Interim Financial Report for the Period Ended September 24, 2016

Q3 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	**103.1**
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	**(0.01)**
June	7.4	7.4	6.7	**1.0**
September	11.6	12.0	12.1	**9.2**
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	**0.71**
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 third quarter of 2016, consolidated revenue totalled $103.1 million, a decrease of $12.8 million or 11.1% over the same period in 2015. Revenue from the marine services segment revenue was down by $7.6 million or 15.1% to $42.9 million for the third quarter of 2016, while revenue from the environmental services segment amounted to $60.2 million, down by $5.2 million or 8.0% from the third quarter of 2015. The revenue decrease in the marine services segment stems from reduced bulk and break-bulk cargo volumes, whereas the revenue decrease in the environmental services segment was due to lower Aqua-Pipe activity. The third quarter of 2016 closed with a consolidated profit attributable to owners of the Company of $9.2 million, down by $2.9 million over the same period in 2015. The profit attributable to owners of the Company translated into total diluted earnings per share of $0.71, of which $0.67 was attributable to Class A Common Shares and $0.75 was attributable to Class B Subordinate Voting Shares. The profit attributable to owners of the Company was positively affected by $0.5 million in non-operating gains versus a gain of $3.7 million in 2015. The gain in 2015 came from foreign exchange as well as settlement on an operating contract where the customer-guaranteed tonnage never materialized.

For the nine-month period ended September 24, 2016, consolidated revenue totalled $247.6 million, down by $18.0 million over $265.6 million for the same period in 2015. The profit attributable to owners of the Company amounted to $10.0 million for total diluted earnings per share of $0.78, of which $0.73 was attributable to Class A Common Shares and $0.82 was attributable to Class B Subordinate Voting Shares. For the same period in 2015, basic and diluted earnings per share totalled $1.71, of which $1.64 was attributable to Class A Common Shares and $1.81 was attributable to Class B Subordinate Voting Shares. This profit attributable to owners of the Company of $10.0 million includes a non-operating loss of $1.3 million versus a non-operating gain of $4.7 million last year.

Outlook

Year-to-date results remain below our expectations. In the marine services segment, we continue to experience a weak market for bulk cargo handling, particularly with respect to mining activity and biomass. In the environmental services segment, results are lower due to fewer aqueduct contracts in our local market this year, combined with higher costs as we invest and build our new marketplace in the USA. We are confident these short-term penetration costs will pay off in the long run. Our traditional environmental services had a good quarter.

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

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

November 1, 2016

Introduction

This management's discussion and analysis deals with Logistec Corporation's operations, results and financial position for the three-month and nine-month periods ended September 24, 2016, and September 26, 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 Q3 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 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
	$	$	$	$	$
2016					
Revenue	**64,859**	**79,616**	**103,093**		
Profit (loss) attributable to owners of the Company	**(138)**	**951**	**9,153**		
Basic earnings per Class A Common Share [(1)]	**(0.01)**	**0.08**	**0.72**		
Basic earnings per Class B Subordinate Voting Share [(2)]	**(0.01)**	**0.08**	**0.80**		
Total basic earnings per share	**(0.01)**	**0.08**	**0.75**		
Diluted earnings per Class A Share	**(0.01)**	**0.07**	**0.67**		
Diluted earnings per Class B Share	**(0.01)**	**0.08**	**0.75**		
Total diluted earnings per share	**(0.01)**	**0.07**	**0.71**		
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	(350)
Balance as at September 24, 2016	**25,831**

Carrying Amount	**As at September 24, 2016 $**	As at December 31, 2015 $
Cost	**25,831**	23,915
Accumulated impairment losses	**(1,300)**	(1,300)
	24,531	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 nine month periods ended September 24, 2016, were not significant.

Accordingly, 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 $103.1 million in the third quarter of 2016, down by $12.8 million or 11.1% over $115.9 million for the same period in 2015.

In the third quarter of 2016, revenue in the marine services segment amounted to $42.9 million, down by $7.6 million or 15.1% from the third quarter of 2015. This decrease is mostly attributable to reduced volumes in bulk and break-bulk cargo handled. Containerized cargo volumes were more stable, with a slight increase. We also experienced reduced activity in our port logistics business in Virginia.

Revenue in the environmental services segment amounted to $60.2 million, down by $5.2 million or 8.0% from the third quarter of 2015. This decrease is due to lower Aqua-Pipe activity.

For the nine-month period ended September 24, 2016, consolidated revenue totalled $247.6 million, down by $18.0 million over $265.6 million for the same period in 2015. Revenue was positively affected by $3.1 million due to a weaker Canadian dollar against the U.S. dollar.

For the first nine months of 2016, revenue in the marine services segment was $133.6 million, down by $18.5 million over $152.0 million for the same period last year. The environmental services segment delivered a stable performance, as revenue totalled $114.0 million, an increase of $0.5 million over the $113.6 million in revenue posted for the same period in 2015.

Employee Benefits Expense

In the third quarter of 2016, the employee benefits expense was down by $10.6 million to $45.9 million, a decrease compared to $56.5 million for the same quarter in 2015. The ratio of employee benefits expense to revenue was 44.5%, a decrease compared to 48.7% for the same period last year.

For the first nine months of 2016, the employee benefits expense reached $116.0 million, a decrease of $14.5 million or 11.1% from the expense of $130.5 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 46.9%, compared to 49.1% for the same period last year. This more favourable expense ratio is due to higher revenue in the environmental services segment, which increased the recovery of the fixed portion of the employee benefits expense from the woven-hose manufacturing activity.

Equipment and Supplies Expense

Equipment and supplies expense amounted to $33.4 million in the third quarter of 2016, an increase of $2.2 million or 7.1% over the $31.2 million reported in the third quarter of 2015. This increase is, for the most part, influenced by Sanexen's revenue mix. Sanexen recorded more site remediation revenue, which has a higher equipment cost component. Consequently, the overall proportion of the equipment and supplies expense to revenue was higher, posting a ratio of 32.4% for the third quarter of 2016, versus 26.9% for the same period in 2015.

Equipment and supplies expense for the first nine months of 2016 totalled $76.6 million, an increase of $8.1 million or 11.9% over the same period in 2015. This increase is in line with the variation for the third quarter of 2016, but is also a result of the new business we acquired, which has a higher equipment cost component in the environmental services segment as noted above. The overall ratio of the equipment and supplies expense to revenue was 30.9% for the first nine months of 2016, compared to 25.8% in 2015.

Rental Expense

In the third quarter of 2016, rental expense amounted to $7.0 million, compared to $7.2 million for the same period in 2015. Such expense does not fluctuate substantially from quarter to quarter, unless changes occur within our network of facilities.

For the first nine months of 2016, rental expense stood at $20.8 million, representing 8.3% of revenue. This figure is stable compared to $21.3 million for the same period in 2015, which represented 8.0% of revenue.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to $3.6 million for the third quarter of 2016, up $0.5 million from $3.1 million for the same period in 2015. For the first nine months of 2016, the expense totalled $10.1 million, compared to $8.7 million for the corresponding period in 2015.

The increase in both the third quarter and the first nine months 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 3.6% in the third quarter of 2016 compared to 2.7% in 2015, and 4.1% in the first nine months of 2016 versus 3.3% in 2015.

Other Gains and Losses

Other gains and losses showed a $0.5 million gain for the third quarter of 2016, compared to a $3.7 million gain in the third quarter of 2015. The variation is mostly due to a $1.9 million gain on a settlement and general mutual release with a third party that occurred in 2015. It is also due to the depreciation of the Canadian dollar against the U.S. dollar in the third quarter of 2016, which generated a foreign currency translation gain of $0.5 million, while the foreign exchange gain in the third quarter of 2015 was $1.6 million.

Other gains and losses for the first nine months of 2016 showed a loss of $1.3 million, compared with a gain of $4.7 million in 2015. This $6.0 million variation is due to the same aforementioned factors.

Profit for the Period and Earnings per Share

Overall, the Company achieved a profit for the period of $9.2 million in the third quarter of 2016. This translated into total diluted earnings per share of $0.71 of which $0.67 per share was attributable to Class A shares and $0.75 per share was attributable to Class B shares.

For the first nine months of 2016, the Company achieved a profit for the period of $9.6 million. A loss of $0.4 million was attributable to non-controlling interests, leaving a profit attributable to owners of the Company of $10.0 million. This translated into total diluted earnings per share of $0.78, of which $0.73 was attributable to Class A shares and $0.82 was attributable to Class B shares.

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

Dividends

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 were 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. While 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 in the 2015 annual report and were applied consistently in the third quarter of 2016. Please refer as well to Note 4 of the Notes to Q3 2016 condensed consolidated interim financial statements for updated information on financial risk management.

Capital Resources

Total assets amounted to $361.0 million as at September 24, 2016, up by $32.6 million over the December 31, 2015 closing balance of $328.4 million.

Cash and cash equivalents totalled $10.9 million at the end of the third quarter of 2016, down by $12.9 million from $23.8 million as at December 31, 2015. The main items behind this decrease were as follows:

(in thousands of dollars)	
Positive:	
Profit for the period	9,599
Issuance of long-term debt, net of repayment	32,316
Current income taxes	3,494
Reduction of other non-current assets (take-or-pay service contract)	5,889
Depreciation and amortization expense	10,147
	61,445
Negative:	
Acquisition of property, plant and equipment	(18,561)
Repurchase of share capital	(9,703)
Changes in non-cash working capital items	(33,908)
Income taxes paid	(5,900)
Business acquisition	(4,365)
	(72,437)

Working Capital

Working capital totalled $91.6 million at the end of the third quarter of 2016, for a current ratio of 2.61:1. This is higher than the working capital of $71.7 million and ratio of 2.33:1, posted as at December 31, 2015. The main reasons for the increase in the current ratio are the increase of $19.8 million in trade and other receivables and $14.0 million in work in progress, offset by a reduction in accounts payable and decreased cash on hand.

Long-Term Debt

As of September 7, 2016, the Company has renegotiated its credit facility with its main bank to increase it to $100 million. The new facility will be used for the short-term and long-term cash requirements of both Logistec and Sanexen.

The credit facility details are as follows:

— A $100 million four-year committed revolving credit facility or the U.S. dollar equivalent, to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility can be used in the form of direct advances, bankers' acceptances, and letters of credit.

The interest rate charged on the borrowings made under this agreement depends on the form of the borrowing, to which is added a margin that varies according to the level of funded debt to EBITDA [(i)] ratio achieved by the Company.

This facility is secured by a $30 million first-ranking movable and immovable hypothec on all present and future assets of a subsidiary. As at September 24, 2016, the security includes inventories amounting to $5.4 million and property, plant and equipment has a carrying value of $32.8 million. Please refer to Note 5 of the Notes for further details.

[(i)] *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest, income taxes, depreciation and amortization expense, and customer repayment of investments in service contracts*

Equity Attributable to Owners of the Company

Equity attributable to owners of the Company amounted to $191.3 million as at September 24, 2016. Adding long-term debt yields a capitalization of $258.8 million, which computes to a debt/capitalization ratio of 26.1%, 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 September 24, 2016, 7,413,922 Class A shares and 4,763,900 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 6 of the Notes to the Q3 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 for Termont Terminal Inc. at 100%. The Company holds a 50% equity interest in this joint venture:

(in thousands of dollars)

	As at September 24, 2016 $	As at December 31, 2015 $
Statement of financial position		
Total assets	**35,602**	33,441
Total liabilities	**266**	57

	For the three months ended		**For the nine months ended**	
	September 24, 2016 $	September 26, 2015 $	**September 24, 2016 $**	September 26, 2015 $
Statement of earnings				
Revenue	**650**	475	**2,044**	1,871
Share of profit of an equity accounted investment	**772**	137	**2,337**	1,809
Profit for the period	**1,172**	393	**3,555**	2,886

Other Items in the Consolidated Statements of Financial Position

Financial position as at *(in millions of dollars)*	**September 24, 2016** **$**	December 31, 2015 $	**Var.** **$**	**Var.** **%**	**Explanation of variation**
Trade and other receivables	**97.1**	77.3	**19.8**	**25.6**	The variation is explained by a higher level of activity for Sanexen in the third quarter of 2016 versus the same quarter in 2015. A $10 million increase in claim receivables from the insurance company related to the fire in Brunswick (GA) also explains this.
Work in progress	**20.5**	6.4	**14.0**	**217.9**	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 third quarter of 2016.
Current income tax assets	**5.5**	2.6	**2.9**	**113.8**	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	**0.7**	0.7	**0.1**	**11.1**	
Property, plant and equipment	**125.4**	111.0	**14.4**	**13.0**	The increase mainly stems from acquisitions of $18.6 million, added to the business acquisition of $5.3 million, which exceeds the depreciation expense of $9.1 million.
Other non-current assets	**2.1**	5.2	**(3.1)**	**(58.8)**	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 over the next twelve months amount to $2.3 million. This amount has been classified as a prepaid expense.
Non-current financial assets	**2.9**	5.0	**(2.1)**	**(41.9)**	The decrease reflects the lower level of contract holdbacks at Sanexen at the end of the third quarter of 2016.
Post-employment benefit obligations	**15.5**	13.0	**2.6**	**19.7**	The increase is explained by the actuarial loss resulting from a decrease in the interest rate used to discount the post-employment benefit obligations.
Non-current financial liabilities	**12.5**	4.1	**8.4**	**208.1**	The increase is mainly due to the acquisition of the non-controlling interest in Sanexen. As a result of that transaction, Logistec recorded a long-term liability amounting to $9.1 million as at September 24, 2016.

Financial position as at *(in millions of dollars)*	**September 24, 2016** $	December 31, 2015 $	**Var.** $	**Var.** %	**Explanation of variation**
Current portion of long-term debt	**1.8**	2.2	**(0.4)**	**(16.7)**	The variation stems from the $35.8 million increase in long-term debt for cash flow needs, as previously discussed in the "Liquidity and Capital Resources" section. It is also due to the renegotiation of our banking facilities where a short-term bank loan of $8.2 million was reclassified as a long-term debt.
Long-term debt	**65.7**	29.9	**35.8**	**119.5**	
Share capital to be issued	**24.9**	–	**24.9**	–	The variation as at September 24, 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 third 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 2016 notes to Q3 2016 consolidated 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 Q3 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 Q3 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 third quarter of 2016 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

With the third quarter, our strongest, behind us, we continue to face revenue challenges in cargo handling and Aqua-Pipe rehabilitation. We are addressing both individually in order to regain the desired momentum.

In cargo handling, we are working on growth opportunities that should materialise in the months to come. We are also taking an in-depth look at our port logistics activities, and reviewing our costs and organizational structure to maximize our performance – especially in Virginia, where we have faced some challenges.

As for Aqua-Pipe, we can qualify 2016 as a transition year. Sales to our local markets were down this year, but the demand for rehabilitation services is strong and should lead to increased revenue in the years to come. In the USA, we have made significant strides developing relationships with many new municipalities that are testing our services and we are confident these smaller contracts will lead to sustainable business in the future. Furthermore, our U.S. subsidiary is still in start-up mode as we develop our resources at local levels to undertake a growing book of business.

Our financial position is solid with a low debt/capitalization ratio, which gives the Company financing flexibility to pursue our development efforts.

To that end, we have been very active in studying investment opportunities and are working diligently to expand the Company's operations in both segments.

We remain confident that our specialized industrial services in both the marine and environmental segments provide a solid base upon which we can develop further in the coming years.

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

November 1, 2016

(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		For the nine months ended	
	September 24, 2016 $	September 26, 2015 $	**September 24, 2016 $**	September 26, 2015 $
Revenue	**103,093**	115,933	**247,568**	265,567
Employee benefits expense	**(45,860)**	(56,452)	**(115,987)**	(130,491)
Equipment and supplies expense	**(33,433)**	(31,203)	**(76,572)**	(68,450)
Rental expense	**(7,035)**	(7,210)	**(20,777)**	(21,276)
Other expenses	**(3,978)**	(3,799)	**(11,244)**	(10,707)
Depreciation and amortization expense	**(3,661)**	(3,128)	**(10,147)**	(8,720)
Share of profit of equity accounted investments	**2,473**	1,758	**2,764**	2,555
Other gains and losses	**488**	3,712	**(1,300)**	4,654
Operating profit	**12,087**	19,611	**14,305**	33,132
Finance expense	**(660)**	(245)	**(1,374)**	(710)
Finance income	**54**	359	**161**	481
Profit before income taxes	**11,481**	19,725	**13,092**	32,903
Income taxes	**(2,319)**	(5,090)	**(3,493)**	(8,513)
Profit for the period	**9,162**	14,635	**9,599**	24,390
Profit (loss) attributable to:				
Owners of the Company	**9,153**	12,102	**9,966**	21,288
Non-controlling interests	**9**	2,533	**(367)**	3,102
Profit for the period	**9,162**	14,635	**9,599**	24,390
Basic earnings per Class A Common Share [(1)]	**0.72**	0.94	**0.78**	1.64
Basic earnings per Class B Subordinate Voting Share [(2)]	**0.80**	1.03	**0.87**	1.81
Diluted earnings per Class A share	**0.67**	0.94	**0.73**	1.64
Diluted earnings per Class B share	**0.75**	1.03	**0.82**	1.81
Weighted average number of Class A shares outstanding, basic and diluted	**7,414,789**	7,443,589	**7,422,089**	7,449,178
Weighted average number of Class B shares outstanding, basic	**4,763,900**	4,998,300	**4,784,856**	5,024,856
Weighted average number of Class B shares outstanding, diluted	**5,517,915**	4,998,300	**5,295,910**	5,024,856

(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		For the nine months ended	
	September 24, 2016	September 26, 2015	**September 24, 2016**	September 26, 2015
	$	$	**$**	$
Profit for the period	**9,162**	14,635	**9,599**	24,390
Other comprehensive income (loss)				
Items that are or may be reclassified to the consolidated statements of earnings				
Currency translation differences arising on translation of foreign operations	**461**	2,789	**(1,836)**	4,810
Gains (losses) on derivatives designated as cash flow hedges	**(7)**	(99)	**2**	(217)
Transfer of losses on derivatives designated as cash flow hedges to the consolidated statements of earnings	**18**	21	**49**	50
Income taxes relating to derivatives designated as cash flow hedges	**(4)**	15	**(14)**	39
Total items that are or may be reclassified to the consolidated statements of earnings	**468**	2,726	**(1,799)**	4,682
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement gains (losses) on benefit obligation	**(1,014)**	969	**(3,028)**	978
Return on retirement plan assets excluding amounts included in profit for the period	**820**	(787)	**867**	(524)
Income taxes on remeasurement gains (losses) on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	**52**	(48)	**582**	(122)
Total items that will not be reclassified to the consolidated statements of earnings	**(142)**	134	**(1,579)**	332
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	**57**	–	**(49)**	–
Items that will not be reclassified to the consolidated statements of earnings	**–**	–	**–**	8
Total share of other comprehensive income of equity accounted investments, net of income taxes	**57**	–	**(49)**	8
Other comprehensive income (loss) for the period, net of income taxes	**383**	2,860	**(3,427)**	5,022
Total comprehensive income for the period	**9,545**	17,495	**6,172**	29,412
Total comprehensive income (loss) attributable to:				
Owners of the Company	**9,536**	14,962	**6,539**	26,310
Non-controlling interests	**9**	2,533	**(367)**	3,102
Total comprehensive income for the period	**9,545**	17,495	**6,172**	29,412

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Financial Position

	Notes	As at September 24, 2016 $	As at December 31, 2015 $
Assets			
Current assets			
Cash and cash equivalents		**10,906**	23,811
Investment in a service contract		**941**	1,157
Trade and other receivables		**97,129**	77,333
Work in progress		**20,464**	6,438
Current income tax assets		**5,492**	2,569
Other financial assets		**52**	–
Prepaid expenses		**6,865**	7,952
Inventories		**6,582**	6,553
		148,431	125,813
Equity accounted investments		**29,566**	28,951
Property, plant and equipment		**125,428**	111,022
Goodwill	11	**24,531**	22,615
Other intangible assets		**18,243**	20,247
Other non-current assets		**2,141**	5,194
Post-employment benefit assets		**369**	522
Non-current financial assets		**2,916**	5,019
Deferred income tax assets		**9,397**	9,032
Total assets		**361,022**	328,415
Liabilities			
Current liabilities			
Trade and other payables		**48,946**	46,352
Deferred revenue		**3,145**	2,700
Current income tax liabilities		**722**	650
Dividends payable		**949**	967
Current portion of long-term debt	5	**1,800**	2,159
Provisions		**1,270**	1,268
		56,832	54,096
Long-term debt	5	**65,682**	29,920
Provisions		**784**	766
Deferred income tax liabilities		**12,328**	12,433
Post-employment benefit obligations		**15,508**	12,955
Deferred revenue		**4,233**	4,533
Non-current financial liabilities	10	**12,529**	4,067
Total liabilities		**167,896**	118,770
Equity			
Share capital	6	**15,667**	14,985
Share capital to be issued	10	**24,898**	–
Retained earnings		**142,332**	164,154
Accumulated other comprehensive income		**8,426**	10,274
Equity attributable to owners of the Company		**191,323**	189,413
Non-controlling interests	10	**1,803**	20,232
Total equity		**193,126**	209,645
Total liabilities and equity		**361,022**	328,415

(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, 2016		**14,985**	**–**	**(139)**	**10,413**	**164,154**	**189,413**	**20,232**	**209,645**
Profit (loss) for the period		–	–	–	–	9,966	9,966	(367)	9,599
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(1,836)	–	(1,836)	–	(1,836)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	(1,579)	(1,579)	–	(1,579)
Cash flow hedges, net of income taxes		–	–	37	–	–	37	–	37
Share of other comprehensive income of equity accounted investments, net of income taxes		–	–	(49)	–	–	(49)	–	(49)
Total comprehensive income (loss) for the period		–	–	(12)	(1,836)	8,387	6,539	(367)	6,172
Repurchase of Class A shares	6	(15)	–	–	–	(907)	(922)	–	(922)
Issuance and repurchase of Class B shares	6	697	–	–	–	(8,308)	(7,611)	–	(7,611)
Repurchase of non-controlling interests	10	–	24,898	–	–	(18,148)	6,750	(18,062)	(11,312)
Dividends on Class A shares	6	–	–	–	–	(1,671)	(1,671)	–	(1,671)
Dividends on Class B shares	6	–	–	–	–	(1,175)	(1,175)	–	(1,175)
Balance as at September 24, 2016		**15,667**	**24,898**	**(151)**	**8,577**	**142,332**	**191,323**	**1,803**	**193,126**

(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 $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2015		**14,906**	**(56)**	**4,138**	**144,513**	**163,501**	**15,923**	**179,424**
Profit for the period		–	–	–	21,288	21,288	3,102	24,390
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		–	–	4,810	–	4,810	–	4,810
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	332	332	–	332
Cash flow hedges, net of income taxes		–	(96)	–	–	(96)	–	(96)
Share of other comprehensive income of equity accounted investments, net of income taxes		–	(32)	–	8	(24)	–	(24)
Total comprehensive income (loss) for the period		–	(128)	4,810	21,628	26,310	3,102	29,412
Repurchase of Class A shares	6	(14)	–	–	(770)	(784)	–	(784)
Issuance and repurchase of Class B shares	6	147	–	–	(3,693)	(3,546)	–	(3,546)
Investment received from non-controlling interests		–	–	–	–	–	578	578
Dividends on Class A shares	6	–	–	–	(1,490)	(1,490)	–	(1,490)
Dividends on Class B shares	6	–	–	–	(1,103)	(1,103)	–	(1,103)
Balance as at September 26, 2015		**15,039**	**(184)**	**8,948**	**159,085**	**182,888**	**19,603**	**202,491**

(in thousands of Canadian dollars)

Condensed Consolidated Interim Statements of Cash Flows

	Notes	For the nine months ended September 24, 2016 $	September 26, 2015 $
Operating activities			
Profit for the period		**9,599**	24,390
Impairment loss related to assets destroyed		–	9,729
Gain on insurance recovery of assets		–	(9,729)
Other items not affecting cash and cash equivalents		**22,251**	20,630
Cash generated from operations		**31,850**	45,020
Dividends received from equity accounted investments		**2,143**	2,361
Contributions to defined benefit retirement plans		**(713)**	(940)
Settlement of provisions		**(134)**	(117)
Changes in non-cash working capital items		**(33,908)**	(22,554)
Income taxes paid		**(5,900)**	(6,500)
		(6,662)	17,270
Financing activities			
Net change in short-term bank loans		**–**	3,874
Issuance of long-term debt, net of transaction cost	5	**51,164**	10,642
Repayment of long-term debt	5	**(18,848)**	(7,146)
Interest paid		**(1,426)**	(663)
Repurchase of Class A shares	6	**(922)**	(784)
Issuance of Class B shares	6	**607**	113
Repurchase of Class B shares	6	**(8,781)**	(3,873)
Dividends paid on Class A shares		**(1,671)**	(1,398)
Dividends paid on Class B shares		**(1,194)**	(1,040)
		18,929	(275)
Investing activities			
Customer repayment of an investment in a service contract		**216**	189
Interest received		**161**	247
Repurchase of non-controlling interests	10	**(2,393)**	–
Business acquisition	11	**(4,562)**	–
Cash acquired in a business acquisition	11	**197**	–
Cash received from a non-controlling interest		–	578
Acquisition of property, plant and equipment		**(18,561)**	(20,133)
Proceeds from disposal of property, plant and equipment		**119**	336
Acquisition of intangible assets		**(30)**	(46)
Acquisition of non-current financial assets		**(27)**	–
Repayment of non-current assets		**28**	–
Acquisition of other non-current assets		**(761)**	(10,287)
		(25,613)	(29,116)
Net change in cash and cash equivalents		**(13,346)**	(12,121)
Cash and cash equivalents, beginning of period		**23,811**	26,381
Effect of exchange rate on balances held in foreign currencies of foreign operations		**441**	(953)
Cash and cash equivalents, end of period		**10,906**	13,307
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		**3,153**	4,070

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 November 1, 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.

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 Q3 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.

(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 September 24, 2016, the ratio is 26.1% based on debt of $67,482 divided by a capitalization of $258,805 (14.5% as at December 31, 2015, based on $32,079/$221,492), within the Company's objective of less than 40%.

As at September 24, 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 nine months ended September 24, 2016, the 20 largest customers account for 46.7% (48.8% in 2015) of consolidated revenue.

5. Long-Term Debt

	As at September 24, 2016 $	As at December 31, 2015 $
Revolving credit facility, bearing interest at banker's prime rate with no principal repayment required until September 2020 [(1) (2)]	**62,928**	16,000
Term credit facility, bearing interest at CDOR plus 1.75%, reimbursed in September 2016 [(2)]	–	13,393
Non-interest bearing government loan, without any capital reimbursement due before January 2018, maturing in 2022	**2,000**	1,642
Notes payable maturing in 2018	**1,489**	–
Notes payable maturing in 2017	**1,065**	1,065
	67,482	32,100
Less:		
Current portion	**1,800**	2,159
Deferred financing costs	–	21
	65,682	29,920

[(1)] *As of September 7, 2016, the Company and its wholly owned subsidiary, Logistec USA Inc., solidarily entered into a $100,000 credit agreement.*

The credit facility details are as follows:

- *A $100,000 four-year committed revolving credit facility or the U.S. dollar equivalent, to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility can be used in the form of direct advances, bankers' acceptances, and letters of credit.*

The interest rate charged on the borrowings made under this agreement depends on the form of the borrowing, to which is added a margin that varies according to the level of funded debt to EBITDA [(i)] ratio achieved by the Company.

This facility is secured by a $30,000 first-ranking movable and immovable hypothec on all present and future assets of a subsidiary. As at September 24, 2016, the security includes inventories amounting to $5,355 and property, plant and equipment with a carrying value of $32,791.

(2) *Prior to September 7, 2016, the Company and its wholly owned subsidiary, Logistec USA Inc., solidarily had a $50,000 unsecured credit agreement.*

The credit facility details were as follows:

- *A $50,000 three-year committed revolving credit facility or the U.S. dollar equivalent, to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility could be used in the form of direct advances, bankers' acceptances, and letters of credit.*

The interest rate charged on the borrowings made under this agreement depended on the form of the borrowing, to which was added a margin that varied according to the level of funded debt to EBITDA ratio achieved by the Company.

In addition, a subsidiary of the Company and its wholly owned subsidiary solidarily had a $25,000 credit facility agreement.

The credit facility details were as follows:

- *A $10,000 revolving facility or the U.S dollar equivalent, renewable annually, to be used as a line of credit for short-term cash flow needs; and*
- *A $15,000 term loan used principally to finance the expansion of the subsidiary's woven-hose manufacturing facility. This term loan was reimbursed in September 2016. To decrease its sensitivity to interest rate fluctuations, the subsidiary of the Company entered into an interest rate swap contract to partially swap the CDOR rate to a fixed rate of 1.79%.*

This facility was secured by a $30,000 first-ranking movable and immovable hypothec on all present and future assets of the subsidiary. As at December 31, 2015, the security included inventories amounting to $4,633 and property, plant and equipment has a carrying value of $22,999.

The interest charged on the borrowings made under this agreement was based on a rate calculated using the bank's prime rate or banker's acceptance rate or LIBOR rate, which depended on the form of borrowing, to which was added a margin that varied according to the level of funded debt to EBITDA ratio achieved by the subsidiary.

Under the conditions attached to its long-term debt, the Company must satisfy certain restrictive covenants as to minimum financial ratios, which are EBIT [ii] to interest and funded debt to EBITDA. As at September 24, 2016 and December 31, 2015, the Company was in compliance with all its covenants.

(i) *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest, income taxes, depreciation and amortization expense, and customer repayment of investments in service contracts*

(ii) *EBIT is a non-IFRS measure and is calculated as EBITDA less depreciation and amortization expense*

6. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 22,400 (15,400 in 2015) Class A shares and 233,500 (92,100 in 2015) Class B shares have been repurchased and cancelled for cash consideration of $922 ($784 in 2015) and $8,781 ($3,873 in 2015), respectively. Of this amount, the excess over stated capital of the repurchased shares of $907 ($770 in 2015) and $8,308 ($3,693 in 2015), respectively, was charged to retained earnings.

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

The issued and outstanding shares were as follows:

	As at September 24, 2016	As at December 31, 2015
	$	$
7,413,922 Class A shares (7,436,322 as at December 31, 2015)	**4,900**	4,915
4,763,900 Class B shares (4,964,300 as at December 31, 2015)	**10,767**	10,070
	15,667	14,985

As at September 24, 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 $570 ($209 as at December 31, 2015). There remains an unallocated balance of 247,500 Class B shares reserved for issuance pursuant to this ESPP.

Since the beginning of the year, 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 $563 ($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 $149 ($61 in 2015).

Dividends

Details of dividends declared per share are as follows:

	For the nine months ended	
	September 24, 2016	September 26, 2015
	$	$
Class A shares	**0.23**	0.20
Class B shares	**0.25**	0.22

7. 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 as follows:

Trading Transactions

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

	For the three months ended		**For the nine months ended**	
	September 24, 2016	September 26, 2015	**September 24, 2016**	September 26, 2015
	$	$	**$**	$
Sale of services	**1,210**	773	**2,620**	2,355
Purchase of services	**138**	128	**411**	404

	As at September 24, 2016	As at December 31, 2015
	$	$
Amounts owed to joint ventures	**2,608**	2,583
Amounts owed from joint ventures	**582**	792

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

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 September 24, 2016	As at December 31, 2015
	$	$
Key management personnel	**149**	56

The Company has provided loans to several members of key management personnel in connection with the ESPP, as described in Note 6.

Transactions with Shareholders

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

	For the nine months ended	
	September 24, 2016	September 26, 2015
	$	$
Dividends paid to Sumanic Investments Inc.	**1,307**	1,089
Dividends paid to certain members of key management personnel	**77**	135

Contribution to Retirement Plans

Total cash payments for employee future benefits for the nine-month period ended September 24, 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 $2,161 ($2,354 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 nine months ended**	
	September 24, 2016	September 26, 2015	**September 24, 2016**	September 26, 2015
	$	$	**$**	$
Short-term benefits	**835**	1,352	**3,883**	4,862
Post-employment benefits	**52**	83	**453**	364
Other long-term benefits	**396**	874	**1,274**	2,860
	1,283	2,309	**5,610**	8,086

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

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

8. 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.

The financial information by industry segment is as follows:

	Marine services $	Environmental services $	Total $
For the three months ended September 24, 2016			
Revenue	**42,892**	**60,201**	**103,093**
Profit before income taxes	**3,188**	**8,293**	**11,481**
For the nine months ended September 24, 2016			
Revenue	**133,554**	**114,014**	**247,568**
Profit before income taxes	**6,078**	**7,014**	**13,092**
As at September 24, 2016			
Total assets	**224,004**	**137,018**	**361,022**
Total liabilities	**97,002**	**70,894**	**167,896**
For the three months ended September 26, 2015			
Revenue	50,506	65,427	115,933
Profit before income taxes	7,946	11,779	19,725
For the nine months ended September 26, 2015			
Revenue	152,006	113,561	265,567
Profit before income taxes	18,012	14,891	32,903
As at December 31, 2015			
Total assets	226,509	101,906	328,415
Total liabilities	78,620	40,150	118,770

9. 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.

10. 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.

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.

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

11. 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

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	(350)
Balance as at September 24, 2016	**25,831**

Carrying Amount	**As at September 24, 2016 $**	As at December 31, 2015 $
Cost	**25,831**	23,915
Accumulated impairment losses	**(1,300)**	(1,300)
	24,531	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 nine month periods ended September 24, 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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