelting process, which generates sulphuric acid will commence normal operations by the beginning of September 2021. Due to the inherent uncertainty in such situations, Chemtrade had to make arrangements for alternate supply. This alternate supply, including incremental logistics costs and the foregone margin on sales where alternate supply was unavailable, is assumed to have a negative impact on EBITDA of between \$5.0 million and \$10.0 million.
- Key assumptions in the EC segment are as follows:
 - North American Metric Electrochemical unit (“MECU”) production volume of approximately 185,000;
 - 2021 average caustic soda price based on the 2021 average IHS NE Asia Caustic price Index being US\$10 per tonne higher than the average for 2020 (note the average index value used to price H1, 2021 was approximately US\$50 lower than the same period of H1, 2020); and

- North American production volume of sodium chlorate of approximately 365,000 tonnes.
- A foreign exchange rate of US\$1.00 = \$1.23 (H1 2021 average was US\$1.00 = \$1.25 and H2 2021 is assumed to average US\$1.00 = \$1.22).

Chemtrade also expects:

- Maintenance capital expenditures to range between \$72.0 million and \$77.0 million.
- Cash interest to range between \$65.0 million and \$70.0 million.
- Cash taxes to range between \$4.0 million and \$8.0 million.
- Lease payments to range between \$50.0 million and \$55.0 million.

There are a few significant factors to be considered when comparing 2021's Adjusted EBITDA range and actual Adjusted EBITDA achieved in 2020:

- a) Stronger Canadian dollar relative to the U.S. dollar. During 2020, the average exchange rate was US\$1.00 = \$1.34, whereas, we are assuming an average exchange rate of US\$1.00= \$1.23 during 2021. This has a negative impact on 2021's Adjusted EBITDA of approximately \$20.0 million.
- b) The first quarter of 2020 was unaffected by the COVID-19 pandemic and Adjusted EBITDA for the first quarter of 2021 was \$25.5 million below the first quarter of 2020.
- c) As partial offsets to the above two points, 2020 had the biennial turnaround at the North Vancouver facility and a major customer turnaround which affected one of Chemtrade's large Regen plants.

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 2020, Chemtrade established a Distribution Reinvestment Plan that 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, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, net gains and losses on the disposal and write-down of property, plant and equipment, 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 earnings is provided below:

(\$'000)	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net (loss) earnings	\$ (14,078)	\$ 4,499	\$ (34,526)	\$ (93,376)
Add:				
Depreciation and amortization	60,571	69,009	122,964	132,926
Net finance costs	19,122	2,706	40,620	70,158
Income tax (recovery) expense	(6,615)	6,122	(15,211)	(14,999)
EBITDA	59,000	82,336	113,847	94,709
Add:				
Impairment of goodwill	-	-	-	56,000
Change in environmental liability	-	362	-	3,743
Net loss (gain) on disposal and write-down of property, plant and equipment	404	13	555	(469)
Unrealized foreign exchange loss (gain)	5,760	(7,183)	6,190	2,425
Adjusted EBITDA	\$ 65,164	\$ 75,528	\$ 120,592	\$ 156,408

Segmented information

SPPC -

(\$'000)	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2021	2020	2021	2020
Revenue	\$ 105,193	\$ 103,960	\$ 197,160	\$ 216,982
Gross profit	11,355	9,494	18,578	23,955
Adjusted EBITDA	30,492	31,614	58,463	66,246
Net (loss) gain on disposal and write-down of property, plant and equipment	(232)	(32)	(244)	17
EBITDA	\$ 30,260	\$ 31,582	\$ 58,219	\$ 66,263

WSSC -

(\$'000)	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2021	2020	2021	2020
Revenue	\$ 108,592	\$ 113,456	\$ 207,378	\$ 226,794
Gross profit (loss)	15,112	16,955	28,923	(25,415)
Adjusted EBITDA	23,514	27,240	45,317	52,946
Impairment of goodwill	-	-	-	(56,000)
Change in environmental liability	-	(362)	-	(3,743)
Net (loss) gain on disposal and write-down of property, plant and equipment	(194)	-	(276)	457
EBITDA	\$ 23,320	\$ 26,878	\$ 45,041	\$ (6,340)

EC -

(\$'000)	<u>Three months ended June 30</u>		<u>Six months ended June 30</u>	
	2021	2020	2021	2020
North American sales volumes:				
Sodium chlorate sales volume (000's MT)	91	94	183	196
Chlor-alkali sales volume (000's MECU)	45	33	86	69
Revenue	\$ 123,485	\$ 130,118	\$ 245,172	\$ 270,659
Gross (loss) profit	(2,200)	6,173	(2,305)	13,026
Adjusted EBITDA	23,761	34,689	50,938	66,668
Net gain (loss) on disposal and write-down of property, plant and equipment	22	19	(35)	(5)
EBITDA	\$ 23,783	\$ 34,708	\$ 50,903	\$ 66,663

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 condensed consolidated interim 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 condensed consolidated interim 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 condensed consolidated interim 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>	
	2021	2020	2021	2020
Cash flows from (used in) operating activities	\$ 50,846	\$ 66,913	\$ 44,450	\$ 97,234
Add (Less):				
Lease payments net of sub-lease receipts	(12,671)	(14,367)	(25,699)	(28,162)
Changes in non-cash working capital and other items	(1,361)	(8,827)	44,134	23,921
Adjusted cash flows from operating activities	36,814	43,719	62,885	92,993
Less:				
Maintenance capital expenditures	15,583	12,055	23,770	23,098
Distributable cash after maintenance capital expenditures	21,231	31,664	39,115	69,895
Less:				
Non-maintenance capital expenditures	974	794	1,556	1,540
Distributable cash after all capital expenditures	\$ 20,257	\$ 30,870	\$ 37,559	\$ 68,355

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 Fund's expected Adjusted EBITDA range for 2021; and the expected 2021 range of capital expenditures, cash interest, cash taxes and lease payments.. 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 North American COVID-related lockdowns or stay-at-home orders issued for the remainder of 2021; no significant downtime at any of the principal manufacturing facilities; the timing of the resumption of the Vale smelting operation; the assumed 2021 North American MECU production volume and sodium chlorate volume; the assumed 2021 average North East Asia spot price for caustic soda and the assumed foreign exchange rate for the U.S. dollar; 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 2021 results will be webcast live on Thursday, August 12, 2021 at 9:30 a.m. ET. To access the webcast [click here](#).

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