Interim Financial Report for the Period Ended June 30, 2018

LOGISTEC

Q2 2018

Revenue
(in millions of Canadian dollars)

	2015	2016	2017	**2018**
March	60.4	64.9	60.1	**82.4**
June	89.3	79.6	101.9	**149.2**
September	115.9	103.1	168.3	
December	92.4	95.8	145.5	
Year	358.0	343.3	475.7	

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

	2015	2016	2017	**2018**
March	2.5	(0.01)	(1.5)	**(9.5)**
June	6.7	1.0	4.8	**1.9**
September	12.1	9.2	11.0	
December	7.9	8.9	13.2	
Year	29.1	18.9	27.4	

Total earnings (loss) per share [(1)]
(in Canadian dollars)

	2015	2016	2017	**2018**
March	0.20	(0.01)	(0.13)	**(0.75)**
June	0.54	0.07	0.37	**0.14**
September	0.97	0.71	0.83	
December	0.63	0.71	1.01	
Year	2.34	1.48	2.11	

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

To Our Shareholders

In the second quarter of 2018, consolidated revenue totalled $149.2 million, an increase of $47.3 million or 46.5% over the same period in 2017. Revenue from the marine services segment rose by 62.0% from $52.9 million to $85.7 million, while revenue from the environmental services segment amounted to $63.5 million, an increase of $14.5 million or 29.7% over the second quarter of 2017.

Cargo handling activities were very strong in the second quarter, and we also benefited from our first full quarter with Gulf Stream Marine, Inc., the new Gulf terminals we purchased in early March. Our teams have integrated well and we are confident that we will achieve positive synergies going forward. We are pleased with our marine services results.

The second quarter of 2018 closed with a consolidated profit attributable to owners of the Company of $1.9 million, compared with a profit of $4.8 million for the second quarter of 2017. The profit attributable to owners of the Company translated to a total diluted profit per share of $0.14, of which $0.14 was attributable to Class A Common Shares and $0.15 was attributable to Class B Subordinate Voting Shares. The lower results can largely be attributed to our acquisition of FER-PAL Construction Ltd., which, like Sanexen, is very affected by the seasonality of operations. For the second quarter, this was further exacerbated by a late start to the rehabilitation season in our largest market due to weather and delayed contract awards. That being said, operations are now in full swing and will remain as such until November.

During the first six months of 2018, consolidated revenue increased to $231.6 million, compared with $161.9 million for the first half of 2017. The loss attributable to owners of the Company amounted to $7.6 million, compared with a profit of $3.3 million for the same period last year. This translated into a total basic and diluted loss per share of $0.60, of which $0.58 was attributable to Class A Common Shares and $0.64 was attributable to Class B Subordinate Voting Shares. For the same period in 2017, diluted earnings per share totalled $0.25, of which $0.24 was attributable to Class A Common Shares and $0.27 was attributable to Class B Subordinate Voting Shares.

Outlook

The outlook remains positive. Both our marine and environmental services segments are expected to have a strong finish, each benefiting from acquisitions made over the last year. We continue to invest in our talent to pursue our growth strategy while integrating recent acquisitions.

(signed) George R. Jones	*(signed)* Madeleine Paquin
George R. Jones	Madeleine Paquin, C.M.
Chairman of the Board	President and Chief Executive Officer

August 9, 2018

Introduction

This management's discussion and analysis ("MD&A") deals with LOGISTEC Corporation's operations, results and financial position for the three-month and six-month periods ended June 30, 2018, and June 24, 2017. All financial information contained in this management's discussion and analysis and the attached unaudited 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 2017 audited consolidated financial statements, except as described in Notes 3 and 4 of the notes to Q2 2018 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 37 ports and 61 terminals across 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 subsidiaries Sanexen Environmental Services Inc. ("Sanexen") and FER-PAL Construction Ltd. ("FER-PAL"), operates in the environmental services segment, where it provides services to industrial, municipal and other governmental customers for the trenchless structural rehabilitation of underground watermains, 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 $
2018					
Revenue	**82,442**	**149,182**			
Profit (loss) attributable to owners of the Company	**(9,477)**	**1,868**			
Basic earnings (loss) per Class A Common Share [(1)]	**(0.72)**	**0.14**			
Basic earnings (loss) per Class B Subordinate Voting Share [(2)]	**(0.80)**	**0.16**			
Total basic earnings (loss) per share	**(0.75)**	**0.15**			
Diluted earnings (loss) per Class A share	**(0.72)**	**0.14**			
Diluted earnings (loss) per Class B share	**(0.80)**	**0.15**			
Total diluted earnings (loss) per share	**(0.75)**	**0.14**			
2017					
Revenue	60,071	101,861	168,314	145,497	475,743
Profit (loss) attributable to owners of the Company	(1,530)	4,789	10,955	13,212	27,426
Basic earnings (loss) per Class A Share	(0.12)	0.38	0.84	1.01	2.14
Basic earnings (loss) per Class B Share	(0.13)	0.41	0.93	1.12	2.35
Total basic earnings (loss) per share	(0.13)	0.39	0.88	1.05	2.23
Diluted earnings (loss) per Class A share	(0.12)	0.36	0.80	0.97	2.02
Diluted earnings (loss) per Class B share	(0.13)	0.39	0.88	1.06	2.22
Total diluted earnings (loss) per share	(0.13)	0.37	0.83	1.01	2.11

(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. In particular, the majority of our environmental services require the excavation of soils, which is more difficult during the winter. This has been further influenced this year by the operations of FER-PAL, which provides little to no services in winter months.

Our marine services are also affected by seasonality. Our coastal shipping business to the Arctic is virtually at a standstill, and in the cargo handling business, we are affected by the closure of the St. Lawrence Seaway. There is therefore little activity in the Great Lakes, as well as somewhat reduced activity in the St. Lawrence River.

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

Business Acquisitions

On May 25, 2018, the Company acquired 100% ownership of Pensacola Stevedore Company, Inc. ("Pate Stevedore") for a purchase price of US $9.6 million (CA $12.4 million), subject to certain adjustments. Pate Stevedore provides professional cargo handling and distribution services at its Florida operations.

On March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of Gulf Stream Marine, Inc. ("GSM"), which performs cargo handling operations in the U.S. Gulf Coast for a diverse mix of customers, for a purchase price of US $67.6 million (CA $85.6 million), subject to certain adjustments.

These acquisitions expand the Company's network of marine terminals and provide LOGISTEC with a strategic position in the U.S. Gulf Coast region.

The purchase prices of these acquisitions have been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all necessary information. As at June 30, 2018, the fair value of customer relationships, lease rights and location, branding and technology included in Other intangible assets regarding the acquisition of GSM remains to be completed.

2017 Business Acquisition

On July 6, 2017, the Company acquired 51% of the shares of FER-PAL, a Toronto (ON)-based company that utilizes our Aqua-Pipe technology and that offers complete watermain rehabilitation solutions, for an aggregate purchase price of $49.5 million.

During the six-month period ended June 30, 2018, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. As a result, changes were made by increasing Property, plant and equipment assets of $4.0 million with offsetting adjustments to Goodwill and Deferred income tax liabilities by the same amount.

Please refer to Note 7 of the notes to Q2 2018 condensed consolidated interim financial statements for further details.

Results

Revenue

Consolidated revenue totalled $149.2 million for the second quarter of 2018, up $47.3 million or 46.5% from $101.9 million for the same period in 2017. Consolidated revenue was negatively affected by $2.4 million in the second quarter due to a strong Canadian dollar against the U.S. dollar.

In the second quarter of 2018, revenue in the marine services segment amounted to $85.7 million, up by $32.8 million or 62.0% over the second quarter of 2017. This increase stems from two factors: a general volume increase in our bulk and break-bulk terminals, which saw more activity in this quarter than during the same period in 2017, and the business acquisitions of GSM and Pate Stevedore, which contributed an additional $27.1 million in sales during the second quarter of 2018.

Revenue from the environmental services segment totalled $63.5 million, compared with $49.0 million in the second quarter of 2017, an increase of $14.5 million. This increase stems from the business acquisition of FER-PAL in July 2017, which contributed to revenue in the second quarter of 2018, while none were consolidated in 2017 prior to the acquisition.

For the six-month period ended June 30, 2018, consolidated revenue totalled $231.6 million, compared with $161.9 million for the same period in 2017, an increase of $69.7 million. Consolidated revenue was negatively affected by $4.1 million year-to-date, due to a strong Canadian dollar against the U.S. dollar. Revenue in the marine services segment totalled $148.9 million for the first half of 2018, up by $54.7 million from $94.2 million for the same period last year. The environmental services segment delivered revenue totalling $82.7 million, an increase of $15.0 million or 22.1% over the revenue of $67.7 million for the same period in 2017. The increases in both segments are primarily attributable to the business acquisitions mentioned above.

Employee Benefits Expense

In the second quarter of 2018, the employee benefits expense rose by $28.9 million to $77.3 million, a significant rise over $48.4 million for the same quarter in 2017. This increase is due to the business acquisitions of FER-PAL, GSM, and Pate Stevedore, which together represent a total employee benefit expense of $26.5 million. The ratio of employee benefits expense to consolidated revenue was 51.8%, compared with 47.5% for the second quarter of last year. This higher expense ratio is primarily due to the seasonality of our 2017 and 2018 business acquisitions, particularly in the environmental services segment, which resulted in higher fixed employee expenses for the second quarter of 2018, compared with the same period last year.

For the first half of 2018, the employee benefits expense reached $123.7 million, an increase of $43.4 million or 54.1% over the $80.2 million recorded for the same period last year. As already mentioned, this increase stemmed from the business acquisitions of FER-PAL, GSM, and Pate Stevedore, which together represent a total of $35.5 million in employee benefits expenses. These acquisitions contributed to higher levels of activity in both segments and increased the seasonality of our activities, especially in the environmental services segment. The ratio of employee benefits expense to revenue was 53.4%, up from 49.5% for the same period last year.

Equipment and Supplies Expense

Equipment and supplies expense amounted to $39.3 million in the second quarter of 2018, an increase of $10.2 million or 35.0% over the $29.1 million reported in the second quarter of 2017. This increase is in keeping with the revenue increase, however, at 26.3% compared to 28.6% in 2017, the second quarter ratio of equipment and supplies expense to consolidated revenue was slightly better in 2018.

For the first half of 2018, equipment and supplies expense amounted to $63.6 million, an increase of $17.2 million or 37.2% over the first half of 2017. The overall ratio of equipment and supplies expense to revenue was 27.5% for the first half of 2018 compared with 28.6% for the same period in 2017. This better ratio reflects a more favourable revenue mix in the environmental services segment for this type of expense in 2018 than in 2017.

Other Expenses

Other expenses amounted to $7.8 million, representing a variation of $2.8 million or 57.2% compared to the second quarter of 2017. This variation is primarily due to the three new business acquisitions made in the past 12 months.

Other expenses for the first six months of 2018 amounted to $14.0 million, compared with $8.6 million in 2017. This $5.4 million variation is due to the same factors mentioned above.

Finance Expense

Finance expense amounted to $2.8 million in the second quarter of 2018, an increase of $2.3 million over the $0.5 million reported for the same quarter of 2017. The majority of the variation derives from the financing of the acquisitions of FER-PAL, GSM and Pate Stevedore that all happened after the second quarter of 2017. The finance expense in the second quarter of 2018 was also affected by some $0.6 million due to the accelerated accretion of the liability due to shareholders included in the Non-current financial liabilities in the Q2 2018 condensed consolidated interim financial statements. This relates to balances due following the acquisition of the non-controlling interest of Sanexen two years ago. The acceleration stems from the early retirement of one executive involved in the transaction.

For the first half of 2018, the finance expense amounted to $3.6 million, an increase of $2.8 million over the same period in 2017. The explanation of the variation for the year-to-date is the same as it is for the quarter.

Profit (loss) for the Period and Earnings (loss) per Share

Overall, the Company reported a profit for the period of $3.1 million in the second quarter of 2018. A $1.2 million profit was attributable to non-controlling interests, and generated a profit attributable to owners of the Company of $1.9 million. This translated into a total diluted earnings per share of $0.14, of which $0.14 was attributable to Class A shares and $0.15 was attributable to Class B shares.

While our marine services segment's profitability improved, it was not enough to offset the decrease in our environmental services segment. This is largely due to our new FER-PAL acquisition, whose activities only got under way in late May early June. It was further aggravated this year by an unusually late start because of weather conditions as well as delays in contract awards.

For the first six months of 2018, the Company reported a loss of $5.3 million, of which a profit of $2.3 million was attributable to non-controlling interests, amounting to a $7.6 million loss attributable to owners of the Company. This translated into a total basic and diluted loss per share of $0.60 of which $0.58 per share was attributable to Class A shares and $0.64 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 August 9, 2018, the Company's Board of Directors elected to increase the dividend payment by 10% for both classes of shares.

On August 9, 2018, the Board of Directors declared dividends of $0.09075 per Class A share and $0.099825 per Class B share, for a total consideration of $1.2 million. These dividends will be paid on October 12, 2018, to shareholders of record as at September 28, 2018.

On May 10, 2018, the Board of Directors declared dividends of $0.0825 per Class A share and $0.09075 per Class B share, for a total consideration of $1.1 million. These dividends were paid on July 6, 2018, to shareholders of record as of June 22, 2018.

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, the practice to date has been to maintain regular quarterly dividends with modest increases over the years.

Liquidity and Capital Resources

Capital Management

The Company's financial strategy and primary objectives when managing capital are described in Note 5 of the notes to consolidated financial statements in the 2017 annual report and were applied consistently in the second quarter of 2018. Please also refer to Note 6 of the notes to Q2 2018 condensed consolidated interim financial statements for an update on financial risk management information.

Capital Resources

As at June 30, 2018, total assets amounted to $632.1 million, up by $118.5 million from the December 31, 2017 closing balance of $513.5 million. This increase is primarily due to the business acquisition of GSM.

Cash and cash equivalents totalled $9.0 million at the end of the second quarter of 2018, up by $5.0 million from $4.0 million as at December 31, 2017. The major elements behind this increase are as follows:

(in thousands of dollars)	
Positive:	
Issuance of long-term debt, net of repayment	100,801
Depreciation and amortization expense	12,568
Changes in non-cash working capital items	5,808
Net change in short-term bank loans	3,989
Dividends received from equity accounted investments	3,346
Current income tax	1,295
	127,807
Negative:	
Loss for the period	(5,266)
Acquisition of property, plant and equipment	(10,144)
Income taxes paid	(7,998)
Issuance Notes receivable	(5,067)
Business acquisition (net of cash acquired)	(95,413)
	(123,888)

Working Capital

Working capital totalled $74.5 million at the end of the second quarter of 2018, for a current ratio of 1.64:1. This is similar to the working capital of $70.2 million and the ratio of 1.65:1 as at December 31, 2017.

Equity Attributable to Owners of the Company

As at June 30, 2018, equity attributable to owners of the Company amounted to $224.5 million, down by $4.1 million from the December 31, 2017 closing balance of $228.6 million. Adding long-term debt yields a capitalization of $413.7 million, which computes to a debt/capitalization ratio of 45.7% compared to a debt/capitalization ratio of 26.7% as at December 31, 2017. The variation is due to the business acquisitions in the marine services segment.

As at August 9, 2018, 7,405,022 Class A shares and 5,286,834 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 8 of the notes to Q2 2018 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 2017 consolidated financial statements, the Company holds various investments in joint ventures. The Company has only one significant joint venture, Termont Terminal Inc., whose activities are aligned with the Company's 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 30, 2018 $	As at December 31, 2017 $
Statement of financial position		
Total assets	**44,567**	43,490
Total liabilities	**142**	298

	For the three months ended		**For the six months ended**	
	June 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Statement of earnings				
Revenue	**942**	782	**1,821**	1,594
Share of profit of an equity accounted investment	**1,926**	1,986	**2,218**	3,023
Profit for the period	**2,407**	2,453	**3,236**	3,982

Other Items in the Consolidated Statements of Financial Position

Financial position as at *(in millions of dollars)*	**June 30, 2018** **$**	December 31, 2017 $	**Var.** **$**	**Var.** **%**	Explanation of variation
Trade and other receivables	**142.3**	153.3	**(11.0)**	**(7.2)**	The variation is primarily explained by the seasonality of operations. It is also due to a sustained collection effort in the environmental services segment in the second quarter of 2018 compared with the fourth quarter of 2017, partially offset by the new acquisitions of GSM and Pate Stevedore as discussed in the Business Acquisitions section of this MD&A.
Work in progress	**15.1**	5.3	**9.8**	**185.5**	Work in progress represents the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. An increase in all business activity led to higher work in progress at the end of the second quarter of 2018.
Property, plant and equipment	**181.7**	160.7	**21.0**	**13.1**	The increase stems mainly from capital expenditures that include $23.3 million as part of a business acquisition. Other regular CAPEX of $10.0 million were offset by the depreciation expense of $10.8 million.
Goodwill	**161.9**	105.6	**56.3**	**53.3**	The majority of the increase stems from the acquisitions of GSM and Pate Stevedore, as discussed in the Business Acquisitions section of this MD&A.
Other intangible assets	**42.6**	14.9	**27.7**	**186.1**	The majority of the increase stems from the acquisition of GSM, as discussed in the Business Acquisitions section of this MD&A.
Non-current financial assets	**12.4**	8.0	**4.4**	**55.4**	The increase stems from a note receivable issued to a joint venture for the acquisition of assets.
Current portion of long-term debt	**6.5**	5.4	**1.0**	**19.1**	The variation stems from the $117.3 million increase in long-term debt, of which $98.0 million is related to the business acquisition in the marine services segment. This was offset by the repayment of long-term debt of $16.4 million which came from cash flow generated by operations.
Long-term debt	**182.7**	78.0	**104.8**	**134.4**	
Deferred income tax liabilities	**26.0**	15.6	**10.4**	**67.0**	The increase is mainly due to the acquisition of GSM. As a result of that transaction, LOGISTEC recorded a deferred income tax liability amounting to $10.0 million as at June 30, 2018.
Share capital	**35.1**	29.0	**6.1**	**21.1**	The variation as at June 30, 2018, is due to the issuance of Class B shares in accordance with the terms of the acquisition of the non-controlling interest in Sanexen in 2016.
Share capital to be issued	**14.7**	19.8	**(5.1)**	**(25.8)**	

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the second quarter of 2018.

Application of New and Revised IFRS

Accounting Standards Issued and Adopted

On January 1, 2018, the Company adopted the following standards:

IFRS 9, "Financial Instruments"

The condensed consolidated interim financial statements have been prepared in accordance with IFRS 9. The Company adopted IFRS 9 using the retrospective approach and chose not to restate prior year comparatives as permitted. The requirements for hedge accounting in IFRS 9 were applied prospectively on January 1, 2018. The Company completed its assessment of the impact of this new standard and the adoption of the standard does not have a material impact on the condensed consolidated interim financial statements other than additional required note disclosures which are described in Notes 3 and 4.

IFRS 15, "Revenue from Contracts with Customers"

The condensed consolidated interim financial statements have been prepared in accordance with IFRS 15. The Company adopted IFRS 15 using the modified retrospective approach. The Company completed its assessment of the impact of this new standard and the adoption of the standard does not have a material impact on the condensed consolidated interim financial statements other than additional required note disclosures which are described in Notes 3 and 4.

Accounting Standards and Interpretation Issued but not yet Applied

The following accounting standard has been published: IFRS 16, "Leases".

The following interpretation has been published: IFRIC 23, "Accounting for Uncertainties in Income Taxes (IAS 12)".

Please refer to Note 3 for further details.

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 2018 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 2018 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.

The management's evaluation of the design and the effectiveness of the Company's ICFR excludes controls, policies and procedures regarding FER-PAL, acquired on July 6, 2017, and of GSM, acquired on March 1 of this year. The Company has a period of one year from the acquisition date to conduct this analysis and to implement internal controls deemed necessary. Pate Stevedore has been integrated within LOGISTEC's existing framework.

There has been no change in the Company's ICFR that occurred during the second quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

With the first half of the fiscal year behind us, the year-to-date consolidated results may seem disappointing. Indeed, even though the second quarter of 2018 was profitable, it was not enough to bring the year-to-date net profitability to a positive number. However, in light of a close examination of the segmented information in Note 11, we would like to highlight a few positive trends.

The marine services segment is actually doing better after the first six months of 2018 than it was at this time in 2017. Revenue and profit before income taxes for both the second quarter and year-to-date 2018 are showing growth over equivalent periods in 2017. This segment is performing well, and is benefiting from the acquisitions of GSM and Pate Stevedore.

We are, however, very disappointed that our coal-handling contract in Sydney (NS) was not renewed at the end of July 2018. Fortunately, the other acquisitions mentioned earlier should generate sufficient revenue and profits to more than compensate for this lost business. We will maintain our earlier presence in Sydney (NS), and will seek out new business alternatives.

The environmental services segment had a bumpier ride in the first half of 2018. As mentioned above, a long winter and late spring, combined with municipal administrative delays, led to a slow start and higher losses than in prior years. Now that the busy season is well under way and underground watermain rehabilitation contracts are again being delivered and installed, the second half of 2018 will reflect much better results. One particularly positive element is that the amortization of the intangible assets acquired with the FER-PAL transaction, accounted for after July 6, 2017 until January 2018 inclusively, will not be recurring in the second part of 2018, which will have a positive impact on the bottom line when compared to the second half of 2017. Finally, development of the Aqua-Pipe business in the U.S. is progressing more slowly than anticipated. Despite its obvious qualities and advantages, Aqua-Pipe is still perceived in the U.S. as a new technology. We are focusing on marketing and business development activities aimed at U.S. municipalities and water districts, and are confident that these efforts will be successful in the short to mid-term.

In the long term, our objective is to maintain growth and to find business opportunities that will benefit our shareholders, in all our business segments.

This MD&A along with the annual report, the audited annual consolidated financial statements, the annual information form and the information circular and compensation disclosure and analysis are all filed on SEDAR's website (www.sedar.com) and some of these documents can also be consulted on LOGISTEC's website (www.LOGISTEC.com), in the Investors section.

The interim financial reports and financial press releases can also be consulted on SEDAR and LOGISTEC's website.

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 position 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.

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

August 9, 2018

Condensed Consolidated Interim Statements of Earnings

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Revenue	**149,182**	101,861	**231,624**	161,932
Employee benefits expense	**(77,284)**	(48,426)	**(123,650)**	(80,232)
Equipment and supplies expense	**(39,292)**	(29,113)	**(63,630)**	(46,387)
Rental expense	**(11,777)**	(8,185)	**(20,838)**	(15,118)
Other expenses	**(7,812)**	(4,969)	**(13,958)**	(8,605)
Depreciation and amortization expense	**(6,485)**	(4,223)	**(12,568)**	(8,249)
Share of profit of equity accounted investments	**962**	827	**1,032**	1,234
Other gains and losses	**941**	(59)	**1,156**	1,671
Operating profit (loss)	**8,435**	7,713	**(832)**	6,246
Finance expense	**(2,760)**	(495)	**(3,647)**	(890)
Finance income	**15**	98	**98**	181
Profit (loss) before income taxes	**5,690**	7,316	**(4,381)**	5,537
Income taxes	**(2,630)**	(2,535)	**(885)**	(2,315)
Profit (loss) for the period	**3,060**	4,781	**(5,266)**	3,222
Profit (loss) attributable to:				
Owners of the Company	**1,868**	4,789	**(7,609)**	3,259
Non-controlling interests	**1,192**	(8)	**2,343**	(37)
Profit (loss) for the period	**3,060**	4,781	**(5,266)**	3,222
Basic earnings (loss) per Class A Common Share [(1)]	**0.14**	0.38	**(0.58)**	0.26
Basic earnings (loss) per Class B Subordinate Voting Share [(2)]	**0.16**	0.41	**(0.64)**	0.28
Diluted earnings (loss) per Class A share	**0.14**	0.36	**(0.58)**	0.24
Diluted earnings (loss) per Class B share	**0.15**	0.39	**(0.64)**	0.27
Weighted average number of Class A shares outstanding, basic and diluted	**7,405,455**	7,410,922	**7,405,689**	7,411,589
Weighted average number of Class B shares outstanding, basic	**5,271,167**	4,735,742	**5,217,249**	4,737,673
Weighted average number of Class B shares outstanding, diluted	**5,726,904**	5,483,448	**5,724,496**	5,487,482

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

Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Profit (loss) for the period	**3,060**	4,781	**(5,266)**	3,222
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	**3,004**	(365)	**4,981**	(529)
Gain on derivatives	**—**	—	**4**	—
Income tax related	**—**	—	**(1)**	—
Total items that are or may be reclassified to the consolidated statements of earnings	**3,004**	(365)	**4,984**	(529)
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement gain (loss) on benefit obligation	**1,171**	(2,511)	**1,171**	(2,511)
Return on retirement plan assets excluding amounts included in profit (loss) for the period	**153**	(232)	**(33)**	141
Income taxes on remeasurement gain (loss) on benefit obligation and return on retirement plan assets excluding amounts included in profit (loss) for the period	**(354)**	737	**(305)**	637
Total items that will not be reclassified to the consolidated statements of earnings	**970**	(2,006)	**833**	(1,733)
Other comprehensive income for the period, net of income taxes	**3,974**	(2,371)	**5,817**	(2,262)
Total comprehensive income for the period	**7,034**	2,410	**551**	960
Total comprehensive income attributable to:				
Owners of the Company	**5,832**	2,418	**(1,814)**	997
Non-controlling interests	**1,202**	(8)	**2,365**	(37)
Total comprehensive income for the period	**7,034**	2,410	**551**	960

Condensed Consolidated Interim Statements of Financial Position

	Notes	As at June 30, 2018 $	As at December 31, 2017 $
Assets			
Current assets			
Cash and cash equivalents		**8,977**	3,963
Trade and other receivables		**142,329**	153,342
Work in progress		**15,146**	5,306
Current income tax assets		**4,962**	494
Other financial assets		**206**	1,055
Prepaid expenses		**5,300**	2,775
Inventories		**13,619**	11,550
		190,539	178,485
Equity accounted investments		**32,038**	34,350
Property, plant and equipment	7	**181,712**	160,717
Goodwill	7	**161,881**	105,618
Other intangible assets		**42,637**	14,903
Other non-current assets		**1,915**	1,658
Post-employment benefit assets		**—**	606
Non-current financial assets		**12,406**	7,984
Deferred income tax assets		**8,930**	9,218
Total assets		**632,058**	513,539
Liabilities			
Current liabilities			
Short-term bank loans		**13,818**	9,829
Trade and other payables		**87,880**	85,174
Deferred revenue		**4,207**	2,252
Current income tax liabilities		**1,405**	3,699
Dividends payable		**1,089**	1,075
Current portion of long-term debt	12	**6,490**	5,447
Provisions		**1,163**	813
		116,052	108,289
Long-term debt	12	**182,732**	77,957
Provisions		**784**	771
Deferred income tax liabilities	7	**26,009**	15,575
Post-employment benefit obligations		**13,345**	14,778
Deferred revenue		**3,533**	3,733
Non-current financial liabilities		**60,535**	61,641
Total liabilities		**402,990**	282,744
Equity			
Share capital	8	**35,149**	29,019
Share capital to be issued	8	**14,717**	19,820
Retained earnings		**163,048**	173,129
Accumulated other comprehensive income		**11,568**	6,606
Equity attributable to owners of the Company		**224,482**	228,574
Non-controlling interest		**4,586**	2,221
Total equity		**229,068**	230,795
Total liabilities and equity		**632,058**	513,539

Condensed Consolidated Interim Statements of Changes in Equity

	Notes	Attributable to owners of the Company							
				Accumulated other comprehensive income					
		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, 2018		**29,019**	**19,820**	**138**	**6,468**	**173,129**	**228,574**	**2,221**	**230,795**
Profit (loss) for the period		–	–	–	–	(7,609)	(7,609)	2,343	(5,266)
Other comprehensive income									
Currency translation differences arising on translation of foreign operations		–	–	–	4,959	–	4,959	22	4,981
Remeasurement gain (loss) on benefit obligation and return on retirement plan assets excluding amounts included in profit (loss) for the period, net of income taxes		–	–	–	–	833	833	–	833
Cash flow hedges, net of income taxes		–	–	3	–	–	3	–	3
Total comprehensive income for the period		–	–	3	4,959	(6,776)	(1,814)	2,365	551
Remeasurement of written put option liability		–	–	–	–	(900)	(900)	–	(900)
Repurchase of Class A shares	8	–	–	–	–	(32)	(32)	–	(32)
Issue and Repurchase of Class B shares	8	(24)	–	–	–	(196)	(220)	–	(220)
Issuance, repurchase of share capital	8	6,154	(5,103)	–	–	–	1,051	–	1,051
Dividends on Class A shares	8	–	–	–	–	(1,220)	(1,220)	–	(1,220)
Dividends on Class B shares	8	–	–	–	–	(957)	(957)	–	(957)
Balance as at June 30, 2018		**35,149**	**14,717**	**141**	**11,427**	**163,048**	**224,482**	**4,586**	**229,068**

Condensed Consolidated Interim Statements of Changes in Equity (Continued)

		Attributable to owners of the Company							
				Accumulated other comprehensive income					
	Notes	Share capital $	Share capital to be issued $	Cash flow hedges $	Foreign currency translation $	Retained earnings $	Total $	Non-controlling interests $	Total equity $
Balance as at January 1, 2017		**15,618**	**24,898**	**(4)**	**9,255**	**151,616**	**201,383**	**1,798**	**203,181**
Profit (loss) for the period		–	–	–	–	3,259	3,259	(37)	3,222
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		–	–	–	(529)	–	(529)	–	(529)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	(1,733)	(1,733)	–	(1,733)
Total comprehensive income for the period		–	–	–	(529)	1,526	997	(37)	960
Repurchase of Class A shares		(1)	–	–	–	(80)	(81)	–	(81)
Issue and repurchase of Class B shares		(43)	–	–	–	(601)	(644)	–	(644)
Non-controlling interest arising from a business acquisition	9	–	–	–	–	–	–	2,545	2,545
Long-term liability for the obligation to repurchase the non-controlling interest	9	–	–	–	–	–	–	(2,545)	(2,545)
Issuance of Class B share capital to a subsidiary shareholder upon the exercise of put options	5	209	(209)	–	–	–	–	–	–
Dividends on Class A shares		–	–	–	–	(1,112)	(1,112)	–	(1,112)
Dividends on Class B shares		–	–	–	–	(782)	(782)	–	(782)
Balance as at June 24, 2017		**15,783**	**24,689**	**(4)**	**8,726**	**150,567**	**199,761**	**1,761**	**201,522**

Condensed Consolidated Interim Statements of Cash Flows

	Notes	For the six months ended June 30, 2018 $	June 24, 2017 $
Operating activities			
Profit (loss) for the period		**(5,266)**	3,222
Items not affecting cash and cash equivalents		**20,334**	10,486
Cash generated from operations		**15,068**	13,708
Dividends received from equity accounted investments		**3,346**	3,600
Contributions to defined benefit retirement plans		**(595)**	(557)
Settlement of provisions		**(165)**	(148)
Changes in non-cash working capital items		**5,808**	12,517
Income taxes paid		**(7,998)**	(2,277)
		15,464	26,843
Financing activities			
Net change in short-term bank loans		**3,989**	—
Issuance of long-term debt		**117,226**	13,614
Repayment of long-term debt		**(16,425)**	(25,966)
Interest paid		**(1,844)**	(955)
Issuance of Class B shares	8	**562**	—
Repurchase of Class A shares	8	**(32)**	(81)
Repurchase of Class B shares	8	**(220)**	(644)
Dividends paid on Class A shares	8	**(1,222)**	(1,112)
Dividends paid on Class B shares	8	**(942)**	(782)
		101,092	(15,926)
Investing activities			
Customer repayment of an investment in a service contract		**—**	865
Interest received		**108**	190
Repurchase of a non-controlling interest		**—**	(1,332)
Business acquisitions	7	**(97,998)**	(5,805)
Cash acquired in a business acquisition	7	**2,585**	—
Note receivable		**(5,067)**	—
Cash paid to minority interest		**(157)**	—
Acquisition of property, plant and equipment		**(10,144)**	(14,668)
Proceeds from disposal of property, plant and equipment		**290**	2,225
Repayment of other non-current financial assets		**101**	94
Acquisition of intangible assets		**(93)**	(6)
Acquisition of other non-current assets		**(285)**	(191)
Repayment of other non-current assets		**150**	67
		(110,510)	(18,561)
Net change in cash and cash equivalents		**6,046**	(7,644)
Cash and cash equivalents, beginning of period		**3,963**	15,971
Effect of exchange rate on balances held in foreign currencies of foreign operations		**(1,032)**	(38)
Cash and cash equivalents, end of period		**8,977**	8,289
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		**253**	1,553

1. General Information

LOGISTEC Corporation (the "Company") provides specialized cargo handling and other services to a wide variety of marine, industrial and municipal customers. The Company has cargo handling facilities in 37 ports across 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 subsidiaries Sanexen Environmental Services Inc. ("Sanexen") and FER-PAL Construction Ltd. ("FER-PAL"), operates in the environmental services segment where it provides services for the trenchless structural rehabilitation of underground watermains, regulated materials management, site remediation, risk assessment and manufacturing of woven hoses.

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

The Company's largest shareholder is Sumanic Investments Inc.

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

These unaudited condensed consolidated interim financial statements were approved by the Company's Board of Directors on August 9, 2018.

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 2017 consolidated financial statements, except as described in Notes 3 and 4 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 2017 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 2017 annual report.

3. Application of New and Revised IFRS

Accounting Standards Issued and Adopted

On January 1, 2018, the Company adopted the following standards:

IFRS 9, "Financial Instruments"

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS 9. The Company adopted IFRS 9 using the retrospective approach and chose not to restate prior year comparatives where permitted.

The Company reviewed and assessed its existing financial assets and liabilities as at January 1, 2018 based on the facts and circumstances that existed at that date, and concluded that the initial application of IFRS 9 has had the following impact regarding its classification and measurement:

- Cash and cash equivalents, trade and other receivables, and non-current financial assets that were classified as loans and receivables under IAS 39 have been classified as amortized cost under IFRS 9.

- Trade and other payables, dividends payable, short-term bank loans, long-term debt, liabilities due to shareholders and long-term incentive plans that were classified as other financial liabilities under IAS 39 have been classified as amortized cost under IFRS 9.

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at fair value through other comprehensive income ("FVOCI"), but not to investments in equity instruments. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

The Company has elected to measure loss allowances for trade receivables and non-current financial assets at an amount equal to lifetime ECLs.

This standard also incorporates a new hedging model which increases the scope of hedged items eligible for hedge accounting and aligns hedge accounting more closely with risk management. The requirements for hedge accounting in IFRS 9 were applied prospectively on January 1, 2018. All hedging relationships designated under IAS 39 at December 31, 2017 met the criteria for hedge accounting under IFRS 9 at January 1, 2018 and are therefore regarded as continuing hedging relationships.

The Company completed its assessment of the impact of this new standard and the adoption of the standard does not have a material impact on the condensed consolidated interim financial statements other than discussed above. The Company has updated its significant accounting policies which is included in Note 4 below.

IFRS 15, "Revenue from Contracts with Customers"

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaced IAS 18 *Revenues*, IAS 11 *Construction Contracts* and related interpretations.

The Company has adopted IFRS 15 using the modified retrospective approach, and elected to apply the requirements only to contracts that were not completed at the date of initial application, January 1, 2018. The adoption of the standard did not have a material impact on the condensed consolidated interim financial statements, other than for the additional disclosures related to the new standard, which are provided in Note 4.

The details of the new significant accounting policies and the nature of the changes compared to previous accounting policies in relation to the Company's various goods and services are disclosed in Note 4 below.

Accounting Standards and Interpretations issued but not yet applied

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". The standard is effective for accounting periods beginning on or after January 1, 2019.

Given that the Company has significant contractual obligations accounted for as operating leases under IAS 17, its preliminary conclusion is that there will be a material increase to both assets and liabilities upon adoption of IFRS 16, and material changes to the presentation of expenses associated with the lease arrangements between Equipment and supplies expense, Depreciation and amortization, and Finance expense.

The Company is in the process of analysing the full impact of the adoption of IFRS 16. The Company intends to adopt IFRS 16 using the "modified retrospective approach", and to use the exemptions for short-term leases and leases for which the underlying asset is of low value.

IFRIC 23, "Accounting for Uncertainties in Income Taxes (IAS 12)"

In June 2017, the IASB issued IFRIC 23, "Uncertainty over Income Tax Treatments (IAS 12)", to clarify how to apply the recognition and measurement requirements in IAS 12 ("Income Taxes"), when there is uncertainty over income tax treatments.

This new interpretation applies to fiscal years beginning on or after January 1, 2019. The Company is currently assessing the estimated impact of adopting this standard on its financial statements.

4. Change in Significant Accounting Policies

The Company has initially adopted IFRS 9 and IFRS 15 from January 1, 2018.

Financial Instruments

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets, unless it is a trade receivable without a significant financing component, and financial liabilities are initially recorded at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

CLASSIFICATION

All financial assets that do not meet a "solely payment of principal and interest" ("SPPI") condition shall be classified at fair value through profit or loss ("FVTPL"). For those that meet the SPPI condition, classification at initial recognition will be determined based on the business model under which these assets are managed. Financial assets that are being managed on a "held for trading" or fair value basis are classified at FVTPL. Financial assets that are being managed on a "hold to collect and for sale" basis are classified at fair value through other comprehensive income ("FVOCI"). Finally, financial assets that are being managed on a "hold to collect" basis are classified at amortized cost.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis.

Cash and cash equivalents, trade and other receivables and non-current financial assets are classified at amortized cost.

Interest income is recognized by applying the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes a loss allowance for expected credit losses ("ECL") on financial assets that are measured at amortized cost.

The Company elected to apply the simplified impairment approach. Therefore, the Company recognizes lifetime ECL for financial assets that are measured at amortized cost. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. ECL are estimated using a provision matrix based on the Company's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money when appropriate.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full.

DERECOGNITION OF FINANCIAL ASSETS

The Company derecognises a financial asset only when the contractual rights to the cash flow from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

FINANCIAL LIABILITIES

Financial liabilities are classified either at FVTPL or at amortized cost.

CLASSIFICATION

Trade and other payables, dividends payable, short-term bank loans, long-term debt, liabilities due to shareholders and long-term incentive plans are classified at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over

the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

Long-term liabilities due to shareholders included in the caption "Non-current financial liabilities" in the condensed consolidated interim statements of financial position include a written put option that is recognized at the present value of the exercise price of the put option. The Company has chosen to account for the remeasurement of the written put option liability at each reporting period within the retained earnings.

DERECOGNITION OF FINANCIAL LIABILITIES

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

HEDGE ACCOUNTING

The Company has elected to adopt the new general hedge accounting model in IFRS 9. This model requires to ensure that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

Revenue Recognition

In accordance with IFRS 15, revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognises revenue when it transfers control of a service or product to a customer. Determining the timing of the transfer of control ("at a point in time" or "over time") requires judgment. The Company recognises revenues from the following major sources:

MARINE SERVICES SEGMENT

The Company earns revenue from stevedoring, cargo loading and unloading, container stuffing and destuffing, ship dockage, rail and road transportation, storage and tailgating (truck loading and discharging). Revenue from these services is recognized over time as the services are performed during the period between the arrival and departure of the cargo to or from the terminal.

Fees for storage are recognized over time for material stored by customers under short-term arrangements at the Company's facilities based on a time-proportion basis.

For arrangements that involve multiple performance obligations, the total consideration in the contract is allocated to the separate performance obligations based on their stand-alone selling prices, and revenue is recognized when, or as, performance obligations in the contract are satisfied. The stand-alone selling price is determined based on the list prices at which the Company sells the services in separate transactions.

ENVIRONMENTAL SERVICES SEGMENT

The Company earns revenue in the environmental services segment, where it provides services to industrial, municipal and other governmental customers for the trenchless structural rehabilitation of underground watermains, regulated materials management, site remediation, risk assessment, and manufacturing of woven hoses.

Contracts with customers for these services generally comprise multiple performance obligations. There is a significant service of integration performed by the Company in delivering these services and, as such, they are considered to represent a single distinct performance obligation. Revenue from these services is

recognized over time based on the stage of completion of work, which is determined by surveys of work performed or on the basis of costs incurred.

Under the cost method, the stage of completion at any given time is measured by dividing the cumulative costs incurred at the period end date by the sum of incurred costs and anticipated costs for completing a contract. The cumulative effect of changes to anticipated costs and anticipated revenue for completing a contract are recognized in the period in which the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenue on a contract, such loss is recognized in its entirety in the period in which it becomes known. Estimates are required to determine the appropriate anticipated costs and revenue.

5. Seasonal Nature of Operations

Operations are affected by weather conditions and are therefore of a seasonal nature. In particular, the majority of our environmental services require the excavation of soils, which is more difficult during the winter. This has been further influenced this year by the operations of FER-PAL, which provides little to no services in winter months.

Our marine services are also affected by seasonality. Our coastal shipping business to the Arctic is virtually at a standstill, and in the cargo handling business, we are affected by the closure of the St. Lawrence Seaway. There is therefore little activity in the Great Lakes, as well as somewhat reduced activity in the St. Lawrence River.

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.

6. Financial Risk Management

Capital Management

The Company monitors the debt/capitalization ratio on a quarterly basis. As at June 30, 2018, the ratio is 45.7% based on debt of $189,222 divided by a capitalization of $413,704 (26.7% as at December 31, 2017, based on $83,404/$311,978).

Note that an amount of $60,535 is presented as non-current financial liabilities in the condensed consolidated interim financial statements of financial position. Of this amount, $57,042 represents long-term liabilities associated with past acquisitions due to non-controlling and former shareholders of such businesses acquired. If we include these non-current financial liabilities of $57,042 in our debt/capitalization ratio, the calculation becomes a debt of $246,264 over a capitalization of $470,746 resulting in a ratio of 52.3%.

As at June 30, 2018, 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 1,880 customers. For the six months ended June 30, 2018, the 20 largest customers account for 42.6% (48.6% in 2017) of consolidated revenue.

FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments recognized at fair value are classified using a hierarchy that reflects the significance of the inputs used to measure the fair value.

The fair value hierarchy requires that observable market inputs be used whenever such inputs exist. A financial instrument is classified in the lowest level of the hierarchy for which a significant input has been used to measure fair value.

An entity's own credit risk and the credit risk of the counterparty, in addition to the credit risk of the financial instrument, were factored into the fair value determination of the financial liabilities, including derivative instruments.

All financial instruments measured at fair value in the condensed consolidated interim statements of financial position were classified according to a three-level hierarchy:

- Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities
- Level 2: valuation techniques based on inputs that are quoted prices of similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; inputs other than quoted prices used in a valuation model that are observable for the instrument being valued; and inputs that are derived mainly from or corroborated by observable market data using correlation or other forms of relationship
- Level 3: valuation techniques based significantly on inputs that are not observable in the market

The estimated fair value of long-term liabilities due to shareholders classified in Level 3 of the fair value hierarchy were not significantly different from its carrying value as at June 30, 2018.

Sensitivity analysis

On June 30, 2018, all other things being equal, a 10% increase of pre-established financial performance threshold related to the written put option would have resulted in a decrease of the equity of $5,000 and an increase of the same amount in total liabilities. A 10% decrease of pre-established financial performance threshold would have resulted in an increase of the equity of $5,000 and a decrease of the same amount in total liabilities.

7. Business Acquisitions

On May 25, 2018, the Company acquired 100% ownership of Pensacola Stevedore Company, Inc. ("Pate Stevedore") for a purchase price of US $9,599 (CA $12,364), subject to certain adjustments.

Pate Stevedore provides professional cargo handling and distribution services at its Florida operations. This acquisition continues to expand the Company's network of marine terminals and strategically positions LOGISTEC in the U.S. Gulf region.

Given the limited time between the acquisition and end of the six-month period, the purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the information it considers necessary. As at June 30, 2018, we are currently identifying and evaluating Other intangible assets.

On March 1, 2018, the Company acquired 100% ownership of GSM Maritime Holdings, LLC, the ultimate owner of Gulf Stream Marine, Inc. (“GSM”), which performs cargo handling operations in the U.S. Gulf Coast for a diverse mix of customers, for a purchase price of US $67,600 (CA $85,634), subject to certain adjustments.

This acquisition expands the Company’s network of marine terminals and provides LOGISTEC with a strategic position in that region.

The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all necessary information. As at June 30, 2018, the fair value of customer relationships, lease rights and location, branding and technology included in Other intangible assets remained to be completed.

Prior to the acquisition, a note receivable of US $4,000 (CA $5,067) was issued to a joint venture to acquire excluded assets from the transaction. This note receivable is disclosed in the caption “Non-current financial assets” in the condensed consolidated interim statements of financial position.

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

	Pate Stevedore $	GSM $	Total $
Cash and cash equivalent	208	2,377	2,585
Current assets	1,290	20,190	21,480
Property, plant and equipment	3,771	19,518	23,289
Goodwill	11,202	42,832	54,034
Other intangible assets	47	26,331	26,378
Current liabilities	(194)	(15,389)	(15,583)
Long-term debt	(3,960)	–	(3,960)
Deferred income tax liabilities	–	(10,225)	(10,225)
	12,364	85,634	97,998
Purchase consideration			
Cash	12,364	85,634	97,998
	12,364	85,634	97,998

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

The acquisition transition costs for GSM, included in the caption “Other expenses”, amounted to $1,100.

Goodwill

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

Impact of the Acquisition on the Results of the Company

Revenue and profit for the three-month period ended June 30, 2018 contributed by Pate Stevedore amounted to $328 and $107, respectively.

Revenue and profit for the three-month and six-month periods ended June 30, 2018 contributed by GSM amounted to $26,726 and $946, and $35,617 and $627 respectively.

Had these business acquisitions been made effective January 1, 2018, the Company's revenue and loss for the six-month period would have been $249,011 and $1,973 respectively.

2017 Business Acquisition

On July 6, 2017, the Company acquired 51% of the shares of FER-PAL, a Toronto (ON)-based company that utilizes our Aqua-Pipe technology and that offers complete watermain rehabilitation solutions, for an aggregate purchase price of $49,483.

The cash portion of the purchase consideration includes an amount of $5,000 paid in escrow, which will be used to settle the post-closing adjustments based on the performance of FER-PAL for the year ended December 31, 2017. At the acquisition date, the Company estimated that no additional amount would be payable nor any reduction in the purchase price would occur. As of December 31, 2017, based on the lower than anticipated performance of FER-PAL, an estimated gain of $5,260 was recorded, included in the caption "Other gains and losses", an equivalent amount was recorded as a receivable and no change occurred during the six-month period ended June 30, 2018. The purchase price, as of the date of these condensed consolidated interim financial statements, is subject to further material post-closing adjustments, which may result in additional future impacts to the consolidated results of the Company.

During the six-month period, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. As a result, changes were made by increasing Property, plant and equipment of $4,026 with offsetting adjustments to Goodwill and Deferred income tax liabilities by the same amount. Comparative figures of the condensed consolidated interim statements of financial position have been changed accordingly.

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

	Initial Estimates $	Changes $	Final Estimates $
Current assets	**29,624**	**—**	**29,624**
Property, plant and equipment	**8,034**	**4,026**	**12,060**
Goodwill	**83,347**	**(2,939)**	**80,408**
Other intangible assets	**16,750**	**—**	**16,750**
Non-current financial assets	**317**	**—**	**317**
Bank overdraft	**(8,251)**	**—**	**(8,251)**
Current liabilities	**(23,791)**	**—**	**(23,791)**
Long-term debt	**(1,648)**	**—**	**(1,648)**
Deferred income tax liabilities	**(6,298)**	**(1,087)**	**(7,385)**
Non-current financial liabilities	**(1,058)**	**—**	**(1,058)**
	97,026	**—**	**97,026**
Purchase consideration			
Cash	**41,483**	**—**	**41,483**
230,747 Class B shares issued	**8,000**	**—**	**8,000**
Non-controlling interests	**47,543**	**—**	**47,543**
	97,026	**—**	**97,026**

The purchase price allocation is final.

8. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 700 (2,200 in 2017) Class A shares and 4,700 (18,400 in 2017) Class B shares were repurchased and cancelled for cash consideration of $32 ($81 in 2017) and $220 ($644 in 2017), respectively. Of this amount, the excess over stated capital of the repurchased shares of $32 ($80 in 2017) and $196 ($601 in 2017), respectively, was charged to retained earnings.

During the second quarter ended June 30, 2018, there were 200 Class A shares converted into Class B Shares (0 in 2017).

Following last year's agreement with Sanexen, as at June 30, 2018, LOGISTEC issued 154,529 Class B shares at $33.02 per share, which reduced the share capital to be issued from $19,820 as at December 31, 2017 to $14,717 as at June 30, 2018.

The issued and outstanding shares were as follows:

	As at June 30, 2018 $	As at December 31, 2017 $
7,405,322 Class A shares (7,406,222 as at December 31, 2017)	**4,895**	4,895
5,286,534 Class B shares (5,113,255 as at December 31, 2017)	**30,254**	24,124
	35,149	29,019

As at June 30, 2018, 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 $707 ($423 as at December 31, 2017). There remains an unallocated balance of 208,500 Class B shares reserved for issuance pursuant to this ESPP.

Dividends

Details of dividends declared per share are as follows:

	For the six months ended	
	June 30, 2018 $	June 24, 2017 $
Class A shares	**0.17**	0.15
Class B shares	**0.18**	0.17

9. 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 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Sale of services	**1,021**	605	**1,649**	976
Purchase of services	**302**	266	**448**	716

	As at June 30, 2018 $	As at December 31, 2017 $
Amounts owed to joint ventures	**579**	1,404
Amounts owed from joint ventures	**646**	830

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 30, 2018 $	As at December 31, 2017 $
Key management personnel	**153**	111

The Company has provided loans to several members of key management personnel in connection with the ESPP, as described in Note 8.

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 30, 2018 $	June 24, 2017 $
Dividends paid to Sumanic Investments Inc.	**973**	871
Dividends paid to certain members of key management personnel	**68**	47

Contribution to Retirement Plans

Total cash payments for employee future benefits for the six-month period ended June 30, 2018, 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 $2,048 ($1,654 in 2017).

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 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Short-term benefits	**2,863**	1,411	**4,360**	2,905
Post-employment benefits	**179**	87	**338**	250
Other long-term benefits	**285**	260	**570**	520
	3,327	1,758	**5,268**	3,675

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

10. Revenue

Revenue is detailed as follows:

	For the three months ended		For the six months ended	
	June 30, 2018 $	June 24, 2017 $	**June 30, 2018 $**	June 24, 2017 $
Revenue from cargo handling services	**85,687**	52,901	**148,949**	94,183
Revenue from services relating to rehabilitation of underground watermains	**35,837**	14,032	**36,942**	14,724
Revenue from site remediation services and decontamination services	**16,024**	23,831	**26,183**	34,900
Revenue from sale of goods	**11,634**	11,097	**19,550**	18,125
	149,182	101,861	**231,624**	161,932

11. 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.

Industry Segments

The financial information by industry segment is as follows:

	Marine services $	Environmental services $	Total $
For the three months ended June 30, 2018			
Revenue	**85,687**	**63,495**	**149,182**
Profit (loss) before income taxes	**7,512**	**(1,822)**	**5,690**
For the six months ended June 30, 2018			
Revenue	**148,949**	**82,675**	**231,624**
Profit (loss) before income taxes	**9,644**	**(14,025)**	**(4,381)**
As at June 30, 2018			
Total assets	**368,919**	**263,139**	**632,058**
Total liabilities	**245,117**	**157,873**	**402,990**
For the three months ended June 24, 2017			
Revenue	52,901	48,960	101,861
Profit (loss) before income taxes	5,908	1,408	7,316
For the six months ended June 24, 2017			
Revenue	94,245	67,687	161,932
Profit (loss) before income taxes	8,752	(3,215)	5,537
As at December 31, 2017			
Total assets	236,173	277,366	513,539
Total liabilities	124,764	157,980	282,744

Geographic Segments

The Company's revenue from external customers by country of origin and information about its non-current assets by location of assets are detailed below.

Revenue	Canada $	USA $	Total $
For the three months ended June 30, 2018	**81,690**	**67,492**	**149,182**
For the three months ended June 24, 2017	63,892	37,969	101,861
For the six months ended June 30, 2018	**121,200**	**110,424**	**231,624**
For the six months ended June 24, 2017	97,656	64,276	161,932
Non-current assets [1]			
As at June 30, 2018	**247,106**	**173,077**	**420,183**
As at December 31, 2017	245,213	72,033	317,246

[1] *Non-current assets exclude post-employment benefit assets, non-current financial assets and deferred income tax assets*

12. Long-Term Debt

	As at June 30, 2018 $	As at December 31, 2017 $
Revolving credit facility, bearing interest at banker's prime rate and or banker's acceptance and LIBOR loans, with no principal repayment required until September 2021. The weighted average interest rate was 4.09% at quarter end [(1)]	**126,196**	47,962
Unsecured long-term debt, bearing interest at 4.82% and 4.64%, without any principal repayment due before December 2022, to be paid in 20 equal consecutive quarterly payments, maturing in 2027 [(2)]	**50,000**	25,000
Term credit facilities, bearing interest from prime rate plus 0.75% to 1.50%, with maturities ranging from October 2018 to up to 5 years from the advance date [(3)]	**2,932**	1,861
Non-interest bearing government loan, with equal monthly principal repayment maturing in 2022	**1,800**	2,000
Loan for equipment purchases, maturing from 2018 to 2022, bearing interest from 0.5% to 6.20%	**4,636**	3,686
Balance of sale from business acquisitions, bearing no interest, maturing in 2018	**150**	650
Other	**3,508**	2,245
	189,222	83,404
Less:		
Current portion	**6,490**	5,447
	182,732	77,957

(1) *As of February 26, 2018, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., solidarily entered into a $150,000 credit agreement following an amendment to the initial credit agreement.*

The credit facility details are as follows:

- *A $150,000 42-month 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 revolving credit facility matures in September 2021.*
- *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.*

(2) *As of September 14, 2017, the Company entered into an additional $50,000 unsecured loan agreement.*

The loan facility details are as follows:

- *A $25,000 unsecured loan issued on September 14, 2017 for the acquisition of a subsidiary. The loan matures in September 2027, and bears interest at 4.82%, paid quarterly. The repayment schedule begins in December 2022, and is to be paid in 20 equal consecutive quarterly instalments of $1,250.*
- *A $25,000 unsecured loan issued on February 27, 2018 for the acquisition of a subsidiary. The loan matures in September 2027, and bears interest at 4.64%, paid quarterly. The repayment schedule begins in December 2022 and is to be paid in 20 equal consecutive quarterly instalments of $1,250.*

(3) *As of May 2018, the Company and its subsidiary, FER-PAL, extended their credit agreement to $19,825.*

The credit facility details are as follows:

- *A $15,000 overdraft facility due on demand, to be used for operating requirement. The facility can be, used in the form of overdrafts, banker's acceptance and letters of credit. The advances are based on accounts receivables estimated worth of good quality.*

- *A demand loan for an amount of $1,575 due over 60 months in equal principal repayments plus monthly interest, bearing interest at prime rate plus 0.75%.*
- *A $750 corporate credit card credit facility.*
- *A risk management facility for an amount of $1,000 to be used in the form of foreign exchange forward contracts.*
- *A demand loan for an amount of $1,500 due in equal monthly payments plus interest from August 2018 to October 2018. The loan bears interest at prime rate plus 1.50%.*

The facility is secured by a first ranking movable and immovable hypothec on all current and future assets.

(i) *EBITDA is a non-IFRS measure and is calculated as the sum of profit attributable to owners of the Company plus interest expense, income taxes, depreciation and amortization expense, customer repayments of investment in a service contract, and impairment charge.*

Long-term debt matures as follows:

Total principal repayments required	**As at June 30, 2018 $**	As at December 31, 2017 $
Less than 1 year	**6,490**	5,447
Between 1 and 5 years	**138,306**	54,207
More than 5 years	**44,426**	23,750
	189,222	83,404

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