Interim Financial Report for the Period Ended March 25, 2017

Q1 2017

Revenue
(in millions of Canadian dollars)

	2014	2015	2016	2017
March	62.7	60.4	64.9	**60.1**
June	78.7	89.3	79.6	
September	93.9	115.9	103.1	
December	86.9	92.4	95.8	
Year	322.2	358.0	343.3	

Profit (loss) attributable to owners of the Company
(in millions of Canadian dollars)

	2014	2015	2016	2017
March	4.3	2.5	(0.01)	**(1.5)**
June	7.4	6.7	1.0	
September	12.0	12.1	9.2	
December	7.3	7.9	8.9	
Year	31.0	29.1	18.9	

Total earnings (loss) per share *(1)*
(in Canadian dollars)

	2014	2015	2016	2017
March	0.34	0.20	(0.01)	**(0.12)**
June	0.59	0.54	0.07	
September	0.95	0.97	0.71	
December	0.58	0.63	0.71	
Year	2.46	2.34	1.48	

(1) *For earnings per share per class of share, please refer to the “Selected Quarterly Financial Information” table on page 4*

To Our Shareholders

During the first quarter of 2017, consolidated revenue totalled $60.1 million, a decrease of $4.8 million or 7.4% over the same period in 2016. Revenue from the marine services segment was down $4.1 million or 9.1% to $41.3 million for the first quarter of 2017, while revenue from the environmental services segment amounted to $18.8 million, down by $0.7 million or 3.4% from the first quarter of 2016.

The decline in revenue in the marine services segment stems primarily from the loss of the Saint John (NB) container terminal concession and, to a lesser degree, from reduced break-bulk cargo volumes. The slight revenue decrease in the environmental services segment was due to lower Aqua-Pipe activity, partially offset by an increase in site remediation revenue. Although marine services closed with positive results, the loss in our environmental sector was higher than expected and led to negative results overall.

The first quarter of 2017 closed with a consolidated loss attributable to owners of the Company of $1.5 million, compared to a loss of $0.1 million for the first quarter of 2016. The loss attributable to owners of the Company translated to a total basic and diluted loss per share of $0.12, of which $0.12 was attributable to Class A Common Shares and $0.13 was attributable to Class B Subordinate Voting Shares.

Outlook

We are disappointed in our first quarter results, but are confident in the year ahead. In cargo handling, we have worked diligently to replace the revenue from our lost concession in Saint John (NB), and are pleased to have closed on two new projects during the quarter. These projects, along with a better outlook for bulk and container business, should help us resume our growth momentum in the cargo handling business. The start at Sanexen has been difficult, as we are preparing for a strong year in a season where there is little activity. Furthermore, this has been exacerbated by a challenging contract we are dealing with in Europe. Our backlog is strong for both Aqua-Pipe rehabilitation and site remediation, and we are optimistic about our financial performance in 2017.

(signed) George R. Jones
George R. Jones
Chairman of the Board

(signed) Madeleine Paquin
Madeleine Paquin
President and Chief Executive Officer

May 9, 2017

Introduction

This management's discussion and analysis deals with Logistec Corporation's operations, results and financial position for the three-month periods ended March 25, 2017, and March 26, 2016. All financial information contained in this management's discussion and analysis and the attached condensed consolidated interim financial statements has been prepared in accordance with International Financial Reporting Standards ("IFRS") using the same accounting policies as outlined in Note 2 of the notes to 2016 consolidated financial statements, except as described in Note 3 of the notes to Q1 2017 condensed consolidated interim financial statements. In this report, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars.

Our Business

The Company is incorporated in the Province of Québec and its shares are listed on the Toronto Stock Exchange ("TSX") under the ticker symbols LGT.A and LGT.B. The Company's largest shareholder is Sumanic Investments Inc.

The operations of Logistec Corporation, its subsidiaries, and its joint ventures (collectively "Logistec", the "Company", "we", "us", or "our") are divided into two segments: marine services and environmental services.

Marine Services

Logistec Corporation provides specialized cargo handling and other services to a wide variety of marine and industrial customers. The Company has cargo handling facilities in some 30 ports and 40 terminals in eastern North America. It is widely diversified on the basis of cargo type and port location with a good balance between import and export activities.

Our other marine services include marine transportation services geared primarily to the Arctic coastal trade; short-line rail transportation services; and agency services to foreign shipowners and operators serving the Canadian market.

Environmental Services

The Company, through its subsidiary Sanexen Environmental Services Inc. ("Sanexen"), operates in the environmental sector, where it provides services to industrial, municipal and other governmental customers for the trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

Selected Quarterly Financial Information

(in thousands of Canadian dollars, except per share amounts)

	Q1	Q2	Q3	Q4	Year
	$	$	$	$	$
2017					
Revenue	**60,071**				
Loss attributable to owners of the Company	**(1,530)**				
Basic earnings per Class A Common Share [(1)]	**(0.12)**				
Basic earnings per Class B Subordinate Voting Share [(2)]	**(0.13)**				
Total basic earnings per share	**(0.13)**				
Diluted earnings per Class A share	**(0.12)**				
Diluted earnings per Class B share	**(0.13)**				
Total diluted earnings per share	**(0.12)**				
2016					
Revenue	64,859	79,616	103,093	95,758	343,326
Profit (loss) attributable to owners of the Company	(138)	951	9,153	8,892	18,858
Basic earnings per Class A Common Share [(1)]	(0.01)	0.08	0.72	0.70	1.48
Basic earnings per Class B Subordinate Voting Share [(2)]	(0.01)	0.08	0.80	0.76	1.63
Total basic earnings per share	(0.01)	0.08	0.75	0.73	1.55
Diluted earnings per Class A share	(0.01)	0.07	0.67	0.68	1.41
Diluted earnings per Class B share	(0.01)	0.08	0.75	0.74	1.56
Total diluted earnings per share	(0.01)	0.07	0.71	0.71	1.48

[(1)] *Class A Common Share ("Class A share")*
[(2)] *Class B Subordinate Voting Share ("Class B share")*

Seasonal Nature of Operations

Operations are affected by weather conditions and are therefore of a seasonal nature. During the winter months, the St. Lawrence Seaway is closed. There is no activity on the Great Lakes, reduced activity on the St. Lawrence River, and no activity in Arctic transportation due to ice conditions.

Sanexen's activities are also affected by weather conditions as the majority of the specialized services it offers depend upon the excavation of soils, which is more difficult during the winter.

Historically, the first quarter and, to a lesser extent, the second quarter have always presented a lower level of activity and yielded weaker results than the other quarters. The third and fourth quarters are usually the most active.

Business Acquisition

On February 16, 2017, the Company invested US$4.4 million (CA$5.8 million) in Logistec Gulf Coast LLC ("LGC"), a newly formed company. The funds were used to acquire essentially all of the operating assets of Gulf Coast Bulk Equipment, Inc. ("GCBE"). The Company holds a 70% interest in LGC and GCBE holds the remaining 30% interest. The cash consideration is subject to adjustment based on the final determination of GCBE's financial results between October 1, 2016 and February 16, 2017.

Please refer to Note 9 of the Notes to Q1 2017 Condensed Consolidated Interim Financial Statements for further details on the business acquisition.

Results

Revenue

Consolidated revenue totalled $60.1 million for the first quarter of 2017, a decrease of $4.8 million or 7.4% over $64.9 million for the same period in 2016. Consolidated revenue was negatively affected by $0.8 million due to a strong Canadian dollar against the U.S. dollar in the first quarter of 2017, as opposed to the Canadian/U.S. dollar translation rate in the first quarter of 2016.

In the first quarter of 2017, revenue in the marine services segment amounted to $41.3 million, down $4.1 million or 9.1% from the first quarter of 2016. The loss of the Saint John (NB) container terminal concession and lower break-bulk volumes are the principal reasons for the decrease in revenue in the first quarter of 2017 compared to the first quarter in 2016. However, this was partly offset by increased volumes in our bulk terminals, which saw more activity in this quarter when compared to the same period in 2016. In terms of profitability for the first quarter of 2017, the overall profitability of our cargo handling operations has increased in spite of this revenue reduction.

Revenue in the environmental services segment amounted to $18.8 million, down $0.7 million or 3.4% from the first quarter of 2016. This decrease is due to lower Aqua-Pipe activity, partially offset by an increase in site remediation revenue.

Employee Benefits Expense

In the first quarter of 2017, the employee benefits expense was down $ 0.2 million to $31.8 million, a slight decrease compared to $32.0 million for the same quarter in 2016. The ratio of employee benefits expense to revenue was 52.9%, compared to 49.3% for the same period last year. The higher expense ratio is due to our environmental services segment's revenue mix which has, on average, a higher labour ratio. This expense was particularly affected by a challenging contract we are dealing with in Europe. It is also due to the seasonality of our 2016 business acquisition, which resulted in higher labour costs for the first quarter of 2017, compared to the same period last year.

Equipment and Supplies Expense

Equipment and supplies expense amounted to $17.3 million in the first quarter of 2017, a decrease of $1.1 million or 6.0% over the $18.4 million reported in the first quarter of 2016. This decrease is in line with the revenue decrease. The proportion of equipment and supplies expense to consolidated revenue was stable at 28.8% for the first quarter of 2017, compared to 28.3% for the first quarter of 2016.

Other Expenses

Other expenses amounted to $3.6 million, representing a variation of $0.5 million or 13.1% compared to the first quarter of 2016. This variation is mainly due to a decrease in the bad debt expense during the first quarter of 2017.

Other Gains and Losses

Other gains and losses showed a gain of $1.7 million for the first quarter of 2017, compared to a loss of $1.1 million for the same quarter of 2016. This variation is mainly due to a gain on disposal of property, plant and equipment following the loss of the concession in Saint John (NB), while the 2016 loss was mainly attributable to foreign exchange variations.

Profit for the Period and Earnings per Share

Overall, the Company reported a loss for the period of $1.6 million in the first quarter of 2017, of which a loss of less than $0.1 million was attributable to non-controlling interests, generating a loss attributable to owners of the Company of $1.5 million. That translated into a total diluted loss per share of $0.12, of which $0.12 was attributable to Class A shares and $0.13 was attributable to Class B shares.

All other items of the condensed consolidated interim statements of earnings varied according to normal business parameters.

Dividends

On March 17, 2017, the Board of Directors declared dividends of $0.075 per Class A share and $0.0825 per Class B share, for a total consideration of $1.0 million. These dividends were paid on April 21, 2017, to shareholders of record as at April 7, 2017.

On May 9, 2017, the Board of Directors declared dividends of $0.075 per Class A share and $0.0825 per Class B share, for a total consideration of $1.0 million. These dividends will be paid on July 7, 2017, to shareholders of record as at June 23, 2017.

All dividends mentioned above are eligible dividends for Canada Revenue Agency purposes. The Company's Board of Directors determines the level of dividend payments. While Logistec does not have a formal dividend policy, the practice to date has been to maintain regular quarterly dividends with modest increases over the years.

Liquidity and Capital Resources

Capital Management

The Company's financial strategy and primary objectives when managing capital are described in Note 5 of the notes to consolidated financial statements in the 2016 annual report and were applied consistently in the first quarter of 2017. Please refer as well to Note 4 of the notes to Q1 2017 condensed consolidated interim financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to $333.8 million as at March 25, 2017, down $22.1 million over the December 31, 2016 closing balance of $355.9 million. The decrease is mainly due to the reduction in trade and other receivables as explained below, partially offset by an increase of $10.5 million in property, plant and equipment.

Cash and cash equivalents totalled $13.3 million at the end of the first quarter of 2017, down $2.6 million from $16.0 million as at December 31, 2016. The main items behind this decrease are as follows:

(in thousands of dollars)	
Positive:	
Changes in non-cash working capital items	23,294
Depreciation and amortization expense	4,026
	27,320
Negative:	
Acquisition of property, plant and equipment	(7,571)
Repurchase of share capital, including minority interest	(1,009)
Loss for the period	(1,559)
Repayment of long-term debt, net of issuance	(13,420)
Business acquisition	(5,805)
	(29,364)

Working Capital

Working capital totalled $51.9 million at the end of the first quarter of 2017, for a current ratio of 2.22:1. This is lower than the working capital of $75.8 million to a ratio of 2.51:1 as at December 31, 2016.

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to $198.7 million as at March 25, 2017. Adding long-term debt yields a capitalization of $245.7 million, which computes to a debt/capitalization ratio of 19.1%, below the 40% threshold mentioned in the Company's capital management objectives. This also means that the Company has good financial leverage available should the need arise.

As at May 9, 2017, 7,411,622 Class A shares and 4,739,809 Class B shares were issued and outstanding. Each Class A share is convertible at any time by its holder into one Class B share. Please refer to Note 5 of the notes to Q1 2017 condensed consolidated interim financial statements for further details regarding the Company's share capital.

Significant Joint Venture

As disclosed in Note 20 of the note to 2016 consolidated financial statements, the Company holds many investments in joint ventures. The Company has only one significant joint venture, Termont Terminal Inc., whose activities are aligned with its core business.

The following table summarizes the financial information of Termont Terminal Inc. at 100%. The Company holds a 50%-equity interest in this joint venture.

(in thousands of dollars)

	As at March 25, 2017 $	As at December 31, 2016 $
Statement of financial position		
Total assets	**38,775**	37,438
Total liabilities	**92**	284

	For the three months ended	
	March 25, 2017 $	March 26, 2016 $
Statement of earnings		
Revenue	**815**	725
Share of profit of an equity accounted investment	**1,038**	767
Profit for the period	**1,529**	1,193

Other Items in the Consolidated Statements of Financial Position

Financial position as at *(in millions of dollars)*	**March 25, 2017** **$**	December 31, 2016 $	**Var.** **$**	**Var.** **%**	Explanation of variation
Trade and other receivables	**54.2**	86.4	**(32.1)**	**(37.2)**	The variation is explained by a sustained collection effort in the environmental services segment in the first quarter of 2017, combined with a lower level of activity in the first quarter of 2017 compared to the fourth quarter of 2016.
Work in progress	**7.3**	4.4	**3.0**	**67.2**	Work in progress represents the gross unbilled amount that will be collected from customers for contract work carried out to date in our environmental services segment.
Property, plant and equipment	**149.1**	138.6	**10.5**	**7.6**	The increase stems mainly from capital expenditures, including a business acquisition, totalling $15.6 million, which exceeded the depreciation expense of $3.7 million and the disposal of assets of $2.0 million.
Non-current financial assets	**5.1**	7.2	**(2.0)**	**(28.4)**	The decrease reflects the lower level of contract holdbacks for Sanexen at the end of the first quarter of 2017.
Trade and other payables	**35.3**	43.1	**(7.8)**	**(18.1)**	The decrease reflects the lower level of activity in all business segments in the first quarter of 2017 compared to the fourth quarter of 2016.
Current portion of long-term debt	**2.2**	1.7	**0.6**	**33.4**	The variation stems from the $10.0 million increase in long-term debt. Of this amount, $5.8 million is related to the business acquisition in the marine services segment, and $3.1 million was used for capital expenditures. Repayment of long-term debt of $13.9 million came from cash flow generated by improvements in our working capital as previously discussed in the "Liquidity and Capital Resources" section.
Long-term debt	**44.8**	58.6	**(13.9)**	**(23.7)**	
Non-current financial liabilities	**15.1**	12.5	**2.6**	**20.4**	The increase is mainly due to the acquisition of the non-controlling interest in LGC. As a result of that transaction, Logistec recorded a long-term liability amounting to $2.5 million as at March 25, 2017.

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the first quarter of 2017.

Application of New and Revised IFRS

On January 1, 2016, the Company adopted IAS 7, “Statement of Cash Flows”, which did not significantly affect the presentation of the financial statements. Please refer to Note 3 of the Q1 2017 condensed consolidated interim financial statement notes for a full description of this standard.

Additionally, the following accounting standards have been published or modified: IFRS 9, “Financial Instruments”; IFRS 15, “Revenue from Contracts with Customers”; and IFRS 16, “Leases”. Again, please refer to Note 3 of the Q1 2017 condensed consolidated interim financial statement notes for further details on these standards.

Report on Disclosure Controls

Pursuant to the requirements of National Instrument 52-109 “Certification of Disclosure in Issuers’ Annual and Interim Filings”, the President and Chief Executive Officer and the Vice-President, Finance are responsible for the establishment and maintenance of disclosure controls and procedures (“DC&P”), and internal control over financial reporting (“ICFR”). They are assisted in these tasks by a Certification Steering Committee, which is comprised of members of the Company’s senior management including the two previously mentioned executives.

They have reviewed this management’s discussion and analysis and the Q1 2017 condensed consolidated interim financial statements and related notes (the “Interim Filings”). Based on their knowledge, the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Interim Filings. Based on their knowledge, the Q1 2017 condensed consolidated interim financial statements, together with the other financial information included in the Interim Filings, fairly present in all material respects the financial condition, financial performance and cash flows of the Company, as of the date and for the periods presented in the Interim Filings.

The President and Chief Executive Officer and the Vice-President, Finance have concluded that the design of DC&P provided reasonable assurance that material information relating to the Company, including its consolidated subsidiaries, was communicated to them in a timely manner for the preparation of the Interim Filings and that information required to be disclosed in its Interim Filings was recorded, processed, summarized and reported within the required time periods.

The President and Chief Executive Officer and the Vice-President, Finance have also designed such ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, the Company’s generally accepted accounting principles.

There has been no change in the Company’s ICFR that occurred during the first quarter of 2017 that has materially affected, or is reasonably likely to materially affect, the Company’s ICFR.

Outlook

Despite a bottom line in slight regression compared to 2016, the first quarter of 2017 ended with encouraging signs.

Indeed, the results from our marine services segment are showing improvement over the same period in 2016, as reported in Note 7 of the Q1 2017 condensed consolidated interim financial statement notes. Even if we remove the non-recurring gain from disposal of our assets in Saint John (NB), the profit before income taxes is better in 2017 than in 2016, despite a revenue reduction.

This is consistent with the message in the Outlook section of the "Management's Discussion and Analysis" included in our 2016 annual report, where we discussed signs of improvement in our business. These signs are still being seen with most of our cargo handling installations, delivering better results. Additionally, the economy seems to be picking up, particularly in the mining sector and in the USA.

2017 should be a very active year in our environmental services segment, despite a slower start than in the same period in 2016. Aqua-Pipe is positioned to do well after winning the majority of the Ville de Montréal contracts. The energy sector in the USA is more active, with the shale gas industry showing signs of revival. This bodes well for our woven hose manufacturing business, which sells hoses to the shale industry. Overall, as we prepare this quarterly report, Sanexen's backlog has already reached a record $169 million. Globally, the outlook is positive.

As for business development, several projects are under review and although it is too soon to discuss these projects, our objective remains to increase our revenue, profit and value for our shareholders.

For the purpose of informing shareholders and potential investors about the Company's prospects, sections of this document may contain forward-looking statements, within the meaning of securities legislation, about the Company's activities, performance and financial situation and, in particular, hopes for the success of the Company's efforts in the development and growth of its business. These forward-looking statements express, as of the date of this document, the estimates, predictions, projections, expectations or opinions of the Company about future events or results. Although the Company believes that the expectations produced by these forward-looking statements are founded on valid and reasonable bases and assumptions, these forward-looking statements are inherently subject to important uncertainties and contingencies, many of which are beyond the Company's control, such that the Company's performance may differ significantly from the predicted performance expressed or presented in such forward-looking statements.

The important risks and uncertainties that may cause the actual results and future events to differ significantly from the expectations currently expressed are examined under "Business Risks" in the Company's annual report and include (but are not limited to) the performances of domestic and international economies and their effect on shipping volumes, weather conditions, labour relations, pricing and competitors' marketing activities. The reader of this document is thus cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to update or revise these forward-looking statements, except as required by law.

Additional information relating to our Company can be found on SEDAR at www.sedar.com and on Logistec's website at www.logistec.com.

(signed) Jean-Claude Dugas
Jean-Claude Dugas, CPA, CA
Vice-President, Finance

May 9, 2017

(in thousands of Canadian dollars, except for per share amounts and number of shares)

Condensed Consolidated Interim Statements of Earnings

	For the three months ended March 25, 2017 $	March 26, 2016 $
Revenue	**60,071**	64,859
Employee benefits expense	**(31,806)**	(32,001)
Equipment and supplies expense	**(17,274)**	(18,377)
Rental expense	**(6,933)**	(6,819)
Other expenses	**(3,636)**	(4,185)
Depreciation and amortization expense	**(4,026)**	(3,036)
Share of profit of equity accounted investments	**407**	190
Other gains and losses	**1,730**	(1,058)
Operating profit	**(1,467)**	(427)
Finance expense	**(395)**	(305)
Finance income	**83**	62
Profit before income taxes	**(1,779)**	(670)
Income taxes	**220**	169
Profit (loss) for the period	**(1,559)**	(501)
Profit attributable to:		
Owners of the Company	**(1,530)**	(138)
Non-controlling interests	**(29)**	(363)
Profit (loss) for the period	**(1,559)**	(501)
Basic earnings per Class A Common Share [(1)]	**(0.12)**	(0.01)
Basic earnings per Class B Subordinate Voting Share [(2)]	**(0.13)**	(0.01)
Diluted earnings per Class A share	**(0.12)**	(0.01)
Diluted earnings per Class B share	**(0.13)**	(0.01)
Weighted average number of Class A shares outstanding, basic and diluted	**7,412,255**	7,430,322
Weighted average number of Class B shares outstanding, basic	**4,739,603**	4,834,200
Weighted average number of Class B shares outstanding, diluted	**5,491,515**	4,859,334

(1) *Class A Common Share ("Class A share")*
(2) *Class B Subordinate Voting Share ("Class B share")*

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended March 25, 2017 $	March 26, 2016 $
Loss for the period	**(1,559)**	(501)
Other comprehensive loss		
Items that are or may be reclassified to the consolidated statements of earnings		
Currency translation differences arising on translation of foreign operations	**(164)**	(1,635)
Transfer of losses on derivatives designated as cash flow hedges to the consolidated statements of earnings	**–**	14
Income taxes relating to derivatives designated as cash flow hedges	**–**	(4)
Total items that are or may be reclassified to the consolidated statements of earnings	**(164)**	(1,625)
Items that will not be reclassified to the consolidated statements of earnings		
Return on retirement plan assets excluding amounts included in profit for the period	**373**	(215)
Income taxes on remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	**(100)**	58
Total items that will not be reclassified to the consolidated statements of earnings	**273**	(157)
Share of other comprehensive income of equity accounted investments, net of income taxes		
Items that are or may be reclassified to the consolidated statements of earnings	–	(92)
Total share of other comprehensive income of equity accounted investments, net of income taxes	–	(92)
Other comprehensive income (loss) for the period, net of income taxes	**109**	(1,874)
Total comprehensive loss for the period	**(1,450)**	(2,375)
Total comprehensive loss attributable to:		
Owners of the Company	**(1,421)**	(2,012)
Non-controlling interests	**(29)**	(363)
Total comprehensive loss for the period	**(1,450)**	(2,375)

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Financial Position

	Notes	**As at March 25, 2017 $**	As at December 31, 2016 $
Assets			
Current assets			
Cash and cash equivalents		**13,327**	15,971
Short-term portion of an investment in a service contract		**–**	865
Trade and other receivables		**54,224**	86,373
Work in progress		**7,349**	4,395
Current income tax assets		**4,735**	3,767
Other financial assets		**1,059**	1,014
Assets available for sale		**–**	330
Prepaid expenses		**5,608**	5,654
Inventories		**7,960**	7,506
		94,262	125,875
Equity accounted investments		**31,049**	31,141
Property, plant and equipment		**149,126**	138,591
Goodwill	9	**26,156**	24,899
Other intangible assets		**17,822**	18,233
Other non-current assets		**1,616**	1,534
Non-current financial assets		**5,128**	7,166
Post-employment benefit assets		**745**	706
Deferred income tax assets		**7,871**	7,715
Total assets		**333,775**	355,860
Liabilities			
Current liabilities			
Short-term bank loans		**98**	–
Trade and other payables		**35,288**	43,081
Deferred revenue		**2,783**	2,928
Current income tax liabilities		**228**	149
Dividends payable		**947**	947
Current portion of long-term debt		**2,242**	1,681
Provisions		**787**	1,344
		42,373	50,130
Long-term debt		**44,781**	58,644
Provisions		**768**	800
Deferred income tax liabilities		**13,369**	13,382
Post-employment benefit obligations		**12,946**	13,076
Deferred revenue		**4,033**	4,133
Non-current financial liabilities		**15,064**	12,514
Total liabilities		**133,334**	152,679
Equity			
Share capital	5	**15,805**	15,618
Share capital to be issued		**24,689**	24,898
Retained earnings		**149,090**	151,616
Accumulated other comprehensive income		**9,087**	9,251
Equity attributable to owners of the Company		**198,671**	201,383
Non-controlling interests		**1,770**	1,798
Total equity		**200,441**	203,181
Total liabilities and equity		**333,775**	355,860

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Changes in Equity

		Attributable to owners of the Company							
				Accumulated other comprehensive income					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2017		**15,618**	**24,898**	**(4)**	**9,255**	**151,616**	**201,383**	**1,798**	**203,181**
Profit for the period		–	–	–	–	(1,530)	(1,530)	(29)	(1,559)
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(164)	–	(164)	–	(164)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	273	273	–	273
Total comprehensive loss for the period		–	–	–	(164)	(1,257)	(1,421)	(29)	(1,450)
Repurchase of Class A shares	5	–	–	–	–	(21)	(21)	–	(21)
Issue and Repurchase of Class B shares	5	187	(209)	–	–	(301)	(323)	–	(323)
Non-controlling interest arising from a business acquisition		–	–	–	–	–	–	2,545	2,545
Dividends on Class A shares	5	–	–	–	–	(556)	(556)	–	(556)
Dividends on Class B shares	5	–	–	–	–	(391)	(391)	–	(391)
Balance as at March 25, 2017		**15,805**	**24,689**	**(4)**	**9,091**	**149,090**	**198,671**	**4,314**	**202,985**

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Changes in Equity (Continued)

		Attributable to owners of the Company							
				Accumulated other comprehensive income					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2016		**14,985**	**–**	**(139)**	**10,413**	**164,154**	**189,413**	**20,232**	**209,645**
Loss for the period		–	–	–	–	(138)	(138)	(363)	(501)
Other comprehensive loss									
Currency translation differences arising on translation of foreign operations		–	–	–	(1,635)	–	(1,635)	–	(1,635)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	(157)	(157)	–	(157)
Cash flow hedges, net of income taxes		–	–	10	–	–	10	–	10
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	(92)	–	–	(92)	–	(92)
Total comprehensive loss for the period		–	–	(82)	(1,635)	(295)	(2,012)	(363)	(2,375)
Repurchase of Class A shares	5	(7)	–	–	–	(420)	(427)	–	(427)
Repurchase of Class B shares	5	(406)	–	–	–	(7,017)	(7,423)	–	(7,423)
Repurchase of non-controlling interests	9	–	24,898	–	–	(18,148)	6,750	(18,061)	(11,311)
Dividends on Class A shares	5	–	–	–	–	(557)	(557)	–	(557)
Dividends on Class B shares	5	–	–	–	–	(393)	(393)	–	(393)
Balance as at March 26, 2016		**14,572**	**24,898**	**(221)**	**8,778**	**137,324**	**185,351**	**1,808**	**187,159**

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Cash Flows

	Notes	For the three months ended March 25, 2017 $	March 26, 2016 $
Operating activities			
Loss for the period		**(1,559)**	(501)
Items not affecting cash and cash equivalents		**2,546**	4,575
Cash generated from operations		**987**	4,074
Dividends received from equity accounted investments		**500**	–
Contributions to defined benefit retirement plans		**(201)**	(306)
Settlement of provisions		**(138)**	(5)
Changes in non-cash working capital items		**23,294**	(3,201)
Income taxes paid		**(917)**	(3,266)
		23,525	(2,704)
Financing activities			
Net change in short-term bank loans		**98**	18
Issuance of long-term debt		**10,328**	12,358
Repayment of long-term debt		**(23,747)**	(2,397)
Interest paid		**(399)**	(313)
Repurchase of Class A shares	5	**(21)**	(427)
Repurchase of Class B shares	5	**(322)**	(7,423)
Dividends paid on Class A shares		**(555)**	(557)
Dividends paid on Class B shares		**(392)**	(410)
		(15,010)	849
Investing activities			
Customer repayment of an investment in a service contract		**865**	70
Interest received		**92**	59
Repurchase of a non-controlling interest		**(666)**	(2,392)
Business acquisition	9	**(5,805)**	(4,560)
Cash acquired in a business acquisition	9	**–**	197
Acquisition of property, plant and equipment		**(7,571)**	(4,688)
Proceeds from disposal of property, plant and equipment		**2,094**	80
Acquisition of other non-current financial assets		**(179)**	–
Repayment of other non-current financial assets		**47**	–
Acquisition of intangible assets		**–**	(25)
Acquisition of other non-current assets		**–**	(29)
Repayment of other non-current assets		**23**	–
		(11,100)	(11,288)
Net change in cash and cash equivalents		**(2,585)**	(13,143)
Cash and cash equivalents, beginning of period		**15,971**	23,811
Effect of exchange rate on balances held in foreign currencies of foreign operations		**(59)**	396
Cash and cash equivalents, end of period		**13,327**	11,064
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		**329**	1,406

1. General Information

Logistec Corporation provides specialized cargo handling and other services to a wide variety of marine, industrial and municipal customers. The Company has cargo handling facilities in 30 ports in eastern North America; short-line rail transportation services; and marine agency services to foreign shipowners and operators serving the Canadian market. The Company is widely diversified on the basis of cargo type and port location with a balance between import and export activities. Furthermore, the Company, through its subsidiary Sanexen Environmental Services Inc. (“Sanexen”), operates in the environmental sector where it provides services for the trenchless structural rehabilitation of underground water mains, regulated materials management, site remediation, risk assessment and manufacturing of woven-hoses.

The Company is incorporated in the Province of Québec and is governed by the Québec Business Corporations Act. Its shares are listed on the Toronto Stock Exchange (“TSX”) under the ticker symbols LGT.A and LGT.B. The address of its registered office is 360 St. Jacques Street, Suite 1500, Montréal (QC) H2Y 1P5, Canada.

The Company’s largest shareholder is Sumanic Investments Inc.

The accompanying unaudited condensed interim consolidated financial statements of Logistec Corporation have been prepared by and are the responsibility of management. The unaudited condensed interim consolidated financial statements have not been reviewed by the Company's independent auditor.

These unaudited condensed consolidated interim financial statements were approved by the Company’s Board of Directors on May 9, 2017.

2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standards (“IAS”) 34, “Interim Financial Reporting”, using the same accounting policies as outlined in Note 2 of the notes to 2016 consolidated financial statements, except as described in Note 3 below.

In the application of the Company’s significant accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. The measurement of certain assets and liabilities in the preparation of these condensed consolidated interim financial statements includes significant assumptions made by management, which have been set out in Note 4 of the notes to 2016 consolidated financial statements.

The condensed consolidated interim financial statements do not include all of the information required for annual financial statements and should therefore be read in conjunction with the consolidated financial statements included in the Company’s 2016 annual report.

3. Application of New and Revised IFRS

On January 1, 2017, the Company adopted the following revised standard:

IAS 7, "Statement of Cash Flows"

IAS 7 was amended in January 2016 to enable the users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. It did not have any significant impact on the Company's Q1 2017 condensed consolidated interim financial statements.

Accounting Standards Issued but not yet Applied

The following accounting standards have been published: IFRS 9, "Financial Instruments"; IFRS 15, "Revenue from Contracts with Customers"; and IFRS 16, "Leases";

IFRS 9, "Financial Instruments"

In July 2014, the final version of IFRS 9 was issued and it replaces IAS 39, "Financial Instruments – Recognition and Measurement". Classification and measurement of financial assets are based on a single approach, which reflects the business model in which they are managed and their cash flow characteristics. Requirements for financial liabilities largely carried forward existing requirements in IAS 39. Expected credit losses will be accounted for from when financial instruments are first recognized and the threshold for recognition of full lifetime expected losses is lowered. A new hedge accounting model is introduced, together with corresponding disclosures about risk management activity. The new hedge accounting model will allow entities to better reflect their risk management activities when hedging financial and non-financial risk exposures in the financial statements.

The standard is to be applied for accounting periods beginning on or after January 1, 2018, with early adoption permitted. Based upon the current facts and circumstances, the Company does not expect to be significantly affected by this new standard.

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15, issued in May 2014, specifies when and how revenue will be recognized. It provides a single five-step model to be applied to all contracts with customers. It also provides additional disclosure requirements. The standard is to be applied for accounting periods beginning on or after January 1, 2018.

The Company's is still assessing the impact of this new standard. The Company does not expect to be significantly affected by this new standard, although the Company's current estimate of the time it will take to complete its assessment extends to the second half of 2017.

IFRS 16, "Leases"

IFRS 16, issued in February 2016, specifies how to recognize, evaluate and present leases and provide information about them. The standard contains a unique model for lessee accounting which requires the recognition of assets and liabilities for all contracts unless the contract term is 12 months or less or the underlying asset has a low value. However, the recognition by the lessor remains largely unchanged from IAS 17, "Leases", and the distinction between contracts of leasing and contract hire remains single. The standard is effective for accounting periods beginning on or after January 1, 2019. Based upon the current facts and circumstances, the Company expects to be significantly affected by this new standard. However, at this time, it is not possible to provide a reasonable estimate of the effects of this new standard.

(in thousands of Canadian dollars, except for per share amounts)

4. Financial Risk Management

Capital Management

The Company monitors the debt/capitalization ratio on a quarterly basis. As at March 25, 2017, the ratio is 19.1% based on debt of $47,023 divided by a capitalization of $245,694 (23.1% as at December 31, 2016, based on $60,325/$261,708), within the Company's objective of less than 40%.

As at March 25, 2017, the Company is in compliance with all of its obligations under the terms of its banking agreements.

Credit Risk

Credit risk arises from the possibility that a counterpart will fail to perform its obligations. The Company conducts a thorough assessment of credit issues prior to committing to the investment and actively monitors the financial health of its investees on an ongoing basis. In addition, the Company is exposed to credit risk from customers. On the one hand, the Company does business mostly with large industrial and well-established customers, thus reducing its credit risk. On the other hand, the number of customers served by the Company is limited, which increases the risk of business concentration and economic dependency. Overall, the Company serves approximately 1,600 customers. For the three months ended March 25, 2017, the 20 largest customers account for 49.9% (53.8% in 2016) of consolidated revenue.

5. Share Capital

During the first quarter of 2017, pursuant to the Company's normal course issuer bid, 600 (10,500 in 2016) Class A shares and 9,300 (200,100 in 2016) Class B shares were repurchased and cancelled for cash consideration of $21 ($426 in 2016) and $323 ($7,423 in 2016), respectively. Of this amount, the excess over stated capital of the repurchased shares of $21 ($419 in 2016) and $301 ($7,017 in 2016), respectively, was charged to retained earnings.

Following last year's agreement with Sanexen, as at March 24, 2017, Logistec issued 6,309 Class B shares at $33.02 per share, which reduced the share capital to be issued from $24,898 as at December 31, 2016 to $24,689 as at March 25, 2017.

The issued and outstanding shares were as follows:

	As at March 25, 2017 $	As at December 31, 2016 $
7,412,122 Class A shares (7,412,722 as at December 31, 2016)	**4,899**	4,899
4,741,309 Class B shares (4,744,300 as at December 31, 2016)	**10,906**	10,719
	15,805	15,618

As at March 25, 2017, the outstanding balance of the non-interest bearing loans granted under the Employee Stock Purchase Plan ("ESPP") and repayable over two years has a carrying value of $365 ($462 as at December 31, 2016). There remains an unallocated balance of 247,600 Class B shares reserved for issuance pursuant to this ESPP.

(in thousands of Canadian dollars, except for per share amounts)

Dividends

Details of dividends declared per share are as follows:

	For the three months ended	
	March 25, 2017 $	March 26, 2016 $
Class A shares	**0.075**	0.075
Class B shares	**0.083**	0.083

6. Related Party Transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed below.

Trading Transactions

The following tables summarize the Company's related party transactions with its joint ventures:

	For the three months ended	
	March 25, 2017 $	March 26, 2016 $
Sale of services	**371**	409
Purchase of services	**450**	136

	As at March 25, 2017 $	As at December 31, 2016 $
Amounts owed to joint ventures	**391**	1,487
Amounts owed from joint ventures	**333**	539

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

Loans to Related Parties

The following balances were outstanding at the end of the reporting periods:

	As at March 25, 2017 $	As at December 31, 2016 $
Key management personnel	**82**	123

The Company has provided loans to several members of key management personnel in connection with the ESPP, as described in Note 5.

(in thousands of Canadian dollars, except for per share amounts)

Transactions with Shareholders

The Company's largest shareholder is Sumanic Investments Inc. Transactions with the Company's shareholders were as follows:

	For the three months ended	
	March 25, 2017	March 26, 2016
	$	$
Dividends paid to Sumanic Investments Inc.	**436**	436
Dividends paid to certain members of key management personnel	**23**	26

Contribution to Retirement Plans

Total cash payments for employee future benefits for the three-month period ended March 25, 2017, consisting of cash contributed by the Company to its funded benefit retirement plans, cash payments made directly to beneficiaries for its unfunded other benefit retirement plans, and cash contributed to its defined contribution retirement plans, were $703 ($802 in 2016).

Compensation of Key Management Personnel

The compensation of directors and of other members of key management personnel [(1)] was as follows:

	For the three months ended	
	March 25, 2017	March 26, 2016
	$	$
Short-term benefits	**1,400**	1,496
Post-employment benefits	**163**	145
Other long-term benefits	**260**	340
	1,823	1,981

(1) *The compensation of members of key management personnel includes the compensation of the president of one of the Company's joint ventures*

7. Segmented Information

The Company and its subsidiaries are organized and operate primarily in two reportable industry segments: marine services and environmental services. The accounting policies used within the segments are applied in the same manner as for the condensed consolidated interim financial statements.

The Company discloses information about its reportable segments based upon the measures used by management in assessing the performance of those reportable segments. The Company uses segmented profit before income taxes to measure the operating performance of its segments.

(in thousands of Canadian dollars, except for per share amounts)

The financial information by industry segment is as follows:

	Marine services $	Environmental services $	Total $
For the three months ended March 25, 2017			
Revenue	**41,282**	**18,789**	**60,071**
Profit (loss) before income taxes	**2,844**	**(4,623)**	**(1,779)**
As at March 25, 2017			
Total assets	**233,505**	**100,270**	**333,775**
Total liabilities	**94,400**	**36,390**	**130,790**
For the three months ended March 26, 2016			
Revenue	45,415	19,444	64,859
Profit (loss) before income taxes	1,010	(1,680)	(670)
As at March 26, 2016			
Total assets	220,544	98,912	319,456
Total liabilities	93,209	39,088	132,297

8. Seasonal Nature of Operations

Operations are affected by weather conditions and are therefore of a seasonal nature. During the winter months, the St. Lawrence Seaway is closed. There is no activity on the Great Lakes, reduced activity on the St. Lawrence River, and no activity in Arctic transportation due to ice conditions.

Sanexen's activities are also affected by weather conditions as the majority of the specialized services it offers depend upon the excavation of soils, which is more difficult during the winter.

Historically, the first quarter and, to a lesser extent, the second quarter have always presented a lower level of activity and yielded weaker results than the other quarters. The third and fourth quarters are usually the most active.

(in thousands of Canadian dollars, except for per share amounts)

9. Business Acquisition

On February 16, 2017, the Company invested US$4,429 (CA$5,805) in Logistec Gulf Coast LLC ("LGC"), a newly formed company. The funds were used to acquire essentially all of the operating assets of Gulf Coast Bulk Equipment, Inc. ("GCBE"). The Company holds a 70% interest in LGC and GCBE holds the remaining 30% interest. The cash consideration is subject to adjustment based on the final determination of GCBE's financial results between October 1, 2016 and February 16, 2017.

This transaction consolidates and expands the Company's bulk cargo handling services in the U.S. Southeast and Gulf of Mexico region.

At the acquisition date, the preliminary fair value of the underlying identifiable assets acquired and liability assumed was as follows:

	Total CA$
Property, plant and equipment	8,041
Goodwill	1,204
Long-term debt	(886)
	8,359
Settlement	
Cash	5,805
30% non-controlling interest in LGC	2,554
	8,359

The purchase price allocation is preliminary and is subject to change once final valuations of the assets acquired and liability assumed are completed.

The Company has the obligation to repurchase the 30% non-controlling interest in LGC on December 31, 2021 at the latest, or sooner, upon the occurrence of certain events. The purchase price will be the greater of: i) the book value of the 30% non-controlling interest or ii) a multiple of the applicable three-year average EBITDA, minus LGC's debt. Consequently, the Company recorded a liability of $2,554, which is included in non-current financial liabilities.

Goodwill

Goodwill mainly arose in the acquisition as a result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

Impact of the Acquisition on the Results of the Company

Revenue and profit for the three month period ended March 25, 2017 were not significant.

Had this business acquisition been made effective January 1, 2017, the impact on the Company's revenue and profit for the period would not have been significant

Logistec Corporation
360 St. Jacques Street
Suite 1500
Montréal (QC) H2Y 1P5
www.logistec.com