

2020

A YEAR IN REVIEW



Your Marine Carrier of Choice™

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Forward Looking Statements

Certain statements in this document about our current and future plans, expectations and intentions, results, levels of activity, performance, goals or achievements or any other future events or developments constitute forward-looking statements.

Forward-looking statements are based on estimates and assumptions made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors that we believe are appropriate and reasonable in the circumstances, but there can be no assurance that such estimates and assumptions will prove to be correct.

Many factors could cause our actual results, level of activity, performance or achievements or future events or developments to differ materially from those expressed or implied by the forward-looking statements. The purpose of the forward-looking statements is to provide the reader with a description of management's expectations regarding the Company's financial performance and may not be appropriate for other purposes; readers should not place undue reliance on forward-looking statements made herein, recognizing that all such forward information is based on assumptions about the future that may not ultimately be borne out and are subject to many risks and uncertainties, including those listed above. Furthermore, unless otherwise stated, the forward-looking statements contained in this document are made as of the date of hereof (unless stated to be as of an earlier date), and we have no intention and undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained in this document are expressly qualified by this cautionary statement. Management approved the forward-looking financial information as of May XX, 2021. Certain figures included herein are non-GAAP measures. Please see our MD&A for further discussion of non-GAAP disclosures.

ALL AMOUNTS IN C\$ MILLIONS EXCEPT PER SHARE AMOUNTS AND UNLESS OTHERWISE NOTED.

A Message from Our CEO

The world was just coming to realize the extent of the spread of COVID-19 as I wrote my letter for our 2019 Year in Review in Mid-March of 2020.



There was considerable uncertainty about the impact the pandemic would have on the economy and on financial markets. Our outlook, which had been quite positive at the beginning of the year, was turning far more cautious. Fortunately, marine transportation was quickly declared an essential service in all of the markets in which we operated so our focus turned to keeping our employees and business partners safe while servicing the needs of our customers to the best of our ability. We knew that adherence to our core values of integrity, sustainability, teamwork, ownership, and passion would guide us during these times, and it did!

Looking back now, with over a year of pandemic-influenced operations behind us, I am extremely proud of the actions we took and the performance of our crews and shoreside staff. Most importantly, I am very happy to report that we experienced no confirmed cases of COVID-19 contagion on board any Algoma-operated vessel. We have provided further detail about our response to the pandemic later in this report.

The speed with which we responded to COVID-19 and the processes we put in place to address the challenges facing our markets positioned us very well to meet the needs of our customers. We knew one thing for certain – 2020 was not going to be a normal year and we needed to be as flexible as possible to meet the needs of customers as they developed. As it turned out, we made some pretty good calls about the likely impact.

Our first call was in our Domestic Dry-Bulk business where we forecasted that the impact on our iron and steel and construction markets in Canada was likely to be significant. Based on this, we opted to delay the fit-out and sailing of our oldest, most expensive ships, although all ships were in operations by the end of the year. We also began to immediately book additional cargoes to backfill for anticipated lost volumes.

This positioned us well to capture volumes in the grain and salt trades that were strong during the year. In the end, while earnings in iron ore and construction materials were down significantly, earnings in grain and salt were above expectations.

Our early expectation for our Product Tanker fleet was also very cautious. With vehicle and air traffic substantially reduced, we expected Tanker utilization to drop in line with wholesale gasoline demand. When our primary customer approached us to help them move product from their Ontario refineries to their east coast markets, our fleet was prepared and as a result remained fully utilized until late in the year.

Our expectation for our Ocean Self-Unloader business, which depends heavily on construction activity, was for a significant drop in volumes. Unlike our domestic businesses, for which we can manage costs by laying up ships if demand drops, our Ocean business has fewer cost mitigation options. We took what steps we could to limit costs in the business, including steps to ensure the five scheduled dry-dockings went off without a hitch. In the circumstances, I am happy with the performance of the business this year.

Fiscal 2020 was mixed year for Global Short Sea, with the cement fleet and the handy fleet generally performing well, and the mini-bulkers taking the full brunt of the global turmoil. Unlike our core businesses for which pricing is generally fixed even when volumes disappoint, the mini-bulker business experienced both drops in volumes and reduced rates. In fact, in some areas daily rates were the lowest we have experienced in the business. We took steps to manage costs as aggressively as we could and this positioned the fleet well as markets began to improve late in the year.

Importantly, our Global Short Sea joint ventures stood on their own despite the difficult operating environment and did not require any cash injection from us or our partner, including not requiring any funds to take delivery of our two new mini bulkers during the year.

Another important accomplishment during 2020 was taking delivery of the Croatian-built Algoma Intrepid late in the year. The vessel was delivered by the 3Maj shipyard earlier than we had expected, enabling us to deploy the vessel in time for the late-year surge in demand. She then remained in operation through much of the winter season, delivering salt from the Goderich salt mine to markets around the Great Lakes. The Algoma Intrepid is the second 650' forward boom self-unloader and the ninth Equinox Class vessel to join the fleet.

As the year progressed it became evident the impact on Algoma would be much less significant than we had feared in the early spring and we finished the year well ahead of the prior year and, in fact, marginally ahead of our own business plan for the year. Given the circumstances, I am proud of the 7.5% return on equity and \$1.21 of earnings per share that we reported.

This strong performance enabled us to take advantage of very accommodative financial markets to trigger an early refinancing of our long-term debt that was to otherwise mature in mid-2021. We completed a nearly \$500 million recapitalization in December, replacing existing long-term notes and bank facilities with new long-term notes and new revolving bank facilities. The new notes, which have a weighted average term of 13 years and interest rate of 3.80%, provided liquidity to enable the Algoma Board to declare a \$2.65 Special Dividend that was paid in January. This distribution, combined with the steady increase in our regular quarterly dividend over the last several years, demonstrates our commitment to rewarding shareholders for their faith in Algoma.

Entering 2021, our outlook is cautiously optimistic. COVID-19 is by no means a thing of the past and some of our customers are still in a recovery phase with volumes not yet back to pre-pandemic levels. Other markets that experienced unexpected upside from the pandemic in 2020 are not expected to repeat that performance in 2021. We also expect a more challenging year from a cost standpoint for our domestic businesses, particularly as our investment in ship maintenance and crew training will likely be higher. On the other hand, there are tailwinds beginning to blow in certain segments, and I remain focused, as does our entire management team and employee base, on generating the best return we can today while also ensuring the long-term sustainability of the Algoma brand.

Gregg A. Rahl
President & CEO

Key Achievements



Our top priority was ensuring the safety of our crew and staff and we are proud to report that there were no confirmed cases of contagion of COVID-19 at Algoma in 2020.



Strong financial performance despite a difficult operating environment resulted in increased earnings from our core operation.



Took delivery of the Algoma Intrepid earlier than anticipated. The vessel began operating late in the 2020 season.



Strong performance enabled us to trigger an early refinancing of our long-term debt.



Our Global Short Sea investees were able to stand on their own and did not require any cash injection including funds for the successful delivery of two new mini-bulkers.

The Impact of COVID-19

By no means could 2020 be considered normal from an operations standpoint. The impact of COVID-19 was pervasive, impacting all aspects of our operations. We are very proud that we experienced no confirmed cases of COVID-19 contagion on board any Algoma-operated vessel. The strict operating protocols we developed beginning in February served us well throughout the year and were largely captured in protocols that were shared by the Trusted Partners initiative, an industry-wide cooperative program aimed at keeping stakeholders safe and healthy. We likened our vessels to small COVID-free bubbles and worked hard to keep them that way.

While our efforts were successful in keeping crew safe, limitations and closures as a result of the pandemic did place an extraordinary burden on our crews. Shore leaves were restricted or eliminated in many locations, meaning crew were not able to get a break from shipboard activities and in many cases were unable to pop ashore to pick up personal care items. Our purchasing department responded quickly, implementing a care package program to ensure crew members could access products that they required that were not part of our usual quarter mastering.

Crew exchanges and the resultant travel requirements were also significantly impacted as transportation options were limited by reductions in the availability of flights and by provincial travel restrictions and quarantine rules. Algoma and the industry worked in partnership with unions and provincial authorities to ensure our vessels could replace crew when necessary and to ensure that crew returning home following a tour on our floating COVID-free bubbles were not subject to burdensome quarantine restrictions.

No where was the impact of COVID-19 on travel more significant than in our ocean self-unloader fleet. Suspension of international air travel early in the pandemic put a temporary end to crew exchanges. Ocean crews can spend up to six months on board a vessel as part of a normal rotation.



As global restrictions stretched into the summer, many crew who would normally have gone home in the early part of the year found themselves still on board their vessel. A combination of port states that did not allow foreign crew off of vessels, a lack of airline capacity to move crew who could get off, and an inability to bring in their replacements for the same reasons was taking its toll.

Fortunately, by late summer some ports were allowing crew exchanges, airlines and transfer airports were being more flexible, and crewing agencies were arranging for charter flights where needed, all of which enabled us to begin to get crew rotations going again. We were concerned for both the crew stuck on vessels and away from their families and for those crew members who were stuck at home during this period, unable to report to a ship and earn the wages they normally would to support their families.

Basic repairs and maintenance were affected as deliveries of spare parts were delayed and technicians were unable to get to ships. The impact of COVID-19 in other parts of the world led us to revise the dry-dock plans for the four dry-dockings of ocean self-unloaders that were not yet complete. Two of the four dockings were to be done in China and we rapidly changed the plans for these dockings to avoid any risk of delays or cost overruns. Our revised docking plans also highlighted the need to get on and off docks quickly to minimize any risk of a quarantine being declared while work was underway. Extended unplanned delays at a shipyard would lead to more off-hire time for a vessel that could significantly increase the overall cost of a docking.

In a clear demonstration of our core values of teamwork and ownership, our vessels' crews, our superintendents, crewing team, and traffic desk all pulled together to ensure Algoma ships kept sailing, our crews remained safe, and our customers experience the high level Algoma service they expect.



About Algoma

Algoma (TSX: ALC) owns and operates the largest fleet of dry and liquid bulk carriers operating on the Great Lakes, including dry-bulk carriers and product tankers. Algoma also owns ocean self-unloading dry-bulk vessels operating in international markets and a 50% interest in NovaAlgoma, which owns and operates a diversified portfolio of dry-bulk fleets serving customers internationally.

Visit **algonet.com** and follow us on social media **@AlgomaCentral**

Our Values



INTEGRITY

We are honest, we are courageous and we always strive to make the right choice.



SUSTAINABILITY

We believe in our people, we care for our planet and we work to ensure the prosperity of our stakeholders.



TEAMWORK

We are stronger together.



OWNERSHIP

We take accountability for our actions and we are empowered to initiate change.



PASSION

We are committed in heart and mind, we are driven and we are proud.



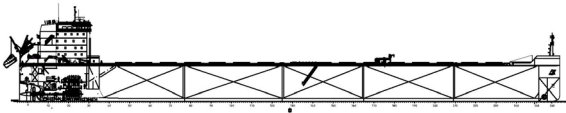
ALGOMA CONVEYOR
ST CATHARINES
IMO 9619268

RADCLIFFE R. LATIMER
SAULT STE. MARIE
IMO 7711725

VNF

The Evolution of the Equinox Class

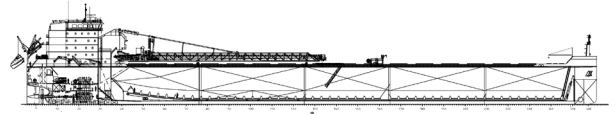
Fleet Design & Renewal



2010

**Equinox Class
Gearless Bulker**

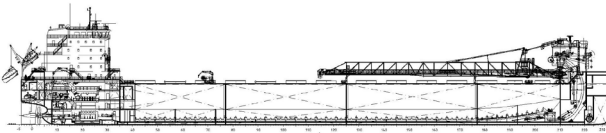
- » 40% improvement in energy efficiency over Algoma's legacy fleet.
- » First IMO approved closed loop exhaust gas scrubber on the Great Lakes.



2015

**Equinox Class
Self-Unloader**

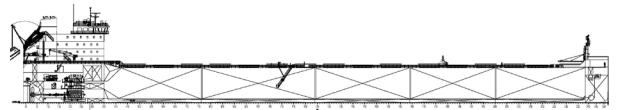
- » Transforming the Gearless bulker design to a self-unloader with innovations such as automated cargo hold wash systems, wash water holding tanks, enclosed booms and fixed dust suppression system.



2017

**Equinox 650' Class
Forward Mounted
Self-Unloader**

- » This vessel was engineered to be a leader in the river class business; it's forward mounted boom permits cargo to be delivered into niche spaces allowing greater flexibility to customers.
- » First new forward mounted boom vessel to be built in 45 years.
- » The boom design was created while still maintaining all of the special features of the original Equinox design.



2020

**Equinox Class "3.0"
Gearless Bulker**

- » The most efficient vessel in Algoma's domestic fleet.
- » Took the original Equinox Class design made improvements to cargo deadweight capacity and equipment.
- » Lighter weight aluminum hatch covers and improved twin rudder design allows the vessel to carry more cargo without increasing power and fuel consumption.

Fleet Growth

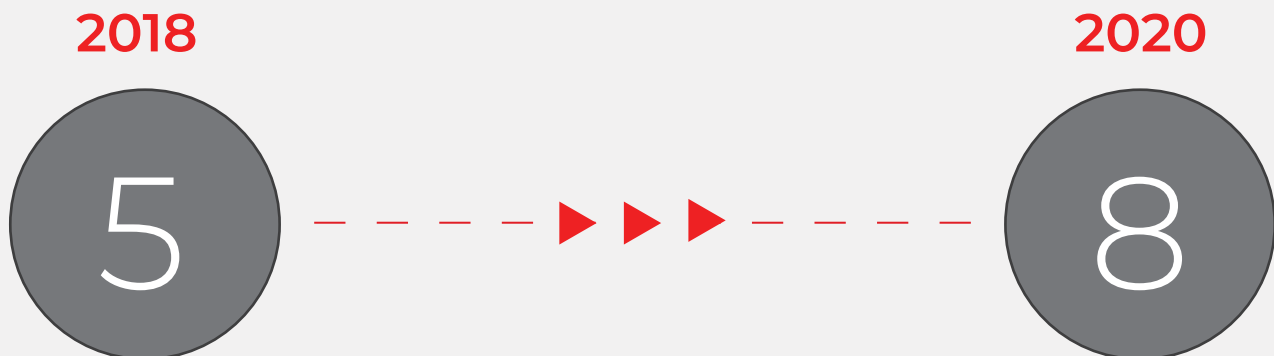
Product Tanker Fleet

At the end of 2018, Algoma purchased the *Algonorth* and then in 2019 added the *Algoterra* increasing the fleet's capacity by 40%. The acquisition of both tanker vessels demonstrated Algoma's willingness to invest to meet the growing needs of our customers for marine-based transportation of petroleum products. Both vessels have proven to be essential members of the Algoma fleet and were key to Algoma's contribution to much of our customers' 2020 logistics needs.



Ocean Self-Unloader Fleet

In early 2019 we announced the signing of a definitive agreement to acquire the interest held by Oldendorff Carriers GMBH & Co. in the CSL International Pool including the three vessels owned by Oldendorff operating in the Pool. In June, 2019 the three vessels joined the fleet and began operating right away. As a result of the transaction, Algoma's interest in the Pool is now 41%. In 2020, all three of these vessels plus two existing vessels, were dry-docked and four of the ships on dry-dock had ballast water treatment systems installed.

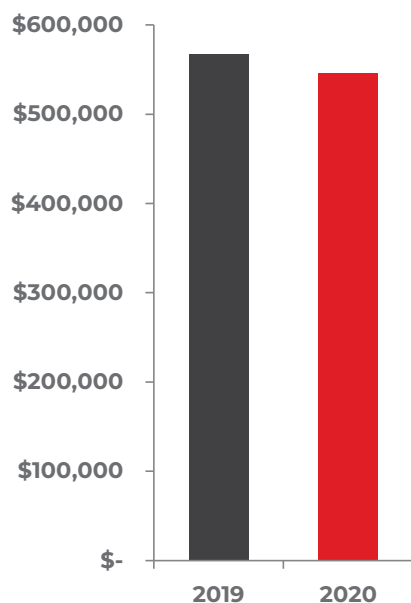


Financial Highlights

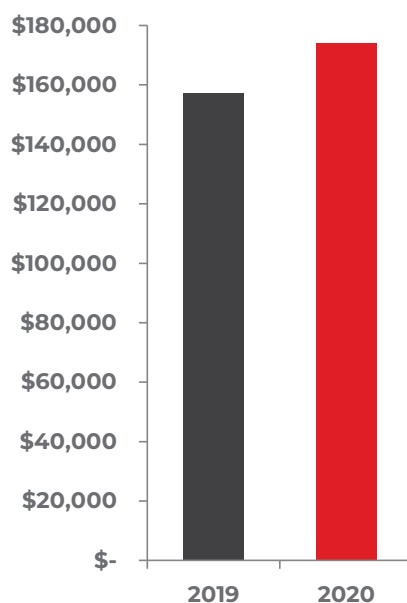
Fiscal 2020

For full 2020 Financial Results visit: algonet.com/investor-relations or SEDAR at sedar.com.

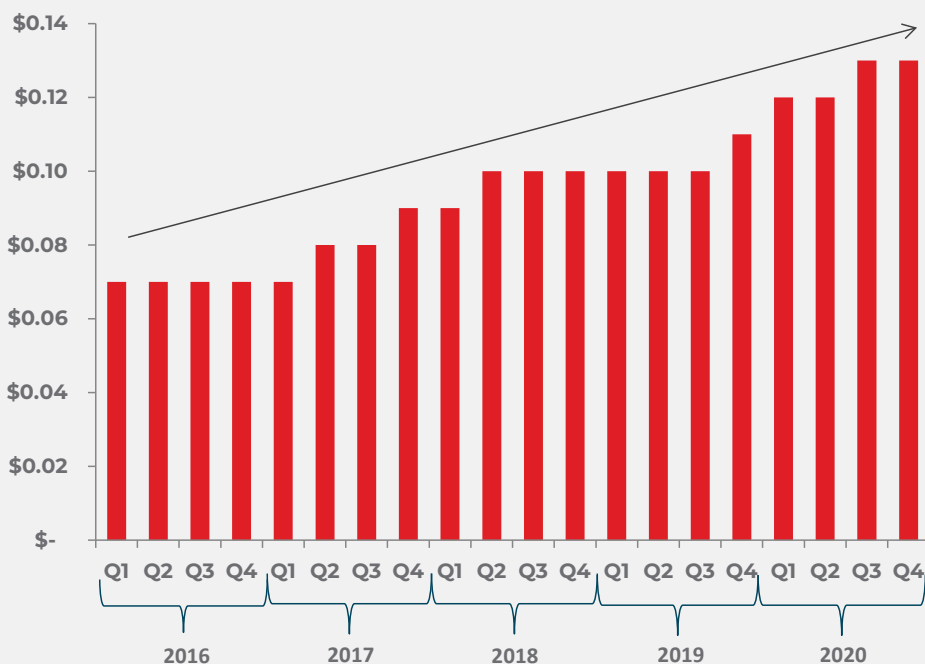
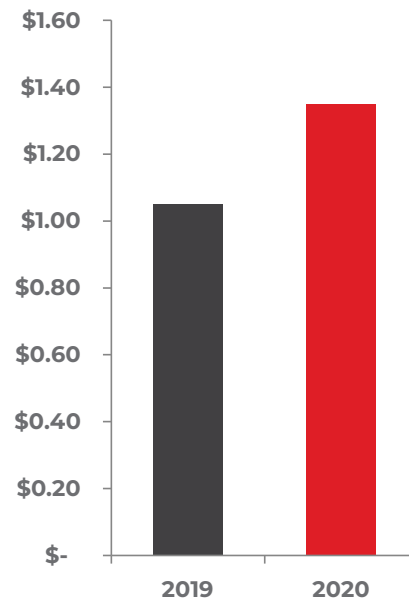
Revenue (\$M)



EBITDA (\$M)



Adjusted EPS



Dividends

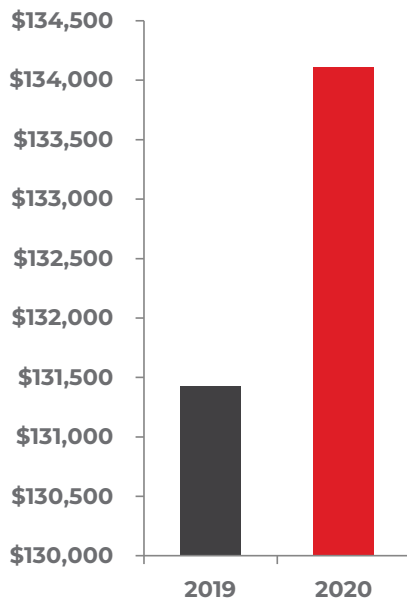
In addition to our regular dividends we declared special dividends of \$0.75 in Q2 of 2019 and \$2.65 in Q4 of 2020.



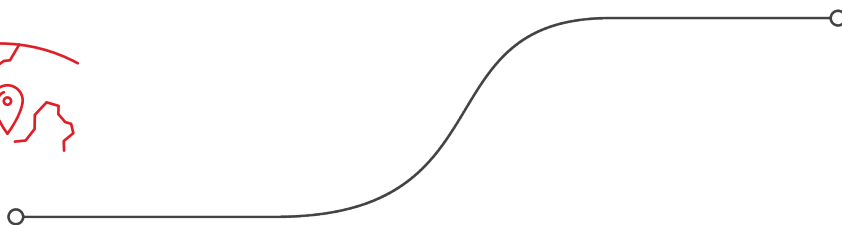
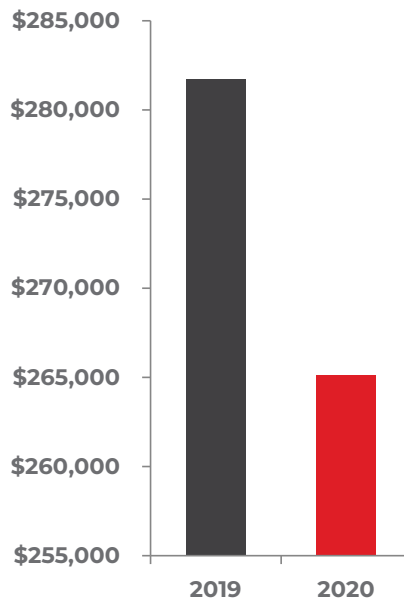
"Our team responded quickly to the COVID-19 pandemic early in March and as a result we were able to meet our customer's needs. Due to these efforts, we produced strong financial results in 2020."

- Peter Winkley, CFO

Revenue
Outside of Canada
(\$M)



Assets
Outside of Canada
(\$M)









Delivering Our Strategy

2019 to 2020

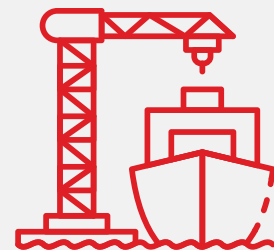
Our 2020 objectives in last year's report were set prior to fully knowing what the effects of the pandemic would be. We shifted our focus and developed new strategies early in the year to ensure essential supply chains kept moving. As a result, we were able to work through this new COVID-19 environment and reach many of our goals in 2020.

2020 Objectives

1. Safe operations in a COVID-19 environment 
2. Improve fleet availability 
3. Dry-docking of ocean self-unloaders 
4. DDB & GSS new-build program 
5. Meet financial plans and improve ROE 
6. Improve ROE from global sort sea shipping 

"Despite facing challenges from COVID-19, we were able to end the year with record setting results. We saw a shift in the mix of trades and this along with the hard work and dedication of both our shoreside and shipboard teams we were able to meet customer demand all while operating in a safe manner."

- Gregg Ruhl, President & CEO.



Strategic Focus

2021 Objectives

Domestic Dry-Bulk

- Strong fleet availability and utilization in continuing COVID-19 environment and recovery.
- Integration of Algoma Intrepid and delivery of Captain Henry Jackman.
- Crew training, recruitment and retention.

Product Tankers

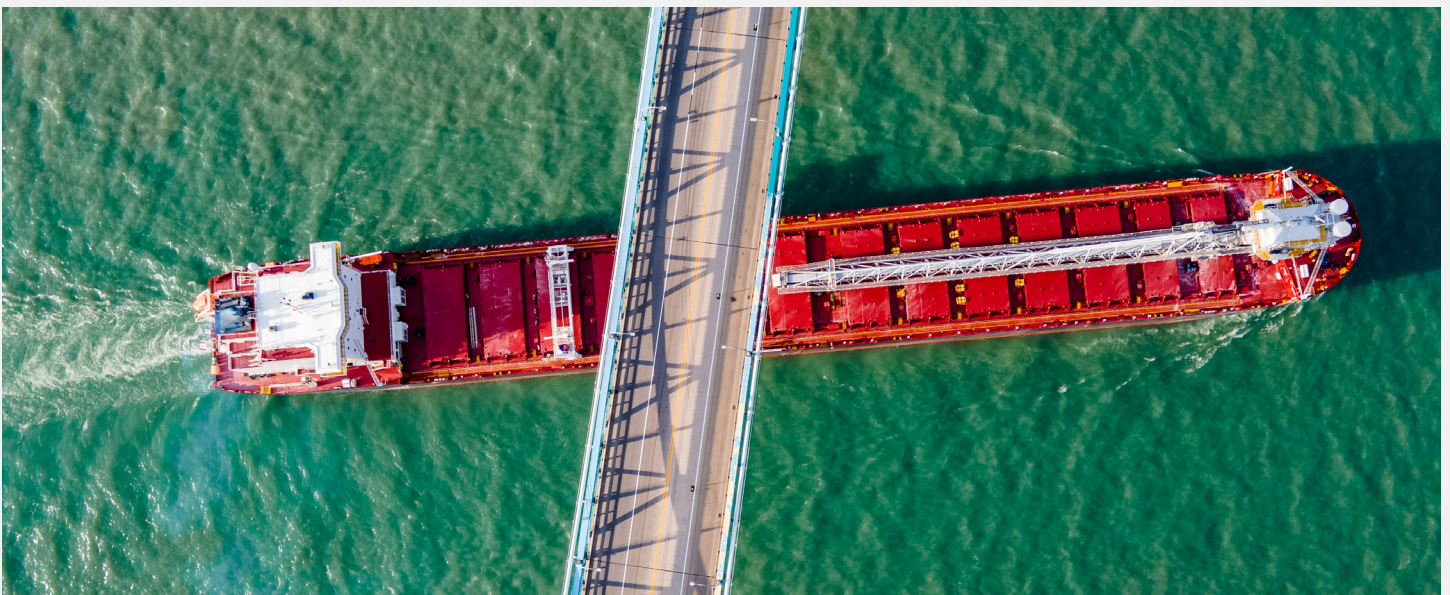
- Renew Imperial Oil contract.

Ocean Self-Unloaders

- Minimize operating costs as markets improve.
- Initial planning for fleet renewal over the next five years.

Global Short Sea Shipping

- Build on improved results in cement sector.
- Capitalize on improving market conditions in mini-bulker sector.
- Improve return on equity.
- Capitalize on opportunistic sales and purchase activities.



Domestic Dry-Bulk

2020 Operational Highlights

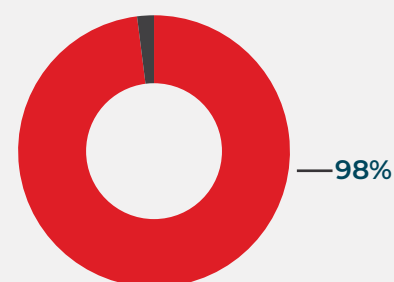
In the Domestic Dry-Bulk segment high demand for grain and salt cargoes enabled our fleet to be in full utilization by the end of the year. Grain and salt cargoes were the largest contributors to the increase in earnings with higher volumes at favourable rates; strong world-wide demand for grain and higher levels of salt production by our major customer in that sector drove the increase in volumes.



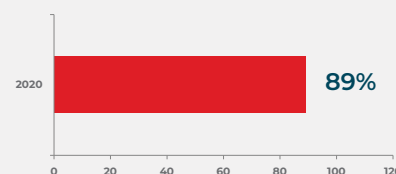
19

Vessels in Fleet (at year end)

Vessel Availability

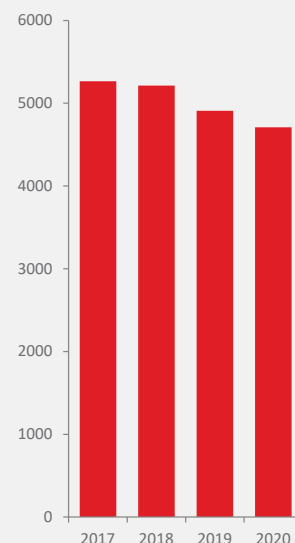


Commercial Utilization

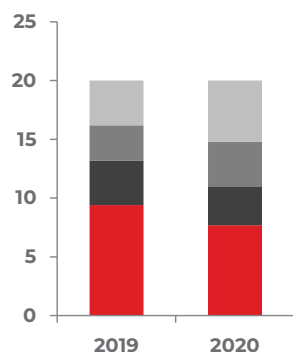


* Base capacity assumes normal navigational season.

Revenue Days



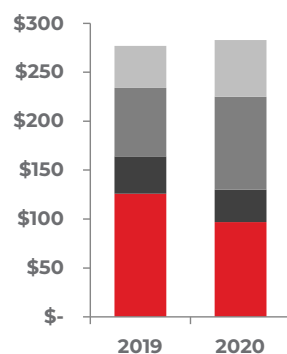
■ Salt
■ Agriculture
■ Construction
■ Iron/Steel



Volume (millions)

Volumes overall decreased by 1% compared to 2019. The main contributors were iron and steel and construction materials which experienced 18% and 15% declines in volumes, respectively. These decreases were offset by increases in both salt and agriculture (grains) volumes, with 38% and 23% increases in tonnage.

■ Salt
■ Agriculture
■ Construction
■ Iron/Steel



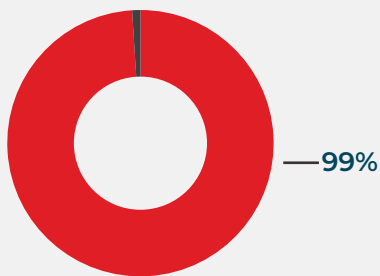
Revenue (millions)

Although overall volumes decreased slightly in 2020, both the salt and agriculture markets have higher rates, which positively impacted freight revenue.

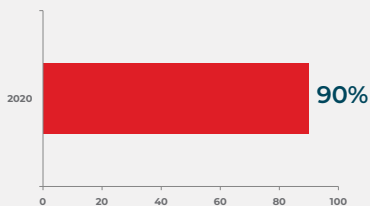


Vessels in Fleet (at year end)

Vessel Availability

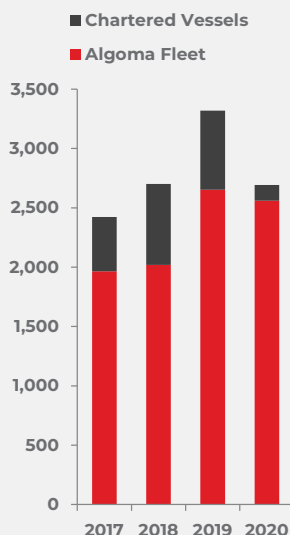


Commercial Utilization



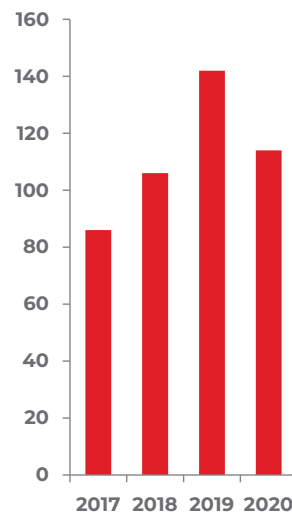
* Base capacity assumes normal navigational season.

Vessel Days



Product Tankers 2020 Operational Highlights

Despite the impact of the pandemic on air and vehicle travel, core demand from our customers in the Product Tanker segment kept our vessels fully utilized through most of the year. Our main customer relied on our vessels to reposition their products from traditional markets in the Great Lakes to their east coast facilities, adding revenue days for our owned fleet.



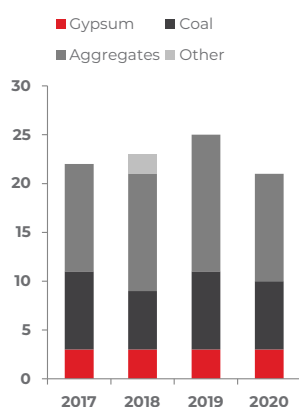
Revenue (millions)

The decrease in revenues for Product Tankers was a result of reduced demand from our primary customer which significantly reduced the use of outside charters. Chartered revenue has little impact on earnings as the cost we incur to charter capacity is passed through to our customers. Ignoring outside charters, revenue was actually slightly higher in 2020 compared to the prior year.

Ocean Self-Unloaders

2020 Operational Highlights

The Ocean Self-Unloader segment was greatly impacted by the pandemic and the Pool experienced lower volumes across all sectors. The net earnings impact was less significant due to the actions taken by management to reduce unnecessary spending at the beginning of the year. Demand in all three commodities did begin to recover in the latter part of the year and volumes recovered slightly by year end.



Pool Volumes (millions, MT)

The decrease in Pool volumes in 2020 was primarily driven by economic conditions related to the pandemic, which resulted in lower volumes in aggregates, coal and gypsum.



Revenue (millions)

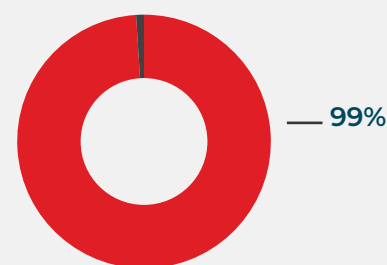
Revenue in the segment increased in 2020 primarily due to a 16% increase in revenue days. This was partially a result of owning all eight ships for the full year compared to 2019 when three vessels were added to the fleet in June.



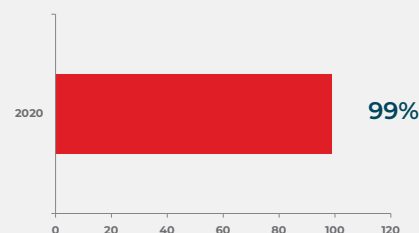
8

Vessels in Pool (at year end)

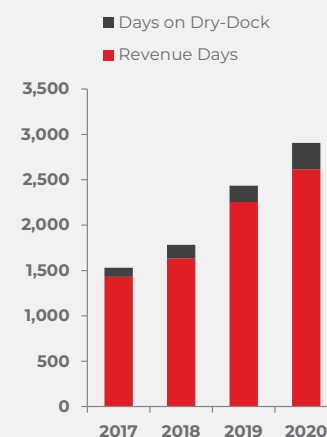
Vessel Availability



Commercial Utilization



Revenue & Dry-Dock Days

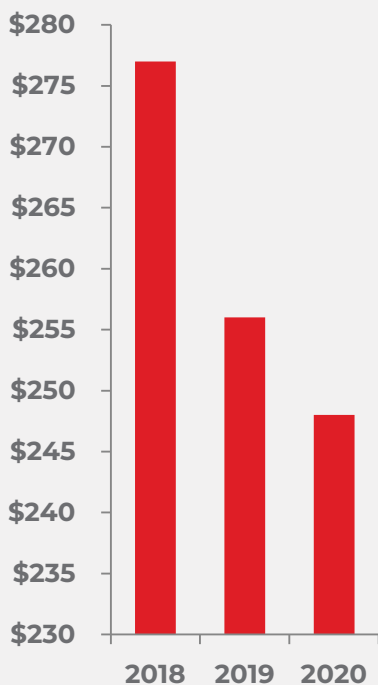


Global Short Sea Shipping

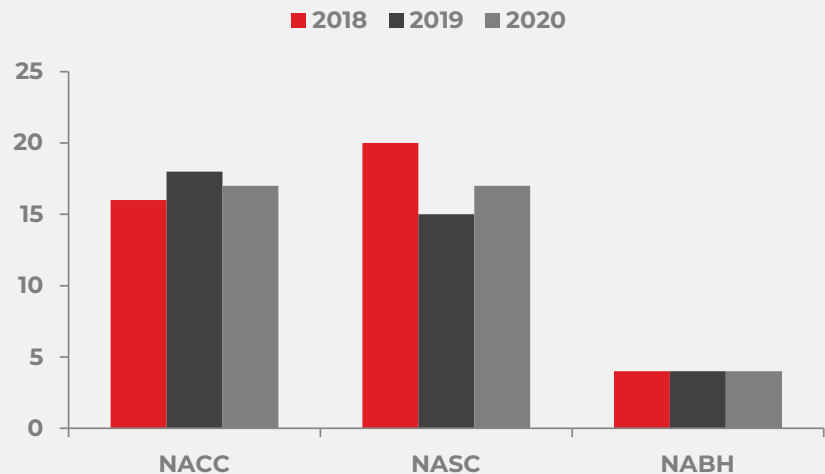
2020 Operational Highlights

During 2020, there was a strong focus on reducing operating costs for the cement and handy-size fleets. Despite similar cost efforts in the mini-bulker fleet, the segment experienced reduced volumes and lower daily rates as a result of COVID-19 and the cost control efforts were not able to offset the reduction in revenue.

Joint Venture Revenue (millions)



Number of Owned Vessels at Year End



The decrease in revenue in 2020 was due primarily to the impact of the global pandemic on volumes, vessel utilization and freight rates, all of which had a particular impact in the mini-bulker market as a result of constrained charter rates that occurred during the majority of 2020. Additionally, with

one less vessel operating this year, the handy-size fleet also experienced lower revenues. There was however, less impact in the cement fleet as the fleet experienced steady market demand with the redeployment of two fleet vessels into North American trades.

Outlook 2021

Domestic Dry-Bulk

The steady improvement in volumes over the latter part of 2020 in the Domestic Dry-Bulk segment is expected to be sustained into 2021. Salt products are expected to continue to grow, offsetting a return of grain volumes to more normal levels and shortfalls in other commodities compared to historic levels.

Product Tankers

The Product Tanker segment is very dependent on progress in re-opening the economy and the country and particularly how this impacts air and vehicle traffic. The current expectation for Product Tankers is for reduced revenue days compared to 2020, when we benefited from logistics decisions taken by our main customer that we do not expect to be repeated in the coming year.

Ocean Self-Unloaders

The Ocean Self-Unloader business should benefit from an increase in on-hire days now that the heavy dry-docking calendar is behind us and Pool volumes are expected to continue a slow recovery over the course of 2021.

Global Short Sea Shipping

The improvements made within 2020 in reducing daily operating expenses in this segment are expected to be sustained throughout 2021. We are projecting significantly improved rates in the European and North and South American Mini-bulker markets. The relative stability of the revenues in the cement and handy size fleets is expected to continue in 2021.

Ocean Self-Unloaders

Ballast Water Treatment

By the end of 2020 we had successfully installed ballast water treatment systems on five of our ocean self-unloaders with the remaining three scheduled for 2021.





2020 Sustainability Highlights & Metrics

 **5**

Ballast Water Treatment Systems

(Installed in 2020 in Ocean Fleet)

\$500M

Invested in Fleet Renewal (to date)

16% 

GHGs

(Since 2009, Tonne-km basis, Domestic Dry-bulk Fleet)

 **12**

Closed Loop Exhaust Gas Scrubbers

23 

Lost Time Injuries (2020)

0 

Cases of COVID-19

No confirmed cases of contagion of COVID-19 on any Algoma vessel in 2020.

4.1/5 

Green Marine Score

» Top 10% of shipowner participants

25

Vessels with Zero Lost Time Injuries in 2020



286 

Whale Observations

Provided to the Marine Mammal Observation Network

\$3M

Invested in Shipboard Training (2020)

74 

Training Captains have been enrolled in the Pilotage Program (2020)



\$560K in Scholarships

Provided to children of Algoma Employees as of 2020



\$102K

Donated to United Way in 2020



Your Marine Carrier of Choice™