

2020 | Second Quarter Report

Q2 2020

Chemtrade Logistics Income Fund

**CHEMTRADE LOGISTICS INCOME FUND**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2020**

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 six months ended June 30, 2020, the audited consolidated financial statements of Chemtrade for the year ended December 31, 2019 and the annual MD&A for the year ended December 31, 2019.

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. This MD&A is current as at August 13, 2020 and was approved by the Board of Trustees (the "Board") on that date.

**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: statements which reflect the current view of Chemtrade's management with respect to Chemtrade's objectives, plans, financial and operating performance, business prospects and opportunities, statements relating to the impact of the COVID-19 pandemic on Chemtrade, including reduced demand for gasoline and printing paper, additional covenant room in Chemtrade's credit agreement and all other statements that are not historical facts; the amount of any long-term incentive compensation; the effect of changes in the interest rate, the exchange rate and the Fund's ability to offset US dollar denominated debt; 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, sufficiency and availability of cash flows; the effectiveness of internal controls and of their design and implementation; the Fund's expected 2020 range of capital expenditures, lease payments, 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 key elements as set out 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**

### *COVID-19 Pandemic*

Chemtrade has established a Pandemic Steering Team to assess, monitor and deal with the impact of the COVID-19 virus on its business and share information across the organization. As needed to protect the health of its employees, suppliers and visitors, operations have been adjusted and actions taken.

The Pandemic Steering Team developed policies, procedures, protocols, assessment tools and guidance to assist all manufacturing facilities and offices, as well as employees working from home. The Pandemic Steering Team has disseminated health screening tools and isolation guides for employees, instituted contact tracing for any known cases of the virus within Chemtrade's employee population, instituted decontamination procedures when required, acquired and installed or disseminated personal protective equipment for employees, and implemented a business travel policy. Chemtrade's health and safety personnel have worked in cooperation with public health authorities and Chemtrade's suppliers and customers to share information and best practices, and promote employee safety and confidence for return to work. Return to work protocols and communication tools have been established, which address office opening protocols, social distancing and personal protective equipment requirements, facility assessments, cleaning and disinfection protocols, and employee training and communications.

From the onset of the COVID-19 pandemic and related restrictions, Chemtrade's business was deemed an essential service pursuant to the various provincial and state orders and therefore its facilities have continued to operate. For the most part, Chemtrade's customers, suppliers and service providers, including transportation, have also continued to operate.

Demand for certain of Chemtrade's products such as water treatment chemicals has not been affected by the pandemic, whereas demand for most other products has been modestly lower. The biggest impact of the pandemic on Chemtrade's business has been caused by government orders restricting non-essential travel and by people working from home. Both of these have reduced demand for gasoline which has resulted in lower demand for Chemtrade's regenerated

("Regen") acid services, as oil refineries are operating at significantly reduced rates. Operating rates have started to improve, but still remain well below historic levels. Also, with large numbers of people working from home and not attending school, demand for printing paper has declined. Printing paper is a significant end-market for pulp in North America. Chemtrade's sodium chlorate is used to bleach pulp and the reduced demand for pulp resulted in reduced demand for sodium chlorate. The extent of the reduction in demand for gasoline and printing paper will depend on the speed at which people resume working in the office and the re-opening of the economy in Canada and the U.S.

Given the high degree of economic uncertainty caused by COVID-19, in April 2020, Chemtrade suspended its earnings guidance. Chemtrade also reduced its monthly distribution by fifty percent effective with the March 2020 distribution which was paid at the end of April 2020. In May 2020, Chemtrade negotiated an amendment to its credit agreement which provides additional covenant room for the next two years. Chemtrade maintains a large undrawn revolving credit facility. Chemtrade continues to closely monitor its accounts receivable and they are consistent with historic levels. See Risks and Uncertainties - *Risk of Pandemic* for more details.

#### *Distribution Reinvestment Plan*

On July 13, 2020, Chemtrade announced the commencement of a Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible Unitholders may elect to reinvest all or a portion of their regular monthly distributions in additional trust units of Chemtrade, without paying any commissions, service charges or brokerage fees under the DRIP. Units purchased for participants under the DRIP will be newly issued by Chemtrade from treasury or will be existing units purchased on the open market through the facilities of a stock exchange. Under the DRIP, the Board determines which of these two sources will be used and currently the units are issued from treasury. In order to be eligible to participate in the DRIP, a holder must be resident in Canada and the beneficial holder of at least one whole unit.

## Financial Highlights

These financial highlights have been presented in accordance with IFRS.

(\$'000 except per unit amounts)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	\$ 347,534	\$ 396,735	\$ 714,435	\$ 781,987
Net earnings (loss) <sup>(1)(2)</sup>	\$ 4,499	\$ (57,576)	\$ (93,376)	\$ (86,894)
Net earnings (loss) per unit <sup>(1)(2)(3)</sup>	\$ 0.05	\$ (0.62)	\$ (1.01)	\$ (0.94)
Diluted net loss per unit <sup>(1)(2)(3)</sup>	\$ (0.02)	\$ (0.62)	\$ (1.01)	\$ (0.94)
Total assets	\$ 2,707,046	\$ 2,869,731	\$ 2,707,046	\$ 2,869,731
Long-term debt	\$ 850,953	\$ 848,697	\$ 850,953	\$ 848,697
Convertible unsecured subordinated debentures	\$ 450,011	\$ 501,192	\$ 450,011	\$ 501,192
Adjusted EBITDA <sup>(2)(4)</sup>	\$ 75,528	\$ 91,277	\$ 156,408	\$ 135,240
Adjusted EBITDA per unit <sup>(2)(3)(4)</sup>	\$ 0.82	\$ 0.99	\$ 1.69	\$ 1.46
Cash flows from (used in) operating activities	\$ 66,677	\$ 51,826	\$ 97,897	\$ (1,644)
Cash flows from (used in) operating activities per unit <sup>(3)(4)</sup>	\$ 0.72	\$ 0.56	\$ 1.06	\$ (0.02)
Adjusted cash flows from operating activities <sup>(2)(4)</sup>	\$ 43,719	\$ 58,217	\$ 92,993	\$ 69,686
Adjusted cash flows from operating activities per unit <sup>(2)(3)(4)</sup>	\$ 0.47	\$ 0.63	\$ 1.00	\$ 0.75
Distributable cash after maintenance capital expenditures <sup>(2)(4)</sup>	\$ 31,664	\$ 40,971	\$ 69,895	\$ 43,482
Distributable cash after maintenance capital expenditures per unit <sup>(2)(3)(4)</sup>	\$ 0.34	\$ 0.44	\$ 0.75	\$ 0.47
Distributions declared	\$ 13,890	\$ 27,779	\$ 37,040	\$ 55,558
Distributions declared per unit <sup>(5)</sup>	\$ 0.15	\$ 0.30	\$ 0.40	\$ 0.60
Distributions paid	\$ 13,890	\$ 27,779	\$ 41,670	\$ 55,558
Distributions paid per unit <sup>(5)</sup>	\$ 0.15	\$ 0.30	\$ 0.45	\$ 0.60

<sup>(1)</sup> Results for the six months ended June 30, 2020 include a goodwill impairment charge of \$56,000, or \$0.60 per unit. Results for the three and six months ended June 30, 2019 include a goodwill impairment charge of \$65,600, or \$0.71 per unit. See **Goodwill Impairment**.

<sup>(2)</sup> Results for the six months ended June 30, 2019 include a \$40,000, or \$0.43 per unit, expense related to a legal provision. See **Reserve for legal proceedings**.

<sup>(3)</sup> Based on weighted average number of units outstanding for the period of:

92,601,062      92,596,006      92,601,062      92,596,006

<sup>(4)</sup> See **Non-IFRS Measures**.

<sup>(5)</sup> 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, income taxes, depreciation and amortization. Adjusted EBITDA also excludes other non-cash charges such as impairment, change in environmental liability, gains and losses on the disposal and write-down of property, plant and equipment ("PPE"), 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 (loss) follows:

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 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 PPE	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

#### Cash Flow -

The following table is derived from, and should be read in conjunction with the condensed consolidated interim 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 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.

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 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
<b>Adjusted cash flows from operating activities</b>	<b>43,719</b>	<b>58,217</b>	<b>92,993</b>	<b>69,686</b>
Less:				
Maintenance capital expenditures	12,055	17,246	23,098	26,204
<b>Distributable cash after maintenance capital expenditures</b>	<b>31,664</b>	<b>40,971</b>	<b>69,895</b>	<b>43,482</b>
Less:				
Non-maintenance capital expenditures <sup>(1)</sup>	794	2,759	1,540	5,201
<b>Distributable cash after all capital expenditures</b>	<b>\$ 30,870</b>	<b>\$ 38,212</b>	<b>68,355</b>	<b>\$ 38,281</b>

<sup>(1)</sup> 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 second quarter of 2020 was \$ 347.5 million, which was \$49.2 million lower than revenue for the second quarter of 2019. The decrease in revenue for the second quarter is primarily due to lower sales volumes and lower selling prices for hydrochloric acid ("HCl") and caustic soda in the Electrochemicals ("EC") segment, lower sales volume of Regen and merchant sulphuric acid in the Sulphur Products and Performance Chemicals ("SPPC") segment.

Revenue on a year-to-date basis was \$714.4 million, which was \$67.6 million lower than the revenue for the same period of 2019. The decrease in revenue for the six months ended June 30, 2020 is primarily due to lower sales volume of Regen and merchant sulphuric acid and other SPPC segment products, lower sales volumes for HCl and lower selling prices for caustic soda in the EC segment. This was partially offset by higher selling prices for water solutions products in the WSSC segment.

Chemtrade's Adjusted EBITDA for the three and six months ended June 30, 2020 was \$15.7 million lower and \$21.2 million higher than the Adjusted EBITDA for the same periods of 2019. The decrease in Adjusted EBITDA for the second quarter of 2020 is due to lower Adjusted EBITDA for the SPPC and EC segments, partially offset by higher Adjusted EBITDA for the WSSC segment and lower corporate costs. The increase in Adjusted EBITDA for the first six months of 2020 is due to lower corporate costs, as corporate costs for the first six months of 2019 included a \$40.0 million expense with respect to a legal proceedings reserve related to anti-competitive conduct (see **Reserve for legal proceedings**) and higher Adjusted EBITDA for the WSSC segment. This was partially offset by lower Adjusted EBITDA for the SPPC and EC segments.

Net earnings for the three and six months ended June 30, 2020 were \$62.1 million higher and \$6.5 million lower than the same periods of 2019. The increase in the second quarter of 2020 is primarily due to a \$65.6 million impairment

of goodwill for water solutions products recorded in the second quarter of 2019 (see **Goodwill Impairment**), lower net finance costs due to a gain from the change in the fair value of convertible unsecured subordinated debentures ("Debentures") and lower interest expense (see **Net Finance Costs**). This was partially offset by lower Adjusted EBITDA (as described above) and an income tax expense in the second quarter of 2020 compared with an income tax recovery for the same period of 2019 (see **Income Taxes**). For the six months ended June 30, 2020, the decrease in net earnings is primarily due to higher net finance costs due to a higher loss from the change in the fair value of Debentures (see **Net Finance Costs**), an unrealized foreign exchange loss in the first six months of 2020 compared with an unrealized foreign exchange gain for the same period of 2019 (see **Foreign Exchange**) and a lower income tax recovery. This was offset by higher Adjusted EBITDA (as described above) and lower goodwill impairment (see **Goodwill Impairment**).

## Results of Operations by Business Segment

### SPPC -

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	\$ 103,960	\$ 126,441	\$ 216,982	\$ 257,520
Gross profit	9,494	18,325	23,955	34,808
Adjusted EBITDA <sup>(1)</sup>	31,614	45,288	66,246	82,813
(Loss) gain on disposal and write down of PPE	(32)	(754)	17	(752)
EBITDA <sup>(1)</sup>	31,582	44,534	66,263	82,061

<sup>(1)</sup> 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, Regen and ultra pure sulphuric acid, sodium hydrosulphite ("SHS"), 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 three and six months ended June 30, 2020 was \$22.5 million and \$40.5 million lower, respectively, than the same periods of 2019. The decrease in revenue in the second quarter of 2020 was primarily due to lower sales volumes for merchant acid, Regen acid and sulphur products. Government orders restricting non-essential travel and people working from home have reduced demand for gasoline which has resulted in lower demand for Regen acid, as oil refineries are operating at significantly reduced rates. Revenue for the first six months of 2020 was lower due to lower sales volume of merchant acid, Regen acid, SHS products and sulphur products. This was partially offset by higher selling prices for ultra pure sulphuric acid.

Gross profit during the three and six months ended June 30, 2020 was \$8.8 million and \$10.9 million lower than the same periods of 2019. The lower gross profit was primarily due to the COVID-19 pandemic which resulted in reduced demand and lower sales volumes, particularly for Regen and merchant sulphuric acid.



The factors that resulted in lower gross profit also resulted in Adjusted EBITDA for the three and six months ended June 30, 2020 being \$13.7 million and \$16.6 million lower, respectively, than the Adjusted EBITDA for the same periods of 2019. Adjusted EBITDA for the three and six months ended June 30, 2019 also benefited from a \$2.6 million recovery resulting from the settlement of a claim related to the failure of capital equipment at one of the acid manufacturing plants.

#### WSSC -

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Revenue	\$ 113,456	\$ 115,508	\$ 226,794	\$ 220,898
Gross (loss) profit	16,955	(53,481)	(25,415)	(47,293)
Adjusted EBITDA <sup>(1)</sup>	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 PPE	—	2	457	4
<b>EBITDA <sup>(1)</sup></b>	<b>26,878</b>	<b>(44,739)</b>	<b>(6,340)</b>	<b>(26,670)</b>

<sup>(1)</sup> 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, phosphorus pentasulphide, and vaccine adjuvants. These products are marketed primarily to North American customers.

Revenue for the three and six months ended June 30, 2020 was \$2.1 million lower and \$5.9 million higher, respectively, than the same periods of 2019. Revenue for the second quarter of 2020 was lower 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. Revenue for the first six months of 2020 was higher due to higher selling prices and higher sales volumes of water solutions products partially offset by lower sales volumes of specialty chemical products.

Gross profit for the three months ended June 30, 2020 was \$70.4 million higher than the same period of 2019. This was primarily due to a \$65.6 million impairment of goodwill recorded in the second quarter of 2019 (see **Goodwill Impairment**). Gross profit for the six months ended June 30, 2020 was \$21.9 million higher than the same period of 2019. This increase was primarily due to higher revenue as described above and lower impairment of goodwill recorded in 2020 compared to 2019. In 2020, a \$56.0 million impairment of goodwill for water solutions products was recorded during the first quarter compared to a \$65.6 million impairment of goodwill for specialty chemical products recorded in the second quarter of 2019 (see **Goodwill Impairment**).

The factors that affected revenue and gross profit also resulted in Adjusted EBITDA for the three and six months ended June 30, 2020 being \$6.4 million and \$14.0 million higher, respectively, than the same periods of 2019.

EC -

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 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 <sup>(1)</sup>	36,034	46,400	68,967	94,494
Gain (loss) on disposal and write-down of PPE	19	1,055	(5)	1,051
EBITDA <sup>(1)</sup>	36,053	47,455	68,962	95,545

<sup>(1)</sup> 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 three and six months ended June 30, 2020 was \$24.7 million and \$32.9 million lower, respectively, than the same periods 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. During the second quarter of 2020, the North Vancouver chlor-alkali plant operated at lower rates due to reduced demand for HCl. HCl demand has been negatively affected by a downturn in the oil and gas industry which lead to lower fracking activity, which is a demand source for HCl.

In addition to reduced production levels at the North Vancouver facility, the lower revenue in the first six months of 2020 was due to lower sales volumes for HCl, a decrease of 36% in selling prices for HCl and a decrease of 14% in selling prices for caustic soda. This was partially offset by an 8% increase in selling prices for chlorine.

Gross profit for the three and six months ended June 30, 2020 was \$16.7 million and \$31.6 million lower, respectively, than the same periods of 2019. Gross profit during the second quarter and first six months of 2020 was negatively affected by significantly lower selling prices for HCL and caustic soda relative to 2019 and by lower chlor-alkali production during the second quarter of 2020.

Additionally, for the three and six months ended June 30, 2020, there was a 54% and 47% decrease, respectively, in netbacks (selling price less freight) for HCl compared with the same period of 2019.

The factors that affected gross profit also resulted in Adjusted EBITDA for the three and six months ended June 30, 2020 being \$10.4 million and \$25.5 million lower, respectively, than the same periods of 2019.

**Corporate -**

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>	
	June 30, 2020	June 30, 2019	June 30, 2020	June 30, 2019
Cost of services	\$ 19,360	\$ 21,270	\$ 31,751	\$ 80,993
Adjusted EBITDA <sup>(1)</sup>	(19,360)	(21,270)	(31,751)	(80,993)
Unrealized foreign exchange (loss) gain	7,183	5,110	(2,425)	9,173
Loss on disposal and write down of PPE	—	(605)	—	(908)
EBITDA <sup>(1)</sup>	(12,177)	(16,765)	(34,176)	(72,728)

<sup>(1)</sup> 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 three and six months ended June 30, 2020, corporate costs, excluding unrealized foreign exchange gains and losses were \$1.9 million and \$49.2 million lower, respectively, than the same periods of 2019. The decrease in corporate costs for the three months ended June 30, 2020 was primarily due to lower Long Term Incentive Plan ("LTIP") costs. The decrease in corporate costs for the six months ended June 30, 2020 was primarily due to the legal proceedings reserve of \$40.0 million recorded in 2019 and \$10.4 million of lower LTIP costs in 2020, partially offset by \$1.3 million of higher incentive compensation costs in 2020. The LTIP costs were lower in 2020 due to decline in Chemtrade's unit price.

Corporate costs include LTIP expenses, which relate to the 2018-2020, 2019-2021, and 2020-2022 LTIPs which Chemtrade operates and pursuant to which it grants cash awards based on certain criteria. The 2018-2020, 2019-2021, and 2020-2022 LTIP payouts are payable at the beginning of 2021, 2022 and 2023, respectively. The LTIP awards have a performance based component and a restricted share unit component. The performance based component of the 2018 - 2020 and 2019 - 2021 LTIP awards 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 Composite Index or the companies comprising such index. The performance based component of the 2020 - 2022 LTIP awards is based on Return on Investment Capital ("ROIC") Improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite 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.

There was an unrealized foreign exchange gain of \$7.2 million for the three months ended June 30, 2020 and an unrealized loss of \$2.4 million for the six months ended June 30, 2020, compared with unrealized foreign exchange gains of \$5.1 million and \$9.2 million respectively, for the same periods of 2019. These were a result of fluctuations in the exchange rates between the Canadian dollar, U.S. dollar and the Brazilian Real.

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 six months ended June 30, 2020, a foreign exchange gain of \$26.4 million and a loss of \$28.0 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 \$5.3 million and \$10.7 million, respectively, during the three and six months ended June 30, 2019.

### **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 General Chemical obtained the benefit of conditional amnesty from criminal charges. General Chemical and Chemtrade are also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. Corporate costs for the six months ended June 30, 2019 included an expense of \$40.0 million which increased the 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\$56.0 million and was paid out during 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. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions are uncertain. The reserve for legal proceedings is included as part of provisions and presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

### **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, \$214.7 million (December 31, 2019 - \$202.8 million) of assets, along with \$18.2 million (December 31, 2019 - \$18.7 million) of liabilities directly associated with these assets have been presented as held for sale as at June 30, 2020.

### **Goodwill Impairment**

During the second quarter of 2019, Chemtrade performed a test for goodwill impairment for the 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 was based on the value in use approach.

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration of historic and forecast performance of each CGU, Chemtrade performed a test for goodwill impairment for the water solutions CGU in WSSC. Although the water solutions CGU's operating performance had been improving, as a result of applying the higher discount rate, this CGU's carrying value exceeded its recoverable amount by \$56.0 million and therefore an impairment loss of \$56.0 million was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU, its recoverable amount equals its carrying value.

During the second quarter of 2020, there were no indicators of impairment identified, therefore, Chemtrade did not test for goodwill impairment.

## 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 \$1.35 to \$1.36), on an unhedged basis, this would have a positive impact on annual net earnings of approximately \$0.6 million, and vice-versa. The impact on annual Adjusted EBITDA and Distributable cash after maintenance capital expenditures would be approximately \$1.9 million and \$0.7 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 June 30, 2020 include future contracts to sell the following amounts for periods through to September 2020:

Amount (\$'000)	Weighted average exchange rate
US\$10,000	\$1.32

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 condensed consolidated interim 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, 2019 were a result of changes in the Canadian/U.S. dollar exchange rate between December 31, 2019 and June 30, 2020.

The rate of exchange used to translate U.S. dollar-denominated balances has increased from a rate of US\$1.00 = \$1.30 at December 31, 2019 to US\$1.00 = \$1.36 at June 30, 2020. See **Risks and Uncertainties** for additional comments on foreign exchange.

### **Net Finance Costs**

During the three and six months ended June 30, 2020, net finance costs were \$2.7 million and \$70.2 million, respectively, compared with net finance costs of \$26.2 million and \$53.3 million, respectively, during the same periods of 2019.

Net finance costs were \$23.5 million lower during the second quarter of 2020 relative to 2019. This decrease is primarily due to a gain of \$17.0 million related to a change in the fair value of Debentures in the second quarter of 2020 compared to a loss of \$5.0 million in the second quarter of 2019 and lower interest expense of \$1.6 million.

Net finance costs were \$16.8 million higher during the six months ended June 30, 2020 relative to 2019, primarily due to an \$18.3 million increase in losses related to a change in the fair value of Debentures. This was partially offset by lower interest expense of \$1.4 million.

The Debentures are recognized at fair value with changes in fair value due to changes in the risk free interest rate presented in net finance costs and changes in Chemtrade's own credit risk presented in other comprehensive income rather than net earnings. During the three and six months ended June 30, 2020, the fair value of the Fund's Debentures increased by \$63.4 million and decreased by \$84.3 million, respectively. As a result, for the three months ended June 30, 2020, Chemtrade recorded a pre-tax gain of \$17.0 million, in net finance costs due to a decrease in the fair value of the conversion option, and a loss of \$58.9 million, net of tax recovery of \$21.5 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk. During the comparable period of 2019, Chemtrade recorded a pre-tax loss of \$5.0 million, in net finance costs due to a decrease in the risk free interest rate, and a loss of \$3.8 million, net of tax recovery of \$1.1 million, in other comprehensive income due to a decrease in Chemtrade's own credit risk.

For the six months ended June 30, 2020, Chemtrade recorded a pre-tax loss of \$30.4 million, in net finance costs due to a decrease in the risk free interest rate, and a gain of \$83.5 million, net of tax expense of \$31.2 million, in other comprehensive income due to an increase in Chemtrade's own credit risk. During the comparable period of 2019, Chemtrade recorded a pre-tax loss of \$12.2 million, in net finance costs due to a decrease in the risk free interest rate, and a gain of \$4.7 million, net of tax expense of \$1.5 million, in other comprehensive income due to an increase in Chemtrade's own credit risk.

The weighted average effective annual interest rate of the Credit Facilities at June 30, 2020 was 4.0% (December 31, 2019 - 4.2%). 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.

Current income tax expense for the second quarter and first six months of 2020 decreased by \$0.5 million and \$1.2 million, respectively, compared with the same periods of 2019. The decrease is primarily due to tax recoveries recorded during the second quarter of 2020 related to the carryback of U.S. non-operating losses pursuant to the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), partially offset by higher U.S. Base Erosion and Anti-Abuse Tax ("BEAT tax").

Deferred income tax expense for the second quarter of 2020 was \$5.3 million compared with a deferred income tax recovery of \$3.7 million for the same period of 2019. The increase in deferred income tax expense is primarily due to the utilization of non-capital loss carryforwards in Canada and in the U.S. in 2020, as well as a decrease in interest carryforwards due to the enactment of the anti-hybrid entity and instrument rules in the U.S.. Deferred income tax recovery for the first six months of 2020 was \$16.8 million compared with \$22.8 million for the same period of 2019. Deferred income tax recovery was higher in 2019 due to the U.S. legal proceeding reserve (see **Reserve for legal proceedings**), partially offset by non-capital losses recognized in Canada in 2020.

The effective tax rate for the first six months of 2020 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, a decrease in interest expense carryforwards due to the enactment of the anti-hybrid entity and instrument rules in the U.S., and the impairment of non-deductible goodwill.

The net decrease in deferred tax assets of \$6.2 million at June 30, 2020 relative to December 31, 2019 is primarily due to the recognition of capital gains associated with the change in fair value of the Debentures, partially offset by non-capital losses recognized in Canada. The net decrease in deferred tax liabilities of \$3.0 million at June 30, 2020 relative to December 31, 2019 is primarily due to the depreciation of non-deductible fixed assets in Brazil.

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 six months ended June 30, 2020, and for the years ended December 31, 2019 and December 31, 2018.

(\$'000)	<u>Three months ended</u>		<u>Six months ended</u>		<u>Year ended</u>	
	June 30, 2020	June 30, 2020	December 31, 2019	December 31, 2018		
Cash flows from operating activities	\$ 66,677	\$ 97,897	\$ 139,477	\$ 244,464		
Net earnings (loss)	\$ 4,499	\$ (93,376)	\$ (99,654)	\$ (131,517)		
Distributions paid during period	\$ 13,890	\$ 41,670	\$ 111,116	\$ 111,116		
Excess of cash flows from operating activities over cash distributions paid	\$ 52,787	\$ 56,227	\$ 28,361	\$ 133,348		
Shortfall of net earnings (loss) over cash distributions paid	\$ (9,391)	\$ (135,046)	\$ (210,770)	\$ (242,633)		

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 -

On March 11, 2020, Chemtrade announced a reduction of its monthly distribution to \$0.05 per unit.

Distributions to Unitholders for the three and six months ended June 30, 2020 were declared as follows:

Record Date	Payment Date	Distribution Per Unit	Total (\$'000)
Three months ended June 30:			
April 30, 2020	May 29, 2020	\$ 0.05	\$ 4,630
May 29, 2020	June 30, 2020	0.05	4,630
June 30, 2020	July 31, 2020	0.05	4,630
Sub-total		0.15	13,890
Three months ended March 31, 2020		\$ 0.25	\$ 23,150
Total for the six months ended June 30, 2020		\$ 0.40	\$ 37,040



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

Record Date	Payment Date	Distribution Per Unit		Total (\$'000)
Three months ended June 30:				
April 30, 2019	May 31, 2019	\$	0.10 \$	9,260
May 31, 2019	June 28, 2019		0.10	9,260
June 28, 2019	July 31, 2019		0.10	9,259
Sub-total			0.30	27,779
Three months ended March 31, 2019		\$	0.30 \$	27,779
Total for the six months ended June 30, 2019		\$	<b>0.60 \$</b>	<b>55,558</b>

Treatment of Chemtrade's distributions for Canadian Income Tax purposes for 2019 and 2020 is as follows:

	Other Income	Dividends <sup>(1)</sup>	Foreign Non-Business Income	Total
2019	13.2%	41.5%	45.3%	100%
2020 <sup>(2)</sup>	4.0%	7.0%	89.0%	100%

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

<sup>(2)</sup> Represents anticipated tax characterization of planned distributions. On July 13, 2020, Chemtrade commenced a DRIP and participants receive bonus distributions of Units equal to 3% of the amount of the cash distribution reinvested. Bonus distributions will be treated as a return of capital for Canadian Income Tax purposes which will affect the treatment of Chemtrade's distributions for 2020. The actual tax treatment of 2020 distributions will be determined by March 1, 2021.

## 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 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 flow from operating activities for the second quarter of 2020 was an inflow of \$66.7 million, compared with an inflow of \$51.8 million for the same period of 2019. The increase in cash flow from operating activities of \$14.8 million in the second quarter of 2020 compared with the second quarter of 2019 was primarily due to changes in working capital, partially offset by lower Adjusted EBITDA and higher interest paid.

Cash flow from operating activities in the first six months of 2020 was an inflow of \$97.9 million compared with an outflow of \$1.6 million during the first six months of 2019. The increase in cash flow from operating activities of \$99.5 million was primarily due to changes in working capital and higher Adjusted EBITDA. There was a large increase in working capital during the first six months of 2019 when an amount that had been accrued with respect to the settlement of the main class action lawsuit was paid (see **Reserve for legal proceedings**).

### Investing Activities

Capital expenditures were \$12.8 million in the second quarter of 2020, compared with \$20.0 million in the second quarter of 2019. These amounts include \$12.1 million in the second quarter of 2020 and \$17.2 million in the second quarter of 2019 for maintenance capital expenditures. Investment in capital expenditures was \$24.6 million for the first six months of 2020, compared with \$31.4 million for the first six months of 2019. These amounts include \$23.1 million in the first six months of 2020 and \$26.2 million in the first six months of 2019 for maintenance capital expenditures. The lower capital expenditures in 2020 compared with the same periods of 2019 is due to the COVID-19 pandemic related restrictions. Chemtrade expects to incur approximately \$75.0 to \$80.0 million of maintenance capital expenditures during 2020.

Non-maintenance capital expenditures were \$0.8 million during the second quarter of 2020, compared with \$2.8 million during the second quarter of 2019. Investment in non-maintenance capital expenditures was \$1.5 million during the first six months of 2020, compared with \$5.2 million during the first six months of 2019. 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 June 30, 2020, Chemtrade's credit facilities were comprised of a \$441.2 million (US\$325.0 million) five year term loan and a \$712.7 million (US\$525.0 million) revolving credit facility (the "Credit Facilities").

During the fourth quarter of 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024 and incurred \$0.6 million 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.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. Chemtrade incurred \$1.3 million 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.

There was a net decrease in borrowings on the revolving portion of the Credit Facilities of \$62.9 million and a net increase of \$71.6 million during the three and six months ended June 30, 2020 respectively, compared with a net increase of \$2.5 million and \$187.8 million, respectively, during the same period of 2019. During the first six months of 2020, the additional borrowings on the Credit Facilities were primarily used to redeem the remaining portion of the outstanding CEI Series VI Debentures at a total aggregate redemption price of \$74.6 million. During the first six 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 (see **Reserve for legal proceedings**).

Distributions paid to Unitholders during the three and six months ended June 30, 2020 were \$13.9 million and \$41.7 million respectively compared to \$27.8 million and \$55.6 million for the same periods of 2019. The decrease is primarily due to the reduction in monthly distributions from \$0.10 per unit to \$0.05 per unit as announced on March 11, 2020. 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 term bank 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 term bank debt until December 2023. On April 24, 2020, Chemtrade entered into a new swap arrangement which fixed the LIBOR components of its interest rates on the first US\$250.0 million of its outstanding revolving credit under its long term debt until April 24, 2021. 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 condensed consolidated interim 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 recognized in other comprehensive income.

#### *Cash Balances -*

At June 30, 2020, Chemtrade had net cash balances of \$12.3 million and working capital of \$26.1 million. Comparable figures for December 31, 2019 were \$13.5 million and working capital of \$16.3 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. However, there is inherently more uncertainty associated with the Fund's future operating assumptions given the changing circumstances surrounding the COVID-19 pandemic. See **Risks and Uncertainties - Risk of Pandemic**

for more details. 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 June 30, 2020, Chemtrade had Credit Facilities of approximately \$1.2 billion (US\$850.0 million), consisting of a \$441.2 million (US\$325.0 million) five year term loan and a \$712.7 million (US\$525.0 million) revolving credit facility. At June 30, 2020, Chemtrade had the entire term loan outstanding, and had drawn \$414.6 million on its revolving credit facility. Additionally, it had committed a total of \$11.2 million of its revolving credit facility towards standby letters of credit. During the fourth quarter of 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024.

During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic.

At June 30, 2020, Chemtrade had four series of Debentures outstanding with an aggregate par value of \$571.4 million (market value of \$450.0 million) and maturity dates ranging from June 30, 2021 to October 31, 2026.

In October 2019, Chemtrade completed a public offering of \$100.0 million principal amount of Debentures, at a price of \$1,000 per debenture, with an interest rate of 6.50% per annum. Chemtrade incurred transaction costs of \$4.5 million which included underwriters' fees and other expenses relating to the offering.

During the first quarter of 2020, Chemtrade redeemed all of the outstanding CEI Series VI Debentures at a total aggregate redemption price of \$74.6 million 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 VI Debentures. Chemtrade used its Credit Facilities to fund the redemption.

The Fund's \$126.5 million principal amount of 5.25% of convertible unsecured subordinated debentures ("the Fund 2014 5.25% Debentures") will mature on June 30, 2021 and have been presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position at June 30, 2020.

#### *Debt Covenants -*

As at June 30, 2020, Chemtrade was compliant with all debt covenants contained in its credit agreement.

## Summary of Quarterly Results

(\$ millions)	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Revenue	\$ 347.5	\$ 366.9	\$ 355.2	\$ 395.6	\$ 396.7	\$ 385.3	\$ 390.8	\$ 418.2
Cost of sales and services	(314.9)	(388.0)	(331.5)	(354.2)	(409.0)	(340.8)	(452.2)	(354.4)
Gross profit (loss)	32.6	(21.1)	23.7	41.4	(12.3)	44.5	(61.4)	63.8
Selling and administrative expenses:								
Unrealized foreign exchange gain (loss)	7.2	(9.6)	2.7	(1.0)	5.1	4.1	(2.7)	3.1
LTIP	(0.5)	5.6	(0.4)	(6.0)	(2.3)	(2.9)	2.5	(2.7)
Other	(26.0)	(26.5)	(21.7)	(20.7)	(24.2)	(65.4)	(21.0)	(52.5)
Total selling and administrative expenses	(19.3)	(30.5)	(19.4)	(27.7)	(21.4)	(64.2)	(21.2)	(52.1)
Operating income (loss)	13.3	(51.5)	4.3	13.7	(33.7)	(19.7)	(82.6)	11.7
Net finance costs:								
Mark-to-market on Debentures	17.0	(47.4)	13.0	(1.5)	(5.0)	(7.2)	(8.1)	4.0
Debt issuance and extinguishment costs	—	—	(4.5)	—	—	—	—	—
Other	(19.7)	(20.1)	(21.0)	(21.2)	(21.2)	(19.9)	(17.2)	(17.1)
Total net finance costs	(2.7)	(67.5)	(12.5)	(22.7)	(26.2)	(27.1)	(25.3)	(13.1)
Income tax (expense) recovery	(6.1)	21.1	(4.4)	8.8	2.3	17.5	10.7	10.6
Net earnings (loss)	\$ 4.5	\$ (97.9)	\$ (12.6)	\$ (0.2)	\$ (57.6)	\$ (29.3)	\$ (97.2)	\$ 9.2

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 first quarter of 2020, goodwill impairment of \$56.0 million related to certain water solutions products was recorded. Gross profit for the fourth quarter of 2019 was lower due to significantly lower selling prices for caustic soda. 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 solutions products was recorded.

### 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 third quarter of 2018, an expense of \$35.0 million, related to this legal proceedings reserve was also recorded.

## 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 in 2019, net finance costs include approximately \$2.2 million per quarter of interest expense related to lease liabilities recorded in each quarter resulting from the adoption of IFRS 16. The fourth quarter of 2019 included \$4.5 million of transaction costs on the issuance of Debentures.

## **Outstanding Securities of the Fund**

As at August 12, 2020 and June 30, 2020, the following common units and securities convertible into units of the Fund were issued and outstanding:

	August 12, 2020		June 30, 2020	
	Convertible Securities	Units	Convertible Securities	Units
<b>Common units outstanding</b>		<b>92,601,062</b>		<b>92,601,062</b>
<b>5.25% Debentures <sup>(1)</sup></b>	<b>\$ 126,500</b>	<b>4,517,857</b>	<b>\$ 126,500</b>	<b>4,517,857</b>
<b>5.00% Debentures <sup>(2)</sup></b>	<b>143,750</b>	<b>5,784,708</b>	<b>143,750</b>	<b>5,784,708</b>
<b>4.75% Debentures <sup>(3)</sup></b>	<b>201,115</b>	<b>7,532,397</b>	<b>201,115</b>	<b>7,532,397</b>
<b>6.50% Debentures <sup>(4)</sup></b>	<b>100,000</b>	<b>6,329,114</b>	<b>100,000</b>	<b>6,329,114</b>
<b>Units outstanding and issuable upon conversion of Debentures</b>		<b>116,765,138</b>		<b>116,765,138</b>
<b>Deferred units plan <sup>(5)(6)</sup></b>	<b>\$ 2,295</b>	<b>437,945</b>	<b>\$ 2,361</b>	<b>433,955</b>
<b>Units outstanding and issuable upon conversion of Debentures and Deferred units</b>		<b>117,203,083</b>		<b>117,199,093</b>

<sup>(1)</sup> Convertible at \$28.00 per unit

<sup>(2)</sup> Convertible at \$24.85 per unit

<sup>(3)</sup> Convertible at \$26.70 per unit

<sup>(4)</sup> Convertible at \$15.80 per unit

<sup>(5)</sup> Based on \$5.24 and \$5.44, the closing price of a unit on the TSX on August 12, 2020 and June 30, 2020 respectively

<sup>(6)</sup> 562,055 and 566,045 deferred units were available for future grants as at August 12, 2020 and June 30, 2020 respectively

## Contractual Obligations

Information concerning contractual obligations at June 30, 2020 is shown below:

<b>Contractual Obligations (\$'000)</b>	<b>Total</b>	<b>Less Than 1 Year</b>	<b>1-3 Years</b>	<b>4-5 Years</b>	<b>After 5 Years</b>
Long-term debt	\$ 855,858	\$ —	\$ —	\$ 855,858	\$ —
Debentures	571,365	126,500	—	344,865	100,000
Purchase commitments	106,208	36,586	30,943	30,943	7,736
Interest on Debentures	108,050	29,882	46,480	23,015	8,673
Interest on long-term debt	147,534	34,147	68,294	45,093	—
Lease payments	217,797	59,545	89,179	39,494	29,579
<b>Total contractual obligations</b>	<b>\$ 2,006,812</b>	<b>\$ 286,660</b>	<b>\$ 234,896</b>	<b>\$ 1,339,268</b>	<b>\$ 145,988</b>

## 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, 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. 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 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, 2019. 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 Pandemic*

The COVID-19 pandemic continues to evolve rapidly and, as a result, it is difficult to accurately assess its continued magnitude, outcome and duration. A local, regional, national or international outbreak of a contagious disease, including COVID-19 or any other similar illness, could:

- worsen economic conditions, resulting in generally lower levels of industrial activity which could result in reduced demand for some or all of Chemtrade's products such as sulphuric acid, which is a very widely used chemical;
- lead to prolonged restrictions on non-essential travel and people working from home, which would negatively effect demand for Chemtrade's Regen services and for sodium chlorate;
- impact Chemtrade's customers' production volume levels, including as a result of prolonged unscheduled facility shutdowns;
- impact Chemtrade's ability to perform maintenance turnarounds at its manufacturing sites resulting in unscheduled downtime;
- impact its production levels, including as a result of full or partial shutdowns of its manufacturing facilities;
- cause potential shortages of employees to staff its facilities, or the facilities of its customers or suppliers;
- result in governmental regulation adversely impacting Chemtrade's business or the businesses of its customers or suppliers;
- impact Chemtrade's ability to raise capital; or
- impact its ability to deliver its products and receive raw materials as a result of a supply chain disruption or orders restricting movement across borders (between or within countries),

all of which could have a material adverse effect on Chemtrade's business, financial condition and results of operations, which could be rapid and unexpected. To the extent the COVID-19 pandemic adversely affects Chemtrade's business and financial results, it may also have the effect of heightening many of the other risks described in this MD&A. The extent to which COVID-19 may impact Chemtrade's business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, such as the ultimate geographic spread of the pandemic, the duration of the pandemic, travel restrictions and social distancing in Canada, the United States and other countries, business closures or business disruptions and the effectiveness of actions taken in Canada, the United States and other countries to contain and treat the pandemic.

#### *Risks associated with financial instruments*

##### *Credit risk*

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does



not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts and interest rate swaps carry investment grade ratings. Chemtrade believes its credit risk of counter-party non-performance continues to be relatively low, notwithstanding the impact of COVID-19. Chemtrade is in regular contact with its customers, suppliers and logistics providers, and to date has not experienced significant counter-party non-performance. However, if a key supplier or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss to Chemtrade. Chemtrade's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and derivative assets.

#### Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade believes that cash flows from operating activities, together with cash on hand, cash from receivables and borrowings available under the revolving credit facility are sufficient to fund its currently anticipated financial obligations, and will remain available in the current environment.

#### Currency risk

Chemtrade is exposed to fluctuations in the exchange rate of the US dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in US dollars, with earnings positively affected when the US dollar strengthens relative to the Canadian dollar. Chemtrade cannot predict changes in currency exchange rates, the impact of exchange rate changes on Chemtrade's operating results, nor the degree to which Chemtrade will be able to manage the impact of currency exchange rate changes. Such changes, including negative impacts on currency exchange rates related to the COVID-19 pandemic, could have an impact on Chemtrade's business, results of operations and financial condition.

#### Interest rate risk

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at June 30, 2020, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately \$8.6 million on Chemtrade's net earnings per annum. As at June 30, 2020, Chemtrade had fixed interest rates on 91.2% of its senior debt until April 2021 and 51.6% thereafter until December 2023.

### **Critical Judgments and Sources of Estimation Uncertainty**

The preparation of the condensed consolidated interim 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, 2019. There have been no material changes to the business of Chemtrade that require an update to the discussion of these sources of estimation uncertainty.

### **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 June 30, 2020 through inquiry and review. The Chief Executive Officer and the Chief Financial Officer have concluded that, as at June 30, 2020, Chemtrade's design and implementation of the controls 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 June 30, 2020. There have been no changes to the design of internal controls over financial reporting that occurred during the three and six months ended June 30, 2020 that have materially affected or are reasonably likely to materially affect the internal controls over financial reporting.

### **Financial Outlook**

In April 2020, Chemtrade suspended the Guidance issued earlier in the year. The economic uncertainty caused by COVID-19 prevents us from knowledgeably predicting the key elements necessary to make Guidance meaningful. While we can no longer provide a definitive Guidance range we can update certain of our Guidance assumptions while cautioning that this is a very fluid situation and our comments below are based largely on input from our customer base which can, and likely will, change over time. Accordingly, the following comments should be read with extreme care and we will not update these comments until our next MD&A.

Comments on certain key elements contributing to Chemtrade's earnings are as follows:

- COVID-19 related restrictions substantially reduced demand for gasoline and thus demand for our Regen services. While this had a significant impact on second quarter results, the reduction was not as severe as

we had anticipated. We expect that demand will slowly improve over the balance of the year, but still end the year well below normal demand levels.

- We still expect that none of the principal manufacturing facilities (as set out in Chemtrade's Annual Information Form) incurs significant unplanned downtime. However, due to the deferral of certain maintenance turnarounds and the future availability of contractors to perform required maintenance, there could be an effect on the reliability of our operations.
- Key assumptions in the EC Segment are as follows:
  - We now expect that North American MECU production volume for 2020 will be approximately 155,000, limited primarily by demand for our chlorine and HCL products. If demand for these products decreases further our production will decrease and conversely if demand increases.
  - We now expect that the 2020 average N.E.Asia spot price for caustic soda price will be US\$ 60 per MT lower than 2019.
  - North American production volume of sodium chlorate for 2020 will be approximately 385,000 MT.
- A foreign exchange rate of US\$ 0.74 per C\$ 1.00. See **Foreign Exchange**.
- Chemtrade also expects:
  - Maintenance Capital Expenditures to range between \$75.0 million and \$80.0 million; our ability to spend this amount will largely be dependent on the availability of needed contractors.
  - Lease Payments to range between \$55.0 million and \$60.0 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](http://www.sedar.com).

August 13, 2020

Condensed Consolidated Interim Financial Statements of

# **CHEMTRADE LOGISTICS INCOME FUND**

Three and six months ended  
June 30, 2020 and 2019  
(Unaudited)

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Financial Position

(In thousands of Canadian dollars)

(Unaudited)

	Notes	June 30, 2020	December 31, 2019
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	\$	12,326	\$ 13,466
Trade and other receivables		140,092	155,348
Inventories		124,730	122,273
Income taxes receivable		2,406	1,795
Prepaid expenses and other assets		8,258	4,720
Assets held for sale	3	214,739	202,772
<b>Total current assets</b>		<b>502,551</b>	<b>500,374</b>
<b>Non-current assets</b>			
Property, plant and equipment		1,123,169	1,126,962
Right-of-use assets		177,891	174,224
Other assets		8,158	9,316
Intangible assets	7	804,466	871,205
Deferred tax assets	12	90,811	96,992
<b>Total non-current assets</b>		<b>2,204,495</b>	<b>2,278,699</b>
<b>Total assets</b>	\$	<b>2,707,046</b>	\$ <b>2,779,073</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Trade and other payables	13 \$	177,570	\$ 199,694
Distributions payable	6	4,630	9,260
Provisions	9	20,000	19,783
Lease liabilities		51,770	48,392
Convertible unsecured subordinated debentures	5	117,961	74,584
Liabilities directly associated with assets held for sale	3	18,190	18,710
<b>Total current liabilities</b>		<b>390,121</b>	<b>370,423</b>
<b>Non-current liabilities</b>			
Long-term debt	4	850,953	744,274
Convertible unsecured subordinated debentures	5	332,050	534,345
Other long-term liabilities		39,012	26,849
Long-term lease liabilities		138,700	133,633
Employee benefits		66,925	53,294
Provisions		161,005	134,827
Deferred tax liabilities	12	18,848	21,852
<b>Total non-current liabilities</b>		<b>1,607,493</b>	<b>1,649,074</b>
<b>Total liabilities</b>		<b>1,997,614</b>	<b>2,019,497</b>
<b>Unitholders' equity</b>			
Units	6	1,462,116	1,462,116
Contributed surplus		9,720	9,720
Deficit		(1,009,488)	(870,874)
Accumulated other comprehensive income		247,084	158,614
<b>Total unitholders' equity</b>		<b>709,432</b>	<b>759,576</b>
<b>Total liabilities and unitholders' equity</b>	\$	<b>2,707,046</b>	\$ <b>2,779,073</b>

For subsequent events, see Note 15.

# 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 June 30,		Six months ended June 30,	
		2020	2019	2020	2019
Revenue		\$ 347,534	\$ 396,735	\$ 714,435	\$ 781,987
Cost of sales and services	7,11	(314,912)	(409,017)	(702,869)	(749,834)
Gross profit (loss)		32,622	(12,282)	11,566	32,153
Selling and administrative expenses	9	(19,295)	(21,425)	(49,783)	(85,601)
Operating income (loss)		13,327	(33,707)	(38,217)	(53,448)
Net finance costs	10	(2,706)	(26,211)	(70,158)	(53,322)
Income (loss) before income tax		10,621	(59,918)	(108,375)	(106,770)
Income tax (expense) recovery	12				
Current		(870)	(1,395)	(1,771)	(2,937)
Deferred		(5,252)	3,737	16,770	22,813
		(6,122)	2,342	14,999	19,876
Net earnings (loss)		\$ 4,499	\$ (57,576)	\$ (93,376)	\$ (86,894)
Other comprehensive income (loss)					
<b>Items that may subsequently be reclassified to earnings:</b>					
Gain (loss) on net investment hedge of foreign operations, net of tax recovery of nil and \$636 (2019 - expense of \$752 and \$752)	4,13	26,375	4,583	(27,381)	9,971
Foreign currency translation differences for foreign operations, net of tax expense of nil and nil (2019 - expense of \$1,328 and \$1,328)		(37,105)	(16,909)	46,820	(33,821)
Effective portion of change in the fair value of cash flow hedges, net of tax recovery of \$527 and \$6,360 (2019 - recovery of \$1,323 and \$2,601)		(204)	(3,250)	(14,516)	(6,729)
<b>Items that will not be reclassified to earnings:</b>					
Defined benefit plan adjustments, net of tax recovery of \$1,804 and \$2,521 (2019 - recovery of \$306 and \$2,131)		(5,174)	(751)	(8,198)	(5,921)
Change in fair value of convertible debentures due to credit risk, net of tax recovery of \$21,509 and expense of \$31,209 (2019 - recovery of \$1,061 and expense of \$1,486)	5	(58,853)	(3,834)	83,547	4,689
Other comprehensive (loss) income		(74,961)	(20,161)	80,272	(31,811)
Total comprehensive loss		\$ (70,462)	\$ (77,737)	\$ (13,104)	\$ (118,705)
Net earnings (loss) per unit	6				
Basic net earnings (loss) per unit		\$ 0.05	\$ (0.62)	\$ (1.01)	\$ (0.94)
Diluted net loss per unit		\$ (0.02)	\$ (0.62)	\$ (1.01)	\$ (0.94)

# 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 on cash flow and net investment hedges*	Change in fair value of convertible debentures due to credit risk*	Total unitholders' equity
<b>Balance at January 1, 2020</b>		\$ 1,462,116	\$ 9,720	\$ (870,874)	\$ 171,893	\$ (17,381)	\$ 4,102	\$ 759,576
Net loss		—	—	(93,376)	—	—	—	(93,376)
Other comprehensive (loss) income		—	—	(8,198)	46,820	(41,897)	83,547	80,272
Distributions	6	—	—	(37,040)	—	—	—	(37,040)
<b>Balance at June 30, 2020</b>		\$ 1,462,116	\$ 9,720	\$ (1,009,488)	\$ 218,713	\$ (59,278)	\$ 87,649	\$ 709,432
	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
<b>Balance at January 1, 2019</b>		\$ 1,461,995	\$ 9,720	\$ (656,548)	\$ 216,070	\$ (27,664)	\$ 13,140	\$ 1,016,713
Net loss		—	—	(86,894)	—	—	—	(86,894)
Other comprehensive (loss) income		—	—	(5,921)	(33,821)	3,242	4,689	(31,811)
Distributions	6	—	—	(55,558)	—	—	—	(55,558)
<b>Balance at June 30, 2019</b>		\$ 1,461,995	\$ 9,720	\$ (804,921)	\$ 182,249	\$ (24,422)	\$ 17,829	\$ 842,450

\* Accumulated other comprehensive income.

# CHEMTRADE LOGISTICS INCOME FUND

Condensed Consolidated Interim Statements of Cash Flows

(In thousands of Canadian dollars)

(Unaudited)

	Notes	Three months ended		Six months ended	
		June 30,	2019	June 30,	2019
		2020	2019	2020	2019
<b>Cash flows from operating activities:</b>					
Net earnings (loss)		\$ 4,499	\$ (57,576)	\$ (93,376)	\$ (86,894)
Adjustments for:					
Depreciation and amortization	11	69,009	64,192	132,926	131,656
Loss (gain) on disposal and write-down of property, plant and equipment		13	302	(469)	605
Impairment of goodwill	7	—	65,600	56,000	65,600
Change in environmental liability		362	—	3,743	—
Income tax expense (recovery)		6,122	(2,342)	(14,999)	(19,876)
Net interest costs	10	16,172	17,331	32,697	33,149
Interest costs - lease liabilities	10	2,181	2,166	4,344	4,412
Accretion expense	10	964	1,251	1,911	2,619
Net pension interest	10	398	492	784	982
Change in fair value of convertible unsecured subordinated debentures	5,10	(17,009)	4,971	30,422	12,160
Unrealized foreign exchange (gain) loss	9	(7,183)	(5,110)	2,425	(9,173)
		75,528	91,277	156,408	135,240
Decrease (increase) in working capital		13,437	(20,229)	(23,425)	(103,122)
Interest paid		(20,922)	(17,660)	(33,709)	(30,112)
Interest received		98	173	190	334
Income taxes paid		(1,464)	(1,735)	(1,567)	(3,984)
<b>Net cash flows from (used in) operating activities</b>		<b>66,677</b>	<b>51,826</b>	<b>97,897</b>	<b>(1,644)</b>
<b>Cash flows from investing activities:</b>					
Additions to property, plant and equipment		(12,849)	(20,006)	(24,638)	(31,406)
Decrease (increase) in other assets		760	1,705	1,158	(182)
<b>Net cash flows used in investing activities</b>		<b>(12,089)</b>	<b>(18,301)</b>	<b>(23,480)</b>	<b>(31,588)</b>
<b>Cash flows from financing activities:</b>					
Distributions to unitholders	6	(13,890)	(27,779)	(41,670)	(55,558)
Repayment of lease liability net of sub-lease receipts		(14,367)	(13,842)	(28,162)	(28,485)
Repayment of convertible debentures	5	—	—	(74,584)	(84,011)
Net change in revolving credit facility	4	(62,864)	2,532	71,638	187,828
Financing transaction costs	4	(1,324)	—	(1,324)	—
(Decrease) increase in other long-term liabilities		(524)	4,220	(1,821)	9,969
<b>Net cash flows (used in) from financing activities</b>		<b>(92,969)</b>	<b>(34,869)</b>	<b>(75,923)</b>	<b>29,743</b>
<b>Decrease in cash and cash equivalents</b>		<b>(38,381)</b>	<b>(1,344)</b>	<b>(1,506)</b>	<b>(3,489)</b>
Cash and cash equivalents, beginning of the period		52,178	11,048	13,466	13,413
Effect of exchange rates on cash held in foreign currencies		(1,471)	(148)	366	(368)
<b>Cash and cash equivalents, end of the period</b>		<b>\$ 12,326</b>	<b>\$ 9,556</b>	<b>\$ 12,326</b>	<b>\$ 9,556</b>



# CHEMTRADE LOGISTICS INCOME FUND

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

Three and six months ended June 30, 2020 and 2019

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## 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 14.

Chemtrade is an entity domiciled in Canada. The head office, principal address, and registered and records office of the Fund 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 2019 annual consolidated financial statements. Certain amendments and interpretations apply for the first time in 2020, but do not have an impact on these condensed consolidated interim financial statements.

These condensed consolidated interim financial statements should be read in conjunction with Chemtrade's 2019 annual consolidated financial statements.

The condensed consolidated interim financial statements were authorized for issue by the Board of Trustees (the "Board") on August 13, 2020.

### (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;

# CHEMTRADE LOGISTICS INCOME FUND

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

Three and six months ended June 30, 2020 and 2019

## 2. BASIS OF PREPARATION (continued):

- Financial instruments designated 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 present value of the defined benefit obligation net of the fair value of the plan assets; 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. 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.

Following are details regarding the assets held for sale and the associated liabilities as at June 30, 2020 and December 31, 2019:

<b>Assets held for sale</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Trade and other receivables	\$ 9,822	\$ 6,844
Inventories	7,372	7,751
Prepaid expenses and other assets	85	94
Property, plant and equipment	60,934	57,398
Right-of-use ("ROU") assets	178	292
Intangible assets	136,348	130,393
<b>Total</b>	<b>\$ 214,739</b>	<b>\$ 202,772</b>

  

<b>Liabilities directly associated with assets held for sale</b>	<b>June 30, 2020</b>	<b>December 31, 2019</b>
Trade and other payables	\$ 3,065	\$ 4,667
Lease liabilities	182	226
Deferred tax liabilities	14,943	13,817
<b>Total</b>	<b>\$ 18,190</b>	<b>\$ 18,710</b>

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 4. LONG-TERM DEBT:

Changes in long-term debt are as follows:

	Term bank debt	Revolving credit (US\$ denominated) <sup>(1)</sup>	Revolving credit (Cdn\$ denominated) <sup>(1)</sup>	Transaction costs	Total
Maturity	October 24, 2024	October 24, 2024	October 24, 2024		
Credit limit US\$ <sup>(2)</sup>	325,000	525,000			850,000
Drawn US\$	325,000	295,108			620,108
Balance at January 1, 2020	\$ 421,948	\$ 318,601	\$ 7,724	\$ (3,999)	\$ 744,274
Net change	—	65,362	6,276	—	71,638
Loss on net investment hedge of foreign operations	19,272	8,745	—	—	28,017
Foreign currency translation differences on debt in foreign operations	—	7,930	—	—	7,930
Financing transaction costs <sup>(3)</sup>	—	—	—	(1,324)	(1,324)
Accretion expense on financing transaction costs	—	—	—	418	418
Balance at June 30, 2020	\$ 441,220	\$ 400,638	\$ 14,000	\$ (4,905)	\$ 850,953

<sup>(1)</sup> At June 30, 2020, Chemtrade had committed a total of \$11,245 of the revolving credit facility towards standby letters of credit.

<sup>(2)</sup> At June 30, 2020, Cdn\$ limit of the senior credit facilities ("Credit Facilities") was \$1,153,960, consisting of a term bank debt of \$441,220 and a revolving credit facility of \$712,740.

<sup>(3)</sup> During the second quarter of 2020, Chemtrade modified certain terms of its Credit Facilities including negotiating an amended covenant package on its Credit Facilities to provide Chemtrade with additional covenant room until 2022 in light of the uncertain economic climate arising from the COVID-19 pandemic. The transaction costs related to the modification have been deferred and are being amortized to finance costs in comprehensive income using the effective interest method.

	Term bank debt	Revolving credit (US\$ denominated) <sup>(1)</sup>	Revolving credit (Cdn\$ denominated) <sup>(1)</sup>	Transaction costs	Total
Maturity <sup>(2)</sup>	December 14, 2023	December 14, 2023	December 14, 2023		
Credit limit US\$ <sup>(3)</sup>	325,000	525,000			850,000
Drawn US\$	325,000	264,689			589,689
Balance at January 1, 2019	\$ 443,203	\$ 250,313	\$ —	\$ (4,502)	\$ 689,014
Net change	—	107,642	80,186	—	187,828
Gain on net investment hedge of foreign operations	(2,690)	(8,033)	—	—	(10,723)
Foreign currency translation differences on debt in foreign operations	(14,795)	(3,206)	—	(2)	(18,003)
Accretion expense on financing transaction costs	—	—	—	581	581
Balance at June 30, 2019	\$ 425,718	\$ 346,716	\$ 80,186	\$ (3,923)	\$ 848,697

<sup>(1)</sup> At June 30, 2019, Chemtrade had committed a total of \$11,630 of the revolving credit facility towards standby letters of credit.

<sup>(2)</sup> During the fourth quarter of 2019, Chemtrade modified certain terms of its Credit Facilities including extending the maturity date to October 24, 2024. Chemtrade incurred \$558 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.

<sup>(3)</sup> At June 30, 2019, Cdn\$ limit of the Credit Facilities was \$1,113,415, consisting of a term bank debt of \$425,718 and a revolving credit facility of \$687,697.

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## 4. LONG-TERM DEBT (continued):

The Credit Facilities are secured by certain property, plant and equipment ("PPE") of Chemtrade. At June 30, 2020, the weighted average effective interest rate of the facilities was 4.0% (December 31, 2019 - 4.2%). Interest rates on credit facilities are based on US LIBOR and Canadian Bankers' Acceptance rates, adjusted by Chemtrade's credit spread.

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 June 30, 2020, Chemtrade was in compliance with all covenants.

## 5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES:

During 2019, the Fund redeemed the remaining portion of the outstanding Chemtrade Electrochem Inc. ("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.

During the fourth quarter of 2019, Chemtrade completed a public offering 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 the Fund 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. Chemtrade incurred transaction costs of \$4,539 which included underwriters' fees and other expenses relating to the offering.

During the first quarter of 2020, Chemtrade redeemed all of the outstanding CEI Series VI Debentures at a total aggregate redemption price of \$74,624, 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 VI Debentures. Chemtrade used its Credit Facilities to fund the redemption.

At June 30, 2020, 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"), \$201,115 principal amount of 4.75% convertible unsecured subordinated debentures outstanding (the "Fund 2017 4.75% Debentures") and \$100,000 principal amount of the Fund 2019 6.50% Debentures. The Fund 2014 5.25% Debentures, the Fund 2016 5.00% Debentures, the Fund 2017 4.75% Debentures and the Fund 2019 6.50% Debentures are collectively referred to as the "Debentures".

# CHEMTRADE LOGISTICS INCOME FUND

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## 5. CONVERTIBLE UNSECURED SUBORDINATED DEBENTURES (continued):

The Fund 2014 5.25% Debentures will mature on June 30, 2021 and have been presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position at June 30, 2020.

Chemtrade has designated its Debentures as financial liabilities at fair value through profit or loss. At June 30, 2020, the fair value of the Debentures was \$450,011 (December 31, 2019 - \$608,929).

For the three and six months ended June 30, 2020, there were net finance recoveries of \$9,588 and costs of \$45,333, respectively, (2019 - net finance costs of \$12,042 and \$26,235, respectively) related to the Debentures, which included a gain of \$17,009 and loss of \$30,422, respectively, (2019 - loss of \$4,971 and \$12,160, respectively) due to the change in fair value of the Debentures related to changes in the risk free interest rate and an interest expense of \$7,421 and \$14,911, respectively, (2019 - \$7,071 and \$14,075, respectively). For the three and six months ended June 30, 2020, the change in fair value of the Debentures due to Chemtrade's own credit risk was a loss of \$80,362 and gain of \$114,756, respectively, (2019 - loss of \$4,895 and a gain of \$6,175, respectively), which has been presented in other comprehensive income, net of taxes, rather than net earnings.

The table below summarizes the key terms of each convertible debenture series outstanding at June 30, 2020 and December 31, 2019:

### June 30, 2020

	<b>Fund 2014 5.25% Debentures</b>	<b>Fund 2016 5.00% Debentures</b>	<b>Fund 2017 4.75% Debentures</b>	<b>Fund 2019 6.50% Debentures</b>
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	October 31, 2026
Interest rate	5.25%	5.00%	4.75%	6.50%
Principal outstanding	\$126,500	\$143,750	\$201,115	\$100,000

### December 31, 2019

	<b>Fund 2014 5.25% Debentures</b>	<b>Fund 2016 5.00% Debentures</b>	<b>Fund 2017 4.75% Debentures</b>	<b>Fund 2019 6.50% Debentures</b>	<b>CEI Series VI Debentures</b>
Maturity date	June 30, 2021	August 31, 2023	May 31, 2024	October 31, 2026	December 31, 2021
Interest rate	5.25%	5.00%	4.75%	6.50%	6.50%
Principal outstanding	\$126,500	\$143,750	\$201,115	\$100,000	\$74,584

# CHEMTRADE LOGISTICS INCOME FUND

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## 6. 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:

	2020		2019	
	Number of Units	Amount	Number of Units	Amount
Units				
Balance – January 1 and June 30	92,601,062	\$ 1,462,116	92,596,006	\$ 1,461,995

### (b) Distributions:

Distributions paid for the three and six months ended June 30, 2020 were \$13,890 and \$41,670, respectively, (2019 - \$27,779 and \$55,558, respectively) or \$0.15 and \$0.45 per unit, respectively (2019 - \$0.30 and \$0.60 per unit, respectively). All of Chemtrade's distributions are discretionary and subject to Board approval.

Distributions declared for the three and six months ended June 30, 2020 were \$13,890 and \$37,040, respectively, (2019 - \$27,779 and \$55,558, respectively) or \$0.15 and \$0.40 per unit, respectively, (2019 - \$0.30 and \$0.60, respectively).

On March 11, 2020, Chemtrade announced a reduction of its monthly distribution to \$0.05 per unit.

### (c) Net earnings (loss) per unit:

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

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	2020	2019	2020	2019
<b>Numerator</b>				
Net earnings (loss)	\$ 4,499	\$ (57,576)	\$ (93,376)	\$ (86,894)
Net interest and fair value adjustment on convertible unsecured subordinated debentures <sup>(1)</sup>	(6,987)	—	—	—
Net fair value adjustment on deferred unit plan <sup>(2)</sup>	—	—	—	—
Diluted net loss	\$ (2,488)	\$ (57,576)	\$ (93,376)	\$ (86,894)

<sup>(1)</sup> For the three months ended June 30, 2019 and six months ended June 30, 2020 and 2019, the potential conversion of the convertible unsecured subordinated debentures have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

<sup>(2)</sup> For the three and six months ended June 30, 2020, the potential conversion of the deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive. For the three and six months ended June 30, 2019, the deferred units would have been settled on the secondary market and therefore, had no potential dilutive effect on net loss. See Note 8.

# CHEMTRADE LOGISTICS INCOME FUND

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## 6. UNITS AND OTHER COMPONENTS OF EQUITY (continued):

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	2020	2019	2020	2019
<b>Denominator</b>				
Weighted average number of units	<b>92,601,062</b>	92,596,006	<b>92,601,062</b>	92,596,006
Weighted average convertible unsecured subordinated debenture dilutive units <sup>(1)</sup>	<b>24,164,076</b>	—	—	—
Weighted average deferred unit plan dilutive units <sup>(2)</sup>	—	—	—	—
<b>Weighted average number of diluted units</b>	<b>116,765,138</b>	92,596,006	<b>92,601,062</b>	92,596,006

<sup>(1)</sup> For the three months ended June 30, 2019 and six months ended June 30, 2020 and 2019, the potential conversion of the convertible unsecured subordinated debentures have not been included as the effect on net earnings (loss) per unit would be anti-dilutive.

<sup>(2)</sup> For the three and six months ended June 30, 2020, the potential conversion of the deferred units have not been included as the effect on net earnings (loss) per unit would be anti-dilutive. For the three and six months ended June 30, 2019, the deferred units would have been settled on the secondary market and therefore, had no potential dilutive effect on net loss. See Note 8.

## 7. GOODWILL IMPAIRMENT:

During the second quarter of 2019, Chemtrade performed a test for goodwill impairment for the 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 was based on the value in use approach.

During the first quarter of 2020, as a result of changes in macro-economic conditions which resulted in a significant increase in discount rates, combined with consideration of historic and forecast performance of each CGU, Chemtrade performed a test for goodwill impairment for the water solutions CGU in WSSC. Although the water solutions CGU's operating performance had been improving, as a result of applying the higher discount rate, this CGU's carrying value exceeded its recoverable amount by \$56,000 and therefore an impairment loss of \$56,000 was fully allocated to goodwill and recognized in cost of sales and services. Following the impairment recognized in the water solutions CGU, its recoverable amount equals its carrying value.

During the second quarter of 2020, there were no indicators of impairment identified, therefore, Chemtrade did not test for goodwill impairment.

# CHEMTRADE LOGISTICS INCOME FUND

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## 7. GOODWILL IMPAIRMENT (continued):

The key assumptions used in performing the impairment test for the water solutions CGU during the first quarter of 2020 were as follows:

	<b>2020</b>
Discount rate (pre-tax)	12.8%
Growth rate for forecast period	2.5%
Perpetual growth rate	2.50%
Time period	5 years

## 8. SHARE-BASED PAYMENTS:

Chemtrade operates a Long Term Incentive Plan ("LTIP"), which grants cash awards based on certain criteria. The 2018-2020, 2019-2021 and 2020-2022 LTIP awards have a performance based component and a restricted share unit component. The performance based component of the 2018 - 2020 and 2019 - 2021 LTIP awards 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 Composite Index or the companies comprising such index. The performance based component of the 2020 - 2022 LTIP awards is based on Return on Investment Capital ("ROIC") Improvement and total return to Chemtrade's Unitholders relative to the total return of companies comprising the S&P/TSX Dividend Composite 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 June 30, 2020, a liability of \$7,375 (December 31, 2019 - \$17,881) has been recorded, of which \$3,842 (December 31, 2019 - \$5,594) is included in trade and other payables and \$3,533 (December 31, 2019 - \$12,287) is included in other long-term liabilities. For the three and six months ended June 30, 2020, Chemtrade recorded an expense of \$453 and a recovery of \$5,181, respectively, (2019 - expense of \$2,302 and \$5,219, respectively) in selling and administrative expenses related to the fair value adjustments on the LTIP.

Chemtrade has in place a deferred unit plan ("DUP") for non-employee trustees and directors ("Participants"), pursuant to which the Participants can elect to take all or a portion of their compensation in the form of deferred units of Chemtrade, with the remainder as a cash payment. On May 14, 2020, the DUP was amended. Prior to the amendment, deferred units could be redeemed for cash or units of the Fund purchased on the secondary market. Following the amendment, deferred units will be settled in units of the Fund issued from treasury, or in cash at the Participant's request. Currently, the Participants are required to take 100% of their compensation in the form of deferred units of Chemtrade. As at June 30, 2020, 433,955 deferred units at a value of \$2,382 were outstanding (December 31, 2019 - 282,218 deferred units at a value of \$3,387).



# CHEMTRADE LOGISTICS INCOME FUND

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## 8. SHARE-BASED PAYMENTS (continued):

### *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:

	June 30, 2020	December 31, 2019
Chemtrade units:		
Average base price	<b>\$14.01</b>	\$15.41
Period-end unit price	<b>\$5.44</b>	\$11.03
Average expected volatility	<b>79.04%</b>	27.60%
Index units <sup>(1)</sup> :		
Average base price	—	\$151.71
Period-end unit price	—	\$182.02
Average expected volatility	—	5.42%
Average risk free interest rate	<b>0.26%</b>	1.69%
Average expected remaining term	<b>1.50 years</b>	1.50 years

<sup>(1)</sup> Relate to 2017 - 2019 LTIP which vested on December 31, 2019. A different measure has been determined for the performance based component of the subsequent LTIP awards.

## 9. SELLING AND ADMINISTRATIVE EXPENSES:

The components of selling and administrative expenses are as follows:

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	2020	2019	2020	2019
Wages, salaries and benefits, including bonuses and other	\$ 22,121	\$ 22,763	\$ 40,432	\$ 49,011
Realized foreign exchange loss	3,478	2,841	5,143	3,958
Unrealized foreign exchange (gain) loss	(7,183)	(5,110)	2,425	(9,173)
Depreciation (note 11)	879	931	1,783	1,805
Reserve for legal proceedings	—	—	—	40,000
<b>Selling and administrative expenses</b>	<b>\$ 19,295</b>	<b>\$ 21,425</b>	<b>\$ 49,783</b>	<b>\$ 85,601</b>

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## 9. SELLING AND ADMINISTRATIVE EXPENSES (continued):

### 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 General Chemical obtained the benefit of conditional amnesty from criminal charges. General Chemical and Chemtrade are also defendants in class action lawsuits and a few civil proceedings relating to the same conduct. Corporate costs for the six months ended June 30, 2019 included an expense of \$40,000 which increased the 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\$56,000 and was paid out during 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. While Chemtrade believes that the reserve is sufficient, the outcome and timing of the remaining actions are uncertain. The reserve for legal proceedings is included as part of provisions and presented as current liabilities in the Condensed Consolidated Interim Statements of Financial Position.

## 10. NET FINANCE COSTS:

The components of net finance costs are as follows:

	<u>Three months ended</u> <u>June 30,</u>		<u>Six months ended</u> <u>June 30,</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Interest expense on long-term debt	\$ 8,849	\$ 10,433	\$ 17,976	\$ 19,408
Interest expense on convertible debentures (note 5)	7,421	7,071	14,911	14,075
Change in the fair value of convertible debentures (note 5)	(17,009)	4,971	30,422	12,160
Interest expense on lease liabilities	2,181	2,166	4,344	4,412
Accretion expense on financing transaction costs (note 4)	233	242	418	581
Accretion of provisions	731	1,009	1,493	2,038
Pension interest	398	492	784	982
Interest income	(98)	(173)	(190)	(334)
<b>Net finance costs</b>	<b>\$ 2,706</b>	<b>\$ 26,211</b>	<b>\$ 70,158</b>	<b>\$ 53,322</b>

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## 11. DEPRECIATION AND AMORTIZATION:

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

	<u>Three months ended</u>		<u>Six months ended</u>	
	<u>June 30,</u>		<u>June 30,</u>	
	<b>2020</b>	2019	<b>2020</b>	2019
<b>Cost of sales and services:</b>				
Depreciation expense on PPE	\$ 39,249	\$ 32,658	\$ 73,691	\$ 68,172
Depreciation expense on ROU assets	12,368	12,559	24,718	25,683
Amortization expense	16,513	18,044	32,734	35,996
<b>Selling and administrative expenses (note 9):</b>				
Depreciation expense on PPE	408	466	838	876
Depreciation expense on ROU assets	471	465	945	929
<b>Total depreciation and amortization expense</b>	<b>\$ 69,009</b>	<b>\$ 64,192</b>	<b>\$ 132,926</b>	<b>\$ 131,656</b>

## 12. 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 six months ended June 30, 2020 was 57.6% and 13.8%, respectively, (2019 - 3.9% and 18.6%, respectively), compared to a statutory rate of 26.3% (2019 - 26.8%).

The effective tax rate for the second quarter of 2020 differs from the statutory tax rate primarily due to the deduction of taxable income distributed to Unitholders, differences in domestic corporate and trust tax rates, as well as a decrease in interest expense carryforwards due to the enactment

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## 12. INCOME TAXES (continued):

of the anti-hybrid entity and instrument rules in the U.S.. The difference in the effective tax rate for the first six months of 2020 is due to the factors noted for the second quarter as well as due to the impairment of non-deductible goodwill.

## 13. FINANCIAL INSTRUMENTS:

### (a) Derivatives and hedging:

	Notional Amount	June 30, 2020		December 31, 2019		
		Fair Value Asset	Fair Value Liability	Notional Amount	Fair Value Asset	Fair Value Liability
<b>Derivatives designated in a formal hedging relationship</b>						
Interest rate swaps	US\$ 575,000	\$ —	\$ 28,018	US\$ 325,000	\$ —	\$ 7,143
<b>Derivatives not designated in a formal hedging relationship</b>						
Foreign exchange contracts <sup>(1)</sup>	—	—	353	—	1,019	—
<b>Total</b>		<b>\$ —</b>	<b>\$ 28,371</b>		<b>\$ 1,019</b>	<b>\$ 7,143</b>

<sup>(1)</sup> See below for notional amounts.

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 term bank 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 term bank debt until December 2023. Chemtrade entered into additional swap arrangements which were effective August 24, 2019 and which fixed the LIBOR components of its interest rates on US \$150,000 of its outstanding term bank debt until December 2023. On April 24, 2020, Chemtrade entered into a new swap arrangement which fixed the LIBOR components of its interest rates on the first US\$250,000 of its outstanding revolving credit under its long-term debt until April 24, 2021. 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 recognized in other comprehensive income.

For the three and six months ended June 30, 2020, a foreign exchange gain of \$26,375 and loss of \$28,017, respectively, (2019 - gain of \$5,335 and \$10,723, respectively) on the revaluation of

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 13. FINANCIAL INSTRUMENTS (continued):

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 June 30, 2020 include future contracts to sell the following amounts for periods through to September 2020:

Amount	Weighted average exchange rate
US\$10,000	\$1.32

### (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 variable interest rates.

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

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

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

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

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.

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements

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

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## 13. FINANCIAL INSTRUMENTS (continued):

The 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. Any changes in the fair value of the Debentures are recognized in net earnings except for changes due to own credit risk which are recorded in other comprehensive income.

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.

### (c) Risks associated with financial instruments

#### (i) Credit risk

Credit risk arises from the non-performance by counter-parties of their contractual financial obligations. Chemtrade manages credit risk for trade and other receivables through established credit monitoring activities. Chemtrade does not have a significant concentration of credit risk with any single counter-party. The primary counter-parties related to the foreign exchange forward contracts and interest rate swaps carry investment grade ratings. Chemtrade believes its credit risk of counterparty non-performance continues to be relatively low, notwithstanding the impact of COVID-19. Chemtrade is in regular contact with its customers, suppliers and logistics providers, and to date has not experienced significant counter-party non-performance. However, if a key supplier or customer experiences financial difficulties or fails to comply with their contractual obligations, which may occur as the pandemic continues, this could result in a significant financial loss to Chemtrade. Chemtrade's maximum exposure to credit risk at the reporting date is the carrying value of its receivables and derivative assets.

#### (ii) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. Chemtrade manages liquidity risk by maintaining adequate cash and cash equivalent balances, and by appropriately utilizing its lines of credit. Chemtrade

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## 13. FINANCIAL INSTRUMENTS (continued):

believes that cash flows from operating activities, together with cash on hand, cash from receivables and borrowings available under the revolving credit facility are sufficient to fund its currently anticipated financial obligations, and will remain available in the current environment.

### (iii) *Currency risk*

Chemtrade is exposed to fluctuations in the exchange rate of the US dollar relative to the Canadian dollar as a portion of Chemtrade's earnings are in US dollars, with earnings positively affected when the US dollar strengthens relative to the Canadian dollar. Chemtrade cannot predict changes in currency exchange rates, the impact of exchange rate changes on Chemtrade's operating results, nor the degree to which Chemtrade will be able to manage the impact of currency exchange rate changes. Such changes, including negative impacts on currency exchange rates related to the COVID-19 pandemic, could have an impact on Chemtrade's business, results of operations and financial condition.

### (iv) *Interest rate risk*

Chemtrade has a credit facility with long-term debt and operating lines of credit which bear variable rates of interest. As at June 30, 2020, on an unhedged basis, a change in interest rates of 1% per annum would have an impact of approximately \$8,600 on Chemtrade's net earnings per annum. As at June 30, 2020, Chemtrade had fixed interest rates on 91.2% of its senior debt until April 2021 and 51.6% thereafter until December 2023.

## 14. 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.

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## 14. BUSINESS SEGMENTS (continued):

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.

### Three months ended June 30, 2020

	SPPC	WSSC	EC	Corp	Total
Revenue	\$ 103,960	\$ 113,456	\$ 130,118	\$ —	\$ 347,534
Inter-segment revenues	4,511	—	1,169	—	5,680
Operating income (loss)	6,885	14,495	4,124	(12,177)	13,327
Net finance costs					(2,706)
Income tax expense					(6,122)
Net earnings					4,499
Depreciation and amortization	24,697	12,383	31,929	—	69,009
Loss (gain) on disposal and write-down of PPE	32	—	(19)	—	13
Capital expenditures	4,249	2,628	5,935	37	12,849
Change in environmental liability	—	362	—	—	362

### Three months ended June 30, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	\$ 126,441	\$ 115,508	\$ 154,786	\$ —	\$ 396,735
Inter-segment revenues	6,676	—	1,326	—	8,002
Operating income (loss)	18,353	(56,362)	21,067	(16,765)	(33,707)
Net finance costs					(26,211)
Income tax recovery					2,342
Net loss					(57,576)
Depreciation and amortization	26,181	11,623	26,388	—	64,192
Impairment of goodwill	—	65,600	—	—	65,600
Loss (gain) on disposal and write-down of PPE	754	(2)	(1,055)	605	302
Capital expenditures	7,358	6,794	5,667	187	20,006



# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
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## 14. BUSINESS SEGMENTS (continued):

### Six months ended June 30, 2020

	SPPC	WSSC	EC	Corp	Total
Revenue	\$ 216,982	\$ 226,794	\$ 270,659	\$ —	\$ 714,435
Inter-segment revenues	8,047	—	2,373	—	10,420
Operating income (loss)	18,398	(30,799)	8,360	(34,176)	(38,217)
Net finance costs					(70,158)
Income tax recovery					14,999
Net loss					(93,376)
Depreciation and amortization	47,865	24,459	60,602	—	132,926
(Gain) loss on disposal and write-down of PPE	(17)	(457)	5	—	(469)
Capital expenditures	6,400	3,951	13,951	336	24,638
Change in environmental liability	—	3,743	—	—	3,743
Impairment of goodwill	—	56,000	—	—	56,000

### Six months ended June 30, 2019

	SPPC	WSSC	EC	Corp	Total
Revenue	\$ 257,520	\$ 220,898	\$ 303,569	\$ —	\$ 781,987
Inter-segment revenues	12,093	—	2,398	—	14,491
Operating income (loss)	31,900	(52,891)	40,271	(72,728)	(53,448)
Net finance costs					(53,322)
Income tax recovery					19,876
Net loss					(86,894)
Depreciation and amortization	50,161	26,221	55,274	—	131,656
Impairment of goodwill	—	65,600	—	—	65,600
Loss (gain) on disposal and write-down of PPE	752	(4)	(1,051)	908	605
Capital expenditures	9,828	12,228	9,046	304	31,406

### June 30, 2020

	SPPC	WSSC	EC	Corp	Other	Total
Total assets	\$ 971,044	\$ 669,304	\$ 970,886	\$ 5,001	\$ 90,811	\$ 2,707,046
Total liabilities	215,049	187,406	228,857	46,490	1,319,812	1,997,614
Intangible assets	390,731	183,170	230,565	—	—	804,466

# CHEMTRADE LOGISTICS INCOME FUND

Notes to Condensed Consolidated Interim Financial Statements  
(In thousands of Canadian dollars, except per unit amounts)  
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## 14. BUSINESS SEGMENTS (continued):

### December 31, 2019

	SPPC	WSSC	EC	Corp	Other	Total
Total assets	\$ 971,783	\$ 718,884	\$ 987,872	\$ 3,542	\$ 96,992	\$ 2,779,073
Total liabilities	197,614	172,988	222,323	51,517	1,375,055	2,019,497
Intangible assets	389,841	236,608	244,756	—	—	871,205

### 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		Six months ended	
	June 30,		June 30,	
	2020	2019	2020	2019
Canada	\$ 114,682	\$ 130,088	\$ 231,991	\$ 247,896
United States	217,513	247,351	449,714	496,160
South America	15,339	19,296	32,730	37,931
	\$ 347,534	\$ 396,735	\$ 714,435	\$ 781,987

### PPE, ROU assets and intangible assets

	June 30, 2020	December 31, 2019
Canada	\$ 1,046,883	\$ 1,072,296
United States	931,531	968,837
South America	127,112	131,258
	\$ 2,105,526	\$ 2,172,391

## 15. SUBSEQUENT EVENTS:

### *Distribution Reinvestment Plan*

On July 13, 2020, Chemtrade announced the commencement of a Distribution Reinvestment Plan ("DRIP"). Under the terms of the DRIP, eligible Unitholders may elect to reinvest all or a portion of their regular monthly distributions in additional units of Chemtrade, without paying any commissions, service charges or brokerage fees under the DRIP. Units purchased for participants under the DRIP will be newly issued by Chemtrade from treasury or will be existing units purchased on the open market through the facilities of a stock exchange. Under the DRIP, the Board determines which of these two sources will be used and currently the units are issued from treasury. In order to be eligible to participate in the DRIP, a holder must be resident in Canada and the beneficial holder of at least one whole unit.

## Information for unitholders

### Trustees

Lorie Waisberg (Chair)  
Toronto, Ontario

Mark Davis  
Toronto, Ontario

Lucio Di Clemente  
Toronto, Ontario

Emily Moore  
Toronto, Ontario

Katherine Rethy  
Huntsville, Ontario

Daniella Dimitrov  
Toronto, Ontario

### Director

Douglas Muzyka  
Philadelphia, Pennsylvania

### Management

Mark Davis  
President & CEO

Scott Rook  
Chief Operating Officer

Rohit Bhardwaj  
Vice-President, Finance & CFO

Leon Aarts  
Group Vice-President, Corporate  
Development and Strategy

Emily Powers  
Group Vice-President,  
Human Resources and Responsible Care

Tejinder Kaushik  
Vice-President,  
Information Technology

Susan Paré  
Corporate Secretary  
General Counsel

### Head office

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

### Stock exchange listing

Toronto Stock Exchange  
Stock symbol: CHE.UN

### Transfer agent and registrar

Computershare Trust Company of Canada  
100 University Avenue, 8th Floor  
Toronto, Ontario M5J 2Y1

### Telephone

Toll free 1-800-564-6253

### Email

[service@computershare.com](mailto:service@computershare.com)

### Website

[computershare.com](http://computershare.com)

### Investor information

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

**Rohit Bhardwaj**  
Vice-President, Finance & CFO  
(416) 496-5856

**[chemtradelogistics.com](http://chemtradelogistics.com)**



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