

Interim Financial Report for the Period Ended June 25, 2016



Q2 2016

Revenue

(in millions of Canadian dollars)

	2013	2014	2015	2016
March	57.4	62.7	60.4	64.9
June	72.7	78.7	89.3	79.6
September	88.7	93.9	115.9	
December	79.5	86.9	92.4	
Year	298.3	322.2	358.0	

Profit (loss) attributable to owners of the Company

(in millions of Canadian dollars)

	2013	2014	2015	2016
March	1.9	4.3	2.5	(0.1)
June	7.4	7.4	6.7	1.0
September	11.6	12.0	12.1	
December	6.6	7.3	7.9	
Year	27.5	31.0	29.1	

Total earnings (loss) per share ⁽¹⁾

(in Canadian dollars)

	2013	2014	2015	2016
March	0.15	0.34	0.20	(0.01)
June	0.57	0.59	0.54	0.07
September	0.90	0.95	0.97	
December	0.52	0.58	0.63	
Year	2.13	2.46	2.34	

⁽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 second quarter of 2016, consolidated revenue totalled \$79.6 million, a decrease of \$9.6 million or 10.8% from the equivalent period of the previous year. The marine services segment's revenue was down by \$8.1 million or 15.2% to \$45.2 million for the second quarter of 2016, while the environmental services segment's revenue amounted to \$34.4 million, down by \$1.5 million or 4.2% from the second quarter of 2015. The revenue decrease in the marine services segment came from reduced bulk cargo volumes, whereas the revenue decrease in the environmental services segment was due to lower volumes of Aqua-Pipe activity. The second quarter of 2016 closed with a consolidated profit attributable to owners of the Company of \$1.0 million, compared with a profit of \$6.7 million for the second quarter of 2015. This includes a loss on foreign currency exchange of \$0.7 million. The profit attributable to owners of the Company translated into total diluted earnings per share of \$0.07, of which \$0.07 was attributable to Class A Common Shares and \$0.08 was attributable to Class B Subordinate Voting Shares.

During the first six months of 2016, consolidated revenue decreased to \$144.5 million, compared with \$149.6 million for the first half of 2015. The profit attributable to owners of the Company amounted to \$0.8 million for total basic and diluted earnings per share of \$0.06, of which \$0.06 was attributable to Class A Common Shares and \$0.07 was attributable to Class B Subordinate Voting Shares. For the same period of 2015, basic and diluted earnings per share totalled \$0.74, of which \$0.70 was attributable to Class A Common Shares and \$0.78 was attributable to Class B Subordinate Voting Shares.

Outlook

Year-to-date results are below our expectations. In the marine services segment, the results reflect the lower volumes handled by our facilities and are typical of our economy in general. These volumes relate to many base industries, namely mining and energy. Results should improve considerably in the next months as volumes and hence revenue are projected to increase, but we do not expect to make up for the shortfall. We are not the only company experiencing such volume deterioration and, on the positive side, this may in itself create acquisition opportunities for those seeking growth.

In our environmental services segment, both Aqua-Pipe and our traditional site remediation businesses had slower starts, but the outlook for the rest of the year is promising. Contracts on hand, as well as the number and quality of those being bid on, lead us to believe we will have a strong year in site remediation and regulated materials management. In Aqua-Pipe, results will likely be weaker than last year due primarily to lower levels of work being done in our local markets, but our investments in developing the vast U.S. market will no doubt pay off in the years to come. We continue to invest in our technology and are encouraged by the initial positive response of U.S. municipalities. Furthermore, our Niedner woven-hose manufacturing business is not only meeting new standards for the fabrication of large-diameter hoses, but is also enjoying tremendous success with its traditional hose business. The subsidiary has secured a foothold as the largest provider of fire-fighting hoses to governments in North America.

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

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

July 29, 2016

Introduction

This management's discussion and analysis deals with Logistec Corporation's operations, results and financial position for the three-month and six-month periods ended June 25, 2016, and June 27, 2015. 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 2015 consolidated financial statements, except as described in Note 3 of the notes to Q2 2016 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 28 ports 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 woven-hose manufacturing.

Selected Quarterly Financial Information

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

	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2016					
Revenue	64,859	79,616			
Profit (loss) attributable to owners of the Company	(138)	951			
Basic earnings per Class A Common Share ⁽¹⁾	(0.01)	0.08			
Basic earnings per Class B Subordinate Voting Share ⁽²⁾	(0.01)	0.08			
Total basic earnings per share	(0.01)	0.08			
Diluted earnings per Class A Share	(0.01)	0.07			
Diluted earnings per Class B Share	(0.01)	0.08			
Total diluted earnings per share	(0.01)	0.07			
2015					
Revenue	60,372	89,262	115,933	92,441	358,008
Profit attributable to owners of the Company	2,518	6,668	12,102	7,854	29,142
Basic and diluted earnings per Class A share	0.19	0.51	0.94	0.61	2.25
Basic and diluted earnings per Class B share	0.21	0.57	1.03	0.67	2.47
Total basic and diluted earnings per share	0.20	0.54	0.97	0.63	2.34

⁽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.

Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, Logistec entered into an agreement to acquire the remaining 29.8% equity interest it did not own in Sanexen for an agreed value of \$43.8 million.

To determine the value, we used the ratio of Logistec's shares on the stock market over Logistec's equity at book value, and applied the same ratio to Sanexen's equity at book value. In order to avoid any anomalies, we used the average of the daily close price of Logistec's LGT.A and LGT.B stocks on the TSX for the thirty calendar days prior to the transaction date.

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), for an aggregate value of \$43.8 million, resulting in Logistec holding 100% of the common shares of Sanexen.

Immediately following the share exchange, Logistec and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which Logistec was granted call options, exercisable in whole or in part at any time, to acquire from them their Class G shares for a cash consideration of \$15.9 million and to acquire their Class H shares in exchange for 754,015 Class B shares of Logistec. The number of Class B shares was determined using the average price for Class B shares over the prior thirty days (\$36.92).

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to Logistec their Class G shares upon certain events, including termination of employment, and a put option to sell to Logistec their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to Logistec.

A retention restriction was imposed to certain non-controlling interest shareholders who are executives of Sanexen as follows: a 40% discount, representing \$4.5 million, will be applied to the purchase price of the Class G shares of these shareholders should they leave Sanexen voluntarily before March 24, 2021.

The Board of Directors of Logistec received a fairness opinion from PricewaterhouseCoopers LLP to the effect that the consideration paid for the transaction was fair, from a financial point of view, to Logistec.

The recording of the transaction is summarized as follows:

Pursuant to the Option Agreement, the Class G shares will be repurchased for a fixed cash amount. Accordingly, the options are classified as a long-term liability in the consolidated statements of financial position of the Company.

The options have a nominal value of \$15.9 million. The portion related to the retention of certain Sanexen executives of \$4.5 million will be recorded as a compensation expense over the retention period using the straight-line method, with a corresponding increase to the long-term liability. The remaining \$11.4 million liability was recorded at the date of the transaction.

Since the options related to the Class G shares are not expected to be immediately exercisable, we recorded this long-term liability of \$11.4 million at its fair value of \$8.9 million, which represents the present value of our best estimate of when Logistec will exercise its call option, or when the non-controlling interest shareholders will exercise their put option, and a corresponding decrease to non-controlling interest. The long-term liability will accrete to \$11.4 million over the expected life of the option through an interest charge.

The Class H shares are redeemable in 754,015 Class B shares of Logistec, as described above. As opposed to the \$36.92 per share price that was used to determine the number of Class B shares of Logistec to be issued, the value used for accounting purposes was the current market price of Class B shares. On March 24, 2016, the closing trading price of the Class B shares on the TSX was \$39.75 per share. In addition, because the Class H shares are redeemable in Class B shares over a period of five years, we have determined the fair value of the Class B shares to be issued using a Black-Scholes option pricing model based on assumptions regarding the volatility of Logistec Class B shares, dividend yield and interest rates, resulting in a value of \$33.02 per share.

As a result, as at March 24, 2016, Logistec recorded share capital to be issued amounting to \$24.9 million with a corresponding decrease in retained earnings.

Furthermore the 754,015 Class B Shares to be issued will be included in our calculation of earnings per share presented on a fully diluted basis.

Business Acquisition

On March 8, 2016, the Company acquired a business for \$5.6 million. This acquisition represents a vertical integration for its environmental services segment.

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

(in thousands of dollars)

	\$
Current assets	1,704
Property, plant and equipment	5,262
Goodwill	2,266
Other non-current financial assets	44
Current liabilities	(1,999)
Deferred income tax liabilities	(374)
Long-term debt	(1,341)
	5,562
Settlement	
Cash	4,562
Balance of sale, payable in two annual instalments of \$500	1,000
	5,562

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

Receivables acquired (consisting primarily of trade receivables) as part of the acquisition had a fair value and gross contractual amounts of \$0.9 million and are expected to be fully recovered.

Goodwill

(in thousands of dollars)

Cost	\$	
Balance as at December 31, 2015	23,915	
Business acquisition	2,266	
Effect of foreign currency exchange differences	(519)	
Balance as at June 25, 2016	25,662	
	As at	As at
Carrying Amount	June 25,	December 31,
	2016	2015
	\$	\$
Cost	25,662	23,915
Accumulated impairment losses	(1,300)	(1,300)
	24,362	22,615

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 and six month periods ended June 25, 2016, were not significant.

Had the business acquisition been made effective January 1, 2016, the impact on the Company's revenue and profit for the period would not have been significant.

Results

Revenue

Consolidated revenue totalled \$79.6 million in the second quarter of 2016, a decrease of \$9.6 million or 10.8% from \$89.3 million for the same period of 2015. Consolidated revenue was positively affected by \$1.2 million due to a weaker Canadian dollar against the U.S. dollar in the second quarter of 2016, as opposed to the Canadian/U.S. dollar translation rate in the same period of 2015.

The marine services segment's revenue was down by \$8.1 million or 15.2% to \$45.2 million for the second quarter of 2016, the decrease being mostly attributable to reduced volumes of bulk cargo handled. Containerized and break-bulk cargo volumes were more stable, with a slight decline.

In the second quarter of 2016, the environmental services segment's revenue amounted to \$34.4 million, down by \$1.5 million or 4.2% from the second quarter of 2015. This decrease is due to lower volumes of Aqua-Pipe activity.

For the six-month period ended June 25, 2016, consolidated revenue totalled \$144.5 million, a reduction of \$5.2 million from \$149.6 million for the same period of 2015. The positive impact on revenue of the currency translation from the weaker Canadian dollar versus the U.S. dollar amounted to \$3.5 million for the first six months of 2016. The marine services segment's revenue reached \$90.7 million for the first half of 2016, down by \$10.8 million from \$101.5 million for the same period last year. The environmental services segment delivered revenue totalling \$53.8 million, an increase of \$5.7 million or 11.8% over the revenue of \$48.1 million posted for the same period of 2015.

Employee Benefits Expense

In the second quarter of 2016, employee benefits expense was down by \$4.1 million to \$38.1 million, a decrease compared with \$42.3 million for the same quarter of 2015. The ratio of employee benefits expense to revenue remained stable at 47.9%, compared with 47.4% for the same period last year.

For the first half of 2016, employee benefits expense reached \$70.1 million, a decrease of \$3.9 million or 5.3% from the expense of \$74.0 million recorded for the same period last year. The decrease came mainly from lower activity in the marine services segment. The ratio of employee benefits expense to revenue was at 48.5%, compared with 49.5% for the same period last year. This more favorable expense ratio is due to higher revenue in the environmental services segment, which increased the recovery of the fixed portion of employee benefits expense from the woven-hose manufacturing activity.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$24.8 million in the second quarter of 2016, up by \$1.5 million or 6.6% over \$23.2 million for the second quarter of 2015. The proportion of equipment and supplies expense to consolidated revenue was therefore higher at 31.1% for the second quarter of 2016, compared with 26.0% for the second quarter of 2015.

For the first half of 2016, equipment and supplies expense amounted to \$43.1 million, an increase of \$5.9 million or 15.8% over the first half of 2015, despite our decrease in revenue. Consequently, the overall ratio of equipment and supplies expense to revenue was 29.9% for the first half of 2016 compared with 24.9% for the same period of 2015.

This increase in both the second quarter and the first half of 2016 is in line with the higher proportion of revenue generated by the environmental services segment, which has a higher equipment and supplies cost component mix.

Rental Expense

Rental expense stood at \$6.9 million for the second quarter of 2016, compared with \$7.1 million for the same period of 2015. The fixed portion of this expense does not fluctuate substantially from quarter to quarter, unless changes occur within our network of facilities. The variable portion of this expense accounted for the variation in second-quarter results, reflecting reduced throughput due to a decrease in cargo volumes in the marine services segment.

For the first half of 2016, rental expense stood at \$13.7 million, representing 9.5% of revenue. This figure is stable compared with \$14.1 million for the same period in 2015, which represented 9.4% of revenue.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$3.5 million for the second quarter of 2016, up \$0.6 million from \$2.9 million for the same period in 2015. For the first six months of 2016, the expense totalled \$6.5 million, compared with \$5.6 million for the corresponding period in 2015.

The increase in both the second quarter and first half of 2016 is in line with our business acquisition and property, plant and equipment investments in 2015 and 2016. As a result, the overall depreciation expense to revenue is equal to a ratio of 4.3% in the second quarter of 2016 compared with 3.2% in 2015, and 4.5% in the first half of 2016 versus 3.7% in 2015.

Other Gains and Losses

Other gains and losses showed a loss of \$0.7 million for the second quarter of 2016, compared with a loss of \$0.2 million for the same quarter of 2015. This variation is due to the strengthening of the Canadian dollar against the U.S. dollar, which translated into a foreign exchange loss.

Other gains and losses for the first six months of 2016 showed a loss of \$1.8 million, compared with a gain of \$0.9 million in 2015. This \$2.7 million variation is due to the same factor mentioned above.

Income Taxes

Income tax charges stood at \$1.2 million for the six months ended June 25, 2016, representing 72.9% of the profit before income taxes of \$1.6 million. This higher income tax rate stemmed mainly from an adjustment of \$0.5 million in deferred income tax charges for derecognized non-capital loss recovery related to prior year true-up. The higher rate also takes into effect the share of profit of equity accounted investments presented net of income taxes. Adjusting the profit before income taxes to exclude these two items, the 2016 tax rate computes to 34.1%, which is within regular business tax rates.

Profit for the Period and Earnings per Share

Overall, the Company recorded a profit for the period of \$0.9 million in the second quarter of 2016, of which a loss of \$0.01 million was attributable to non-controlling interests, generating a profit attributable to owners of the Company of \$1.0 million. That translated into a total diluted profit per share of \$0.07, of which \$0.07 per share was attributable to Class A shares and \$0.08 per share was attributable to Class B shares.

For the first six months of 2016, the Company achieved a profit for the period of \$0.4 million, of which a loss of \$0.4 million was attributable to non-controlling interests, leaving a profit attributable to owners of the Company of \$0.8 million. That translated into total diluted earnings per share of \$0.06, of which \$0.06 per share was attributable to Class A shares and \$0.07 per share 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 May 6, 2016, 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 have been paid on July 4, 2016, to shareholders of record as at June 17, 2016.

On July 29, 2016, the Company 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 October 14, 2016, to shareholders of record as at September 30, 2016.

All dividends mentioned above are eligible dividends for Canada Revenue Agency purposes. The Company's Board of Directors determines the level of dividend payments. Although Logistec does not have a formal dividend policy, to date, the practice 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 of the 2015 annual report and were applied consistently in the second quarter of 2016. Please also refer to Note 4 of the notes to Q2 2016 condensed consolidated interim financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to \$332.4 million as at June 25, 2016, up by \$4.0 million over the December 31, 2015 closing balance of \$328.4 million. The main reasons behind this increase are the increase of \$12.8 million in property, plant and equipment, and \$5.0 million of work in progress, partially offset by the cash reductions explained below.

Cash and cash equivalents totalled \$7.8 million at the end of the second quarter of 2016, down by \$16.0 million from \$23.8 million as at December 31, 2015.

The main items behind this decrease were as follows:

(in thousands of dollars)

Positive:	
Issuance of long-term debt, net of repayment	15,628
Short-term bank loans	7,607
Depreciation and amortization expense	6,486
	29,721
Negative:	
Acquisition of property, plant and equipment	(16,056)
Repurchase of share capital	(9,262)
Changes in non-cash working capital items	(13,354)
Business acquisition	(4,365)
	(43,037)

Working Capital

Working capital totalled \$66.2 million at the end of the second quarter of 2016, for a current ratio of 2.16:1. This is lower than the working capital of \$71.7 million, with a ratio of 2.33:1, posted as at December 31, 2015. The main reasons for the decrease in the current ratio are the increase of \$7.6 million in short-term bank loans, offset by a reduction in accounts payable and decreased cash on hand.

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to \$183.0 million as at June 25, 2016. Adding long-term debt yields a capitalization of \$233.7 million, which computes to a debt/capitalization ratio of 21.7%, below the 40% threshold mentioned in the Company's capital management objectives. This also means that the Company has substantial financial leverage available should the need arise.

As at July 29, 2016, 7,418,322 Class A shares and 4,765,200 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 Q2 2016 condensed consolidated interim financial statements for further details regarding the Company's share capital.

Significant Joint Venture

As disclosed in Note 20 of the Notes to 2015 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 June 25, 2016 \$	As at December 31, 2015 \$
Statement of financial position		
Total assets	35,934	33,441
Total liabilities	378	57

	For the three months ended		For the six months ended	
	June 25, 2016 \$	June 27, 2015 \$	June 25, 2016 \$	June 27, 2015 \$
Statement of earnings				
Revenue	669	722	1,394	1,396
Share of profit of an equity accounted investment	798	1,311	1,565	1,672
Profit for the period	1,190	1,737	2,383	2,493

Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	June 25, 2016 \$	December 31, 2015 \$	Var. \$	Var. %	Explanation of variation
Work in progress	11.4	6.4	5.0	77.4	Work in progress represents the gross unbilled amount that will be collected from customers for contract work performed to date in our environmental services segment. Increased site remediation activity led to higher work in progress at the end of the second quarter of 2016.
Current income tax assets	7.3	2.6	4.8	187.0	Current income tax assets and current income tax liabilities vary depending on the profit versus the instalments made by tax jurisdiction. There is nothing unusual to report for these two items, which varied within normal business parameters.
Current income tax liabilities	0.1	0.7	(0.6)	(85.2)	
Property, plant and equipment	123.9	111.0	12.8	11.6	The increase mainly stems from acquisitions of \$16.0 million, added to the business acquisition of \$5.3 million, which exceeds the depreciation expense of \$5.8 million and the decrease due to foreign currency translation on our U.S. assets.
Other non-current assets	2.6	5.2	(2.6)	(50.9)	The majority of the variation stems from a take-or-pay service contract with a supplier. Other non-current assets are reduced as the services are received. The estimated services to be received during 2016 amount to \$3.3 million. This portion has been classified as a prepaid expense.

Financial position as at (in millions of dollars)	June 25, 2016 \$	December 31, 2015 \$	Var. \$	Var. %	Explanation of variation
Non-current financial assets	3.2	5.0	(1.8)	(36.2)	The decrease reflects the lower level of contract holdbacks in Sanexen at the end of the second quarter of 2016.
Trade and other payables	41.4	46.4	(5.0)	(10.7)	The decrease mainly reflects the lower level of activity in the second quarter of 2016 compared with the fourth quarter of 2015 in both the marine and environmental services segments.
Short-term bank loans	7.6	–	7.6	–	Short-term bank loans were required as at June 25, 2016, for the environmental services segment's cash flow needs. Of this amount, \$3.0 million was related to the business acquisition discussed previously.
Non-current financial liabilities	11.6	4.1	7.6	185.8	The increase as at June 25, 2016 is mainly due to the acquisition of the non-controlling interest in Sanexen. As a result of the March 2016 transaction, Logistec recorded a long-term liability amounting to \$9.1 million in June 2016, partially offset by a decrease due to the reclassification to short term of cumulative charges for the Company's \$3.0 million long-term incentive plans.
Post-employment benefit obligations	15.1	13.0	2.1	16.2	The increase is explained by the actuarial loss resulting from a decrease in the interest rate used to discount the post-employment benefit obligations.
Current portion of long-term debt	2.9	2.2	0.7	33.9	The variation stems from the \$18.6 million increase in long-term debt for the marine services segment's cash flow needs, as previously discussed in the "Liquidity and Capital Resources" section.
Long-term debt	47.8	29.9	17.9	59.8	
Share capital to be issued	24.9	–	24.9	–	The variation as at June 25, 2016 is mainly due to the acquisition of the non-controlling interest in Sanexen, as discussed previously.
Non-controlling interests	1.8	20.2	(18.4)	(91.1)	

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the second quarter of 2016.

Application of New and Revised IFRS

On January 1, 2016, the Company adopted IAS 1, "Presentation of Financial Statements", which did not significantly affect the presentation of the financial statements. Please refer to Note 3 of the 2015 notes to financial statements 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 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 Q2 2016 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 Q2 2016 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 second quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

As mentioned in the last two interim reports, the Company is experiencing tougher market conditions, particularly in its cargo-handling business where volumes of cargo handled are down. Bulk volumes were weaker than last year, especially in coal, wood pellets and metals, due to a combination of factors that included weaker demand, unfavourable market conditions and lower commodity prices.

Results are also being affected by the loss of a customer in Sept-Îles (QC) and additional costs from our container operations in Montréal (QC). As previously mentioned, we are developing a second container terminal via our joint venture, and although volumes are steady, the fact that we are currently in a development phase is affecting our results. This second container terminal should be fully operational by November 2016.

Overall, we are confident that our marine services segment's results will improve significantly in the second half of this year, but we do not expect to make up for the shortfalls in the first and second quarters of 2016, as market conditions remain difficult.

The outlook in our environmental services segment is more upbeat. Although results for the last quarter are slower, we are not concerned.

Aqua-Pipe results for the quarter were affected by a decrease in available kilometres, delayed contract start-ups and more aggressive competition in Montréal (QC). We also incurred increased costs due to our

proactive entry into the U.S. market where we opened two offices and are providing Aqua-Pipe services to various municipalities across the country. We are also facing normal ramp-up costs as our new U.S. service providers and employees are gaining experience with our very unique technology. On the more positive long-term side, we are building our business in the United States and are confident we will overcome all cost challenges while delivering on growing demand for trenchless rehabilitation in this new market.

Our Niedner woven-hose manufacturing business is also performing well. Despite the slower start in Aqua-Pipe activity in the second quarter of 2016, sales continue to be strong for fire-fighting hoses in North America.

Our more traditional environmental services are also performing well for this time of the year. We have on-hand over \$100 million of decontamination contracts and therefore expect to be very busy in the second half of the year.

Despite ongoing challenges, the Company continues to seek business development activities and is actively studying acquisition or expansion opportunities, to ensure its long-term profitability and accretive growth.

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

July 29, 2016

Q2 2016 Condensed Consolidated Interim Financial Statements

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Earnings

	For the three months ended		For the six months ended	
	June 25, 2016 \$	June 27, 2015 \$	June 25, 2016 \$	June 27, 2015 \$
Revenue	79,616	89,262	144,475	149,634
Employee benefits expense	(38,126)	(42,292)	(70,127)	(74,039)
Equipment and supplies expense	(24,762)	(23,219)	(43,139)	(37,247)
Rental expense	(6,923)	(7,101)	(13,742)	(14,066)
Other expenses	(3,081)	(3,601)	(7,266)	(6,908)
Depreciation and amortization expense	(3,450)	(2,893)	(6,486)	(5,592)
Share of profit of equity accounted investments	101	690	291	797
Other gains and losses	(730)	(205)	(1,788)	942
Operating profit	2,645	10,641	2,218	13,521
Finance expense	(409)	(210)	(714)	(465)
Finance income	45	33	107	122
Profit before income taxes	2,281	10,464	1,611	13,178
Income taxes	(1,343)	(2,858)	(1,174)	(3,423)
Profit for the period	938	7,606	437	9,755
Profit attributable to:				
Owners of the Company	951	6,668	813	9,186
Non-controlling interests	(13)	938	(376)	569
Profit for the period	938	7,606	437	9,755
Basic earnings per Class A Common Share ⁽¹⁾	0.08	0.51	0.06	0.70
Basic earnings per Class B Subordinate Voting Share ⁽²⁾	0.08	0.57	0.07	0.78
Diluted earnings per Class A share	0.07	0.51	0.06	0.70
Diluted earnings per Class B share	0.08	0.57	0.07	0.78
Weighted average number of Class A shares outstanding, basic and diluted	7,421,155	7,446,622	7,425,739	7,451,972
Weighted average number of Class B shares outstanding, basic	4,756,467	5,026,633	4,795,333	5,038,133
Weighted average number of Class B shares outstanding, diluted	5,510,482	5,026,633	5,184,908	5,038,133

⁽¹⁾ Class A Common Share ("Class A share")

⁽²⁾ Class B Subordinate Voting Share ("Class B share")

Q2 2016 Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the six months ended	
	June 25, 2016	June 27, 2015	June 25, 2016 \$	June 27, 2015 \$
Profit for the period	938	7,606	437	9,755
Other comprehensive income				
Items that are or may be reclassified to the consolidated statements of earnings				
Currency translation differences arising on translation of foreign operations	(662)	(804)	(2,297)	2,021
Gains (losses) on derivatives designated as cash flow hedges	9	45	9	(118)
Transfer of losses on derivatives designated as cash flow hedges to the consolidated statements of earnings	17	20	31	29
Income taxes relating to derivatives designated as cash flow hedges	(6)	(18)	(10)	24
Total items that are or may be reclassified to the consolidated statements of earnings	(642)	(757)	(2,267)	1,956
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement losses on benefit obligation	(2,014)	960	(2,014)	9
Return on retirement plan assets excluding amounts included in profit for the period	262	(280)	47	263
Income taxes on remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	472	(184)	530	(74)
Total items that will not be reclassified to the consolidated statements of earnings	(1,280)	496	(1,437)	198
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	(14)	6	(106)	—
Items that will not be reclassified to the consolidated statements of earnings	—	1	—	8
Total share of other comprehensive income of equity accounted investments, net of income taxes	(14)	7	(106)	8
Other comprehensive income (loss) for the period, net of income taxes	(1,936)	(254)	(3,810)	2,162
Total comprehensive income (loss) for the period	(998)	7,352	(3,373)	11,917
Total comprehensive income (loss) attributable to:				
Owners of the Company	(985)	6,414	(2,997)	11,348
Non-controlling interests	(13)	938	(376)	569
Total comprehensive (loss) income for the period	(998)	7,352	(3,373)	11,917

Q2 2016 Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Financial Position

	Notes	As at June 25, 2016 \$	As at December 31, 2015 \$
Assets			
Current assets			
Cash and cash equivalents		7,809	23,811
Investment in a service contract		1,015	1,157
Trade and other receivables		78,916	77,333
Work in progress		11,418	6,438
Current income tax assets		7,373	2,569
Other financial assets		52	–
Prepaid expenses		9,027	7,952
Inventories		6,691	6,553
		122,301	125,813
Equity accounted investments			
Property, plant and equipment	10	28,176	28,951
Goodwill		123,850	111,022
Other intangible assets		24,362	22,615
Other non-current assets		18,357	20,247
Post-employment benefit assets		2,553	5,194
Non-current financial assets		305	522
Deferred income tax assets		3,200	5,019
		9,301	9,032
Total assets		332,405	328,415
Liabilities			
Current liabilities			
Short-term bank loans		7,607	–
Trade and other payables		41,386	46,352
Deferred revenue		2,591	2,700
Current income tax liabilities		96	650
Dividends payable	9	948	967
Current portion of long-term debt		2,891	2,159
Provisions		1,241	1,268
		56,760	54,096
Long-term debt			
Provisions		47,812	29,920
Deferred income tax liabilities		777	766
Post-employment benefit obligations		12,243	12,433
Deferred revenue		15,055	12,955
Non-current financial liabilities	9	4,333	4,533
		11,625	4,067
Total liabilities		148,605	118,770
Equity			
Share capital	5	14,513	14,985
Share capital to be issued	9	24,898	–
Retained earnings		134,694	164,154
Accumulated other comprehensive income		7,901	10,274
Equity attributable to owners of the Company		182,006	189,413
Non-controlling interests	9	1,794	20,232
Total equity		183,800	209,645
Total liabilities and equity		332,405	328,415

Q2 2016 Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Changes in Equity

	Notes	Attributable to owners of the Company								
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income			Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$					
Balance as at January 1, 2016		14,985	–	(139)	10,413	164,154	189,413	20,232	209,645	
Profit for the period		–	–	–	–	813	813	(376)	437	
Other comprehensive income (loss)										
Currency translation differences arising on translation of foreign operations		–	–	–	(2,297)	–	(2,297)	–	(2,297)	
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	(1,437)	(1,437)	–	(1,437)	
Cash flow hedges, net of income taxes		–	–	30	–	–	30	–	30	
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	(106)	–	–	(106)	–	(106)	
Total comprehensive income (loss) for the period		–	–	(76)	(2,297)	(624)	(2,997)	(376)	(3,373)	
Repurchase of Class A shares	5	(12)	–	–	–	(715)	(727)	–	(727)	
Repurchase of Class B shares	5	(460)	–	–	–	(8,075)	(8,535)	–	(8,535)	
Repurchase of non-controlling interests	9	–	24,898	–	–	(18,148)	6,750	(18,062)	(11,312)	
Dividends on Class A shares	5	–	–	–	–	(1,113)	(1,113)	–	(1,113)	
Dividends on Class B shares	5	–	–	–	–	(785)	(785)	–	(785)	
Balance as at June 25, 2016		14,513	24,898	(215)	8,116	134,694	182,006	1,794	183,800	

Q2 2016 Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Changes in Equity (Continued)

	Notes	Attributable to owners of the Company								
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income			Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$					
Balance as at January 1, 2015		14,906	–	(56)	4,138	144,513	163,501	15,923	179,424	
Profit for the period		–	–	–	–	9,186	9,186	569	9,755	
Other comprehensive income (loss)										
Currency translation differences arising on translation of foreign operations		–	–	–	2,021	–	2,021	–	2,021	
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	198	198	–	198	
Cash flow hedges, net of income taxes		–	–	(67)	–	–	(67)	–	(67)	
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	2	–	8	10	–	10	
Total comprehensive income (loss) for the period		–	–	(65)	2,021	9,392	11,348	569	11,917	
Repurchase of Class A shares	5	(10)	–	–	–	(709)	(719)	–	(719)	
Repurchase of Class B shares	5	214	–	–	–	(2,194)	(1,980)	–	(1,980)	
Dividends on Class A shares	5	–	–	–	–	(931)	(931)	–	(931)	
Dividends on Class B shares	5	–	–	–	–	(692)	(692)	–	(692)	
Balance as at June 27, 2015		15,110	–	(121)	6,159	149,379	170,527	16,492	187,019	

Q2 2016 Condensed Consolidated Interim Financial Statements

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Condensed Consolidated Interim Statements of Cash Flows

	Notes	For the six months ended	
		June 25, 2016 \$	June 27, 2015 \$
Operating activities			
Profit for the period		437	9,755
Items not affecting cash and cash equivalents		13,084	11,982
Cash generated from operations		13,521	21,737
Dividends received from equity accounted investments		1,000	1,461
Contributions to defined benefit retirement plans		(479)	(735)
Settlement of provisions		(107)	(103)
Changes in non-cash working capital items		(13,354)	(9,436)
Income taxes paid		(5,998)	(6,054)
		(5,417)	6,870
Financing activities			
Net change in short-term bank loans		7,607	684
Issuance of long-term debt		20,269	8,642
Repayment of long-term debt		(4,641)	(4,545)
Interest paid		(707)	(588)
Repurchase of Class A shares	5	(727)	(719)
Issuance of Class B shares	5	—	113
Repurchase of Class B shares	5	(8,535)	(2,307)
Dividends paid on Class A shares		(1,114)	(932)
Dividends paid on Class B shares		(802)	(695)
		11,350	(347)
Investing activities			
Customer repayment of an investment in a service contract		142	125
Interest received		94	167
Repurchase of non-controlling interests	9	(2,393)	—
Business acquisition	10	(4,562)	—
Cash acquired in a business acquisition	10	197	—
Acquisition of property, plant and equipment		(16,056)	(11,681)
Proceeds from disposal of property, plant and equipment		106	125
Acquisition of intangible assets		(29)	(45)
Acquisition of non-current financial assets		(27)	—
Acquisition of other non-current assets		(29)	(10,287)
Disposal of other non-current assets		3	—
		(22,554)	(21,596)
Net change in cash and cash equivalents		(16,621)	(15,073)
Cash and cash equivalents, beginning of period		23,811	26,381
Effect of exchange rate on balances held in foreign currencies of foreign operations		619	(190)
Cash and cash equivalents, end of period		7,809	11,118
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		1,162	3,085

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

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 28 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 woven-hose manufacturing.

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 July 29, 2016.

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 2015 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 2015 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 2015 annual report.

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

3. Application of New and Revised IFRS

On January 1, 2016, the Company adopted the following revised standard:

IAS 1, "Presentation of Financial Statements"

IAS 1 was amended in December 2014 to clarify certain requirements already included in IAS 1 with respect to the application of the concept of materiality, the order of the notes and the presentation of certain line items and subtotals in the statement of financial position, the statement of earnings and the statement of comprehensive income. It did not have any significant impact on the Company's Q2 2016 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". The Company has not yet assessed the impact of these standards on the consolidated financial statements.

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.

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.

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.

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

4. Financial Risk Management

Capital Management

The Company monitors the debt/capitalization ratio on a quarterly basis. As at June 25, 2016, the ratio is 21.8% based on debt of \$50,703 divided by a capitalization of \$232,709 (14.5% as at December 31, 2015, based on \$32,079/\$221,492), within the Company's objective of less than 40%.

As at June 25, 2016, 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 six months ended June 25, 2016, the 20 largest customers account for 48.4% (50.3% in 2015) of consolidated revenue.

5. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 17,600 (14,400 in 2015) Class A shares and 227,300 (57,400 in 2015) Class B shares have been repurchased and cancelled for cash consideration of \$727 (\$719 in 2015) and \$8,535 (\$2,307 in 2015), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$715 (\$709 in 2015) and \$8,075 (\$2,194 in 2015), respectively, was charged to retained earnings.

The issued and outstanding shares were as follows:

	As at June 25, 2016 \$	As at December 31, 2015 \$
7,418,722 Class A shares (7,436,322 as at December 31, 2015)	4,903	4,915
4,737,000 Class B shares (4,964,300 as at December 31, 2015)	9,610	10,070
	14,513	14,985

As at June 25, 2016, 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 \$98 (\$209 as at December 31, 2015). There remains an unallocated balance of 280,600 Class B shares reserved for issuance pursuant to this ESPP.

After the second quarter ended on June 25, 2016, under the ESPP, 33,100 (8,200 in 2015) Class B shares were issued for cash consideration of \$607 (\$113 in 2015) and non-interest bearing loans of \$564 (\$214 in 2015) repayable over two years. The portion of the non-interest bearing loans granted to key management personnel of the Company amounted to \$25 (\$61 in 2015).

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015
(in thousands of Canadian dollars, except for per share amounts)
(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Dividends

Details of dividends declared per share are as follows:

	For the six months ended	
	June 25, 2016 \$	June 27, 2015 \$
Class A shares	0.15	0.13
Class B shares	0.17	0.14

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		For the six months ended	
	June 25, 2016 \$	June 27, 2015 \$	June 25, 2016 \$	June 27, 2015 \$
Sale of services	1,001	1,227	1,411	1,582
Purchase of services	138	148	273	276

	As at June 25, 2016 \$	As at December 31, 2015 \$
Amounts owed to joint ventures	2,633	2,583
Amounts owed from joint ventures	557	792

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 June 25, 2016 \$	As at December 31, 2015 \$
Key management personnel	25	56

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

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

Transactions with Shareholders

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

	For the six months ended	
	June 25, 2016	June 27, 2015
	\$	\$
Dividends paid to Sumanic Investments Inc.	871	726
Dividends paid to certain members of key management personnel	51	114

Contribution to Retirement Plans

Total cash payments for employee future benefits for the six month period ended June 25, 2016, 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 \$1,501 (\$1,645 in 2015).

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		For the six months ended	
	June 25, 2016	June 27, 2015	June 25, 2016	June 27, 2015
	\$	\$	\$	\$
Short-term benefits	1,552	1,841	3,048	3,510
Post-employment benefits	256	93	401	281
Other long-term benefits	538	1,469	878	1,986
	2,346	3,403	4,327	5,777

⁽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.

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

Logistec Corporation

The financial information by industry segment is as follows:

	Marine services \$	Environmental services \$	Total \$
For the three months ended June 25, 2016			
Revenue	45,247	34,369	79,616
Profit before income taxes	1,880	401	2,281
For the six months ended June 25, 2016			
Revenue	90,662	53,813	144,475
Profit (loss) before income taxes	2,890	(1,279)	1,611
As at June 25, 2016			
Total assets	219,250	113,155	332,405
Total liabilities	95,638	52,967	148,605
For the three months ended June 27, 2015			
Revenue	53,388	35,874	89,262
Profit before income taxes	5,794	4,670	10,464
For the six months ended June 27, 2015			
Revenue	101,500	48,134	149,634
Profit before income taxes	10,066	3,112	13,178
As at December 31, 2015			
Total assets	226,509	101,906	328,415
Total liabilities	78,620	40,150	118,770

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.

9. Repurchase of the Non-Controlling Interest in Sanexen

On March 24, 2016, Logistec entered into an agreement to acquire the remaining 29.78% equity interest it did not already own in Sanexen for an aggregate consideration of \$40,818.

As part of the transaction, the non-controlling interest shareholders of Sanexen exchanged their common shares in the capital of Sanexen for two classes of newly created non-voting and non-dividend bearing preferred shares of Sanexen, Class G Preferred Shares ("Class G shares") and Class H Preferred Shares ("Class H shares"), resulting in Logistec holding 100% of the common shares of Sanexen.

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

as at and for the three months and six months ended June 25, 2016, and June 27, 2015

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

(unaudited and not reviewed by the independent auditor)

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Immediately following the share exchange, Logistec and the non-controlling interest shareholders entered into a put and call option agreement ("Option Agreement") pursuant to which Logistec was granted call options, exercisable in whole or in part at any time, to acquire from the non-controlling interest shareholders their Class G shares for cash consideration of \$15,920, and to acquire their Class H shares in exchange for 754,015 Class B shares in the capital of Logistec with a value of \$24,898.

Pursuant to the Option Agreement, each non-controlling interest shareholder was granted a put option to sell to Logistec their Class G shares upon certain events, including termination of employment, and a put option to sell to Logistec their Class H shares as to one-fifth (1/5) on each of the first five anniversaries of the signature of the Option Agreement, each at the same price and consideration as the call options granted to Logistec. A 40% discount, representing \$4,518, will be applied to the purchase price of the Class G shares of certain non-controlling interest shareholders should they leave Sanexen voluntarily before March 24, 2021.

As at March 24, 2016, Logistec recorded a long-term liability amounting to \$8,856, representing the present value of the option to repurchase, for cash, the Class G shares of Sanexen amounting to \$11,402, net of the retention discount of 40% described above, and a corresponding decrease to non-controlling interest. The accretion of the long-term liability will be recorded as a charge to interest expense over the expected life of the option. An additional liability amounting to \$4,518 will be recorded on a straight-line basis, over a period of 60 months related to the retention discount through a charge to compensation expense.

As at March 24, 2016, Logistec also recorded share capital to be issued amounting to \$24,898, representing the fair value at the transaction date of the Class B shares to be issued, related to the option to acquire the Class H shares in exchange for 754,015 Class B shares in the capital of Logistec, as described above, and a corresponding decrease to retained earnings. The fair value of the Class B shares to be issued was determined using a Black-Scholes option pricing model based on assumptions of the volatility of Logistec Class B shares, dividend yield and interest rates, resulting in a fair value of \$33.02 per share.

Also in March 2016, but not as part of the transaction described above, Logistec disbursed \$2,392 to repurchase from certain non-controlling interest shareholders all the Class F Preferred Shares of Sanexen.

10. Business Acquisition

On March 8, 2016, the Company acquired a business for \$5,562. This acquisition represents a vertical integration for its environmental services segment.

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

	\$
Current assets	1,704
Property, plant and equipment	5,262
Goodwill	2,266
Other non-current financial assets	44
Current liabilities	(1,999)
Deferred income tax liabilities	(374)
Long-term debt	(1,341)
	5,562
Settlement	
Cash	4,562
Balance of sale, payable in two annual instalments of \$500	1,000
	5,562

Notes to Q2 2016 Condensed Consolidated Interim Financial Statements

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

Receivables acquired (consisting primarily of trade receivables) as part of the acquisition had a fair value and gross contractual amounts of \$919 and are expected to be fully recovered.

Goodwill

Cost	\$
Balance as at December 31, 2015	23,915
Business acquisition	2,266
Effect of foreign currency exchange differences	(519)
Balance as at June 25, 2016	25,662

Carrying Amount	As at June 25, 2016 \$	As at December 31, 2015 \$
Cost	25,662	23,915
Accumulated impairment losses	(1,300)	(1,300)
	24,362	22,615

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 and six month periods ended June 25, 2016, were not significant.

Had the business acquisition been made effective January 1, 2016, the impact on the Company's revenue and profit for the period would not have been significant.

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