

# Interim Financial Report for the Period Ended September 29, 2018

**LOGISTEC**

**Q3 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	184.5
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	22.3
December	7.9	8.9	13.2	
Year	29.1	18.9	27.4	

## Total earnings (loss) per share <sup>(1)</sup>

(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	1.69
December	0.63	0.71	1.01	
Year	2.34	1.48	2.11	

<sup>(1)</sup> 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 third quarter of 2018, consolidated revenue totalled \$184.5 million, an increase of \$16.2 million or 9.6% over the same period in 2017. Revenue from the marine services segment rose by 79.4% from \$53.7 million to \$96.4 million, while revenue from the environmental services segment amounted to \$88.1 million, a decrease of \$26.5 million or 23.1% from the third quarter of 2017.

The third quarter of 2018 closed with a consolidated profit attributable to owners of the Company of \$22.3 million, compared with a profit of \$11.0 million for the third quarter of 2017. The profit attributable to owners of the Company translated to total diluted earnings per share of \$1.69, of which \$1.62 was attributable to Class A Common Shares and \$1.78 to Class B Subordinate Voting Shares.

This strong performance is attributable in large part to the marine services segment with revenue close to \$100 million for the quarter and a profit before income taxes of \$13.3 million. Furthermore, the acquisitions we made in this segment over the last two years, namely Logistec Gulf Coast, Gulf Stream Marine and Pate Stevedore, were solid contributors to these results.

In the environmental services segment, the profit before income taxes for this quarter improved compared to the same period last year, but performance was nonetheless lower than expected. This decrease can be explained by a lower activity level at FER-PAL compared to its record 2017 results. That being said, the combined backlog of Sanexen and FER-PAL totalled some \$150 million as at the end of September 2018, a relatively high number for this time of year. This means that we will likely start 2019 with a substantial backlog, hence the positive forecast for our environmental services segment.

During the first nine months of 2018, consolidated revenue increased to \$416.2 million, compared with \$330.2 million for the same period in 2017. The profit attributable to owners of the Company amounted to \$14.6 million, compared with a profit of \$14.2 million for the same period last year. This translated into total diluted earnings per share of \$1.12 of which \$1.07 was attributable to Class A Common Shares and \$1.17 to Class B Subordinate Voting Shares. For the same period in 2017, diluted earnings per share totalled \$1.10, of which \$1.05 was attributable to Class A Common Shares and \$1.16 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, and we continue to look for new growth opportunities.

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

(signed) Madeleine Paquin  
Madeleine Paquin, C.M.  
President and Chief Executive Officer

November 7, 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 nine-month periods ended September 29, 2018 and September 30, 2017. All financial information contained in this MD&A and the attached unaudited condensed consolidated interim financial statements have 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 Q3 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 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 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
	\$	\$	\$	\$	\$
<b>2018</b>					
Revenue	82,442	149,182	184,537		
Profit (loss) attributable to owners of the Company	(9,477)	1,868	22,256		
Basic earnings (loss) per Class A Common Share <sup>(1)</sup>	(0.72)	0.14	1.68		
Basic earnings (loss) per Class B Subordinate Voting Share <sup>(2)</sup>	(0.80)	0.16	1.85		
Total basic earnings (loss) per share	(0.75)	0.15	1.75		
Diluted earnings (loss) per Class A share	(0.72)	0.14	1.62		
Diluted earnings (loss) per Class B share	(0.80)	0.15	1.78		
Total diluted earnings (loss) per share	(0.75)	0.14	1.69		
<b>2017</b>					
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

<sup>(1)</sup> Class A Common Share ("Class A share")

<sup>(2)</sup> 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 during the winter months.

Our marine services are also affected by seasonality. Our coastal shipping business to the Arctic is virtually at a standstill during the winter, 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 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 September 29, 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 water main rehabilitation solutions, for an aggregate purchase price of \$49.5 million.

As at 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.

As of December 31, 2017, based on the lower than anticipated performance of FER-PAL, an estimated gain of \$5.3 million was recorded, included in the caption other gains and losses, an equivalent amount was recorded as a receivable. During the third quarter of 2018, the Company reached an agreement on the final post-closing adjustment for an amount of \$5.8 million. An additional gain of \$0.5 million was recorded in the caption other gains and losses in the condensed consolidated interim statements of earnings. As at September 29, 2018, the Company received an amount of \$5.0 million with a balance receivable of \$0.8 million.

Please refer to Note 7 of the notes to Q3 2018 condensed consolidated interim financial statements for further details.

## **Results**

### **Revenue**

Consolidated revenue totalled \$184.5 million for the third quarter of 2018, up \$16.2 million or 9.6% from \$168.3 million for the same period in 2017. Consolidated revenue was negatively affected by \$1.4 million in the third quarter due to a strong Canadian dollar against the U.S. dollar.

In the third quarter of 2018, revenue in the marine services segment amounted to \$96.4 million, up by \$42.7 million or 79.4% over the third 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 \$34.2 million in sales during the third quarter of 2018.

### **Q3 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS**

Revenue from the environmental services segment totalled \$88.1 million, compared with \$114.6 million in the third quarter of 2017, a decrease of \$26.5 million. This decrease is mainly due to lower revenue generated by FER-PAL as well as lower activity in our site remediation services compared to last year.

For the nine-month period ended September 29, 2018, consolidated revenue totalled \$416.2 million, compared with \$330.2 million for the same period in 2017, an increase of \$85.9 million. Consolidated revenue has been positively affected by \$2.9 million year-to-date, due to a strong Canadian dollar against the U.S. dollar. Revenue in the marine services segment totalled \$245.4 million for the first nine months of 2018, up by \$97.4 million from \$148.0 million during the same period last year. This increase stems mainly from the business acquisitions of GSM and Pate Stevedore, which contributed an additional \$70.1 million in sales. The environmental services segment delivered revenue totalling \$170.8 million, a decrease of \$11.5 million or 6.3% from the revenue of \$182.3 million for the same period in 2017. The variation in both segments is due to the same factors mentioned above.

#### **Employee Benefits Expense**

In the third quarter of 2018, the employee benefits expense rose by \$4.4 million to \$87.7 million, a 5.3% rise over \$83.3 million for the same quarter in 2017. This increase is mainly due to the business acquisitions of GSM and Pate Stevedore, and was partially offset by less activity in our site remediation services. The ratio of employee benefits expense to consolidated revenue was 47.5%, compared with 49.5% for the third quarter of last year.

For the first nine months of 2018, the employee benefits expense reached \$211.4 million, an increase of \$47.8 million or 29.2% over the \$163.6 million recorded for the same period last year. This increase stemmed from the business acquisitions of FER-PAL, GSM, and Pate Stevedore, and was partially offset by less activity in our site remediation services. These acquisitions contributed to higher levels of activity in both segments. The ratio of employee benefits expense to revenue was 50.8%, up from 49.5% for the same period last year.

#### **Equipment and Supplies Expense**

Equipment and supplies expense amounted to \$47.2 million in the third quarter of 2018, an increase of \$5.9 million or 14.4% over the \$41.3 million reported in the third quarter of 2017. This increase is in keeping with the revenue increase. However, at 25.6% compared to 24.5% in 2017, the third quarter ratio of equipment and supplies expense to consolidated revenue was slightly higher than in 2017.

For the first nine months of 2018, equipment and supplies expense amounted to \$110.8 million, an increase of \$23.2 million or 26.5% over the same period in 2017. This increase is in line with the revenue increase. The overall ratio of equipment and supplies expense to revenue was 26.6% for the first nine months of 2018, very similar to the ratio of 26.5% for the same period in 2017.

#### **Rental Expense**

Rental expense stood at \$12.8 million for the third quarter of 2018, compared with \$9.1 million for the same period in 2017. This variation of \$3.7 million or 41.0% derives from the business acquisitions of GSM and Pate Stevedore, which together represent a total of \$2.8 million.

For the nine-month period ended September 29, 2018, rental expense stood at \$33.6 million, representing 8.1% of revenue. This is an increase over the \$24.2 million for the same period in 2017, which represented 7.3% of revenue. The explanation of the year-to-date variation is the same as for the quarter.

### Other Expenses

Other expenses amounted to \$7.9 million, compared with \$7.6 million in the third quarter of 2017.

Other expenses for the first nine months of 2018 amounted to \$21.8 million, compared with \$16.2 million in 2017. This \$5.6 million variation is due to the three new business acquisitions made in the past 12 months.

### Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$7.4 million for the third quarter of 2018, a decrease of \$5.0 million from \$12.4 million for the same period in 2017. In the third quarter of 2017, the investment in FER-PAL resulted in a depreciation charge due to other intangible assets related to the backlog acquired, which was fully amortized over a period of seven months. Therefore, this impact was not recurring in the third quarter of 2018.

For the first nine months of 2018, this expense totalled \$20.0 million, compared with \$20.7 million for the corresponding period in 2017. The decrease from the third quarter of 2018 is mainly offset by the depreciation and amortization expense of the business acquisitions of GSM and Pate Stevedore.

### Finance Expense

Finance expense amounted to \$2.3 million in the third quarter of 2018, an increase of \$1.4 million over the \$0.8 million reported for the same quarter of 2017. The majority of this variation stems from the financing of the acquisitions of GSM and Pate Stevedore, which all took place after the third quarter of 2017. The finance expense in the third quarter of 2018 was also affected by some \$0.5 million as a result of the accelerated accretion of the liability due to shareholders included in the non-current financial liabilities in the Q3 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 of the executives involved in the transaction.

For the first nine months of 2018, the finance expense amounted to \$5.9 million, an increase of \$4.1 million over the same period in 2017. The explanation of the year-to-date variation is the same as for the quarter.

### Profit for the Period and Earnings per Share

Overall, the Company reported a profit for the period of \$19.8 million in the third quarter of 2018. A \$2.4 million loss was attributable to non-controlling interests, and generated a profit attributable to owners of the Company of \$22.3 million. This translated into total diluted earnings per share of \$1.69, of which \$1.62 was attributable to Class A shares and \$1.78 to Class B shares. This increase mainly derives from the business acquisitions of GSM and Pate Stevedore.

For the first nine months of 2018, the Company reported a profit of \$14.6 million, of which a loss of \$0.1 million was attributable to non-controlling interests, amounting to a \$14.7 million profit attributable to owners of the Company. This translated into total diluted earnings per share of \$1.12, of which \$1.07 was attributable to Class A shares and \$1.17 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. 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 were paid on October 12, 2018, to shareholders of record as of 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.

On March 16, 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 April 20, 2018, to all shareholders of record as of April 6, 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 third quarter of 2018. Please also refer to Note 6 of the notes to Q3 2018 condensed consolidated interim financial statements for an update on financial risk management information.

### Capital Resources

As at September 29, 2018, total assets amounted to \$635.8 million, up by \$122.3 million from the December 31, 2017 closing balance of \$513.5 million. This increase is primarily due to the business acquisitions of GSM and Pate Stevedore.

Cash and cash equivalents totalled \$1.9 million at the end of the third quarter of 2018, down by \$2.1 million from \$4.0 million as at December 31, 2017. The major elements behind this decrease are as follows:

*(in thousands of dollars)*

#### Positive:

Profit for the period	14,556
Amortization	19,953
Issuance of long-term debt, net of repayment	80,347
Current income taxes	6,006
	<u>120,862</u>

#### Negative:

Changes in non-cash working capital items	(5,019)
Acquisition of property, plant and equipment	(13,488)
Income taxes paid	(9,127)
Business acquisition, net of cash acquired	(95,497)
	<u>(123,131)</u>



## Working Capital

Working capital totalled \$77.2 million at the end of the third quarter of 2018, for a current ratio of 1.63:1. 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 September 29, 2018, equity attributable to owners of the Company amounted to \$243.0 million, up by \$14.4 million from the December 31, 2017 closing balance of \$228.6 million. Adding long-term debt yields a capitalization of \$409.7 million, which computes to a debt/capitalization ratio of 40.7% compared to a debt/capitalization ratio of 26.7% as at December 31, 2017. The variation is explained by the businesses acquired in 2018.

As at September 29, 2018, 7,405,022 Class A shares and 5,285,834 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 Q3 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 September 29, 2018 \$	As at December 31, 2017 \$		
Statement of financial position				
Total assets	48,487	43,490		
Total liabilities	528	298		
	For the three months ended September 29, 2018 \$	September 30, 2017 \$	For the nine months ended September 29, 2018 \$	September 30, 2017 \$
Statement of earnings				
Revenue	933	802	2,772	2,396
Share of profit of an equity accounted investment	3,002	2,349	5,220	5,367
Profit for the period	3,534	2,831	6,770	6,813

## Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	September 29, 2018 \$	December 31, 2017 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	148.8	153.3	(4.6)	(3.0)	The variation is due to a sustained collection effort in the environmental services segment in the third quarter of 2018, partially offset by the acquisitions of GSM and Pate Stevedore, as discussed in the Business Acquisitions section of this MD&A.
Work in progress	29.9	5.3	24.6	462.8	Work in progress represents the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. The increase reflects the higher level of our seasonal operations and the business acquisition.
Property, plant and equipment	178.1	160.7	17.4	10.8	The increase stems mainly from capital expenditures and include fixed assets acquired as part of business acquisitions. Other regular CAPEX was offset by the depreciation expense.
Goodwill	161.3	105.6	55.7	52.7	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	41.1	14.9	26.2	176.0	The majority of the increase stems from the acquisition of GSM, as discussed in the Business Acquisitions section of this MD&A.
Trade and other payables	95.9	85.2	10.7	12.5	The increase reflects the higher level of our seasonal operations and the business acquisitions.
Current portion of long-term debt	4.7	5.4	(0.8)	(14.6)	The variation stems from the \$127.4 million increase in long-term debt, of which \$98.0 million is related to one of the business acquisitions in the marine services segment. This was offset by repayment of long-term debt of \$47.1 million, which came from cash flow generated by operations and from the repayment of a note receivable by an equity-accounted investee.
Long-term debt	162.1	78.0	84.1	107.9	
Deferred income tax liabilities	26.5	15.6	11.0	70.4	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 September 29, 2018, is mainly due to the issuance of Class B shares in accordance with the terms of the 2016 acquisition of the non-controlling interest in Sanexen.
Share capital to be issued	14.7	19.8	(5.1)	(25.7)	

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the third 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 Q3 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 Q3 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.

## Q3 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

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 have been no changes to the Company's ICFR that occurred during the third quarter of 2018 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

## Outlook

After a slow start and a somewhat disappointing first half of the year, activity really picked up in the third quarter of 2018 and we posted our best quarterly results ever. Indeed, \$184.5 million in revenue and \$19.8 million in profit for the quarter are both new records for the Company. Quarterly revenue is 59.2% higher and profit for the period is 35.4% higher than our previous best quarterly performance recorded in the third quarter of 2015.

This strong performance is attributable in large part to the marine services segment with revenue close to \$100 million for the quarter and a profit before income taxes of \$13.3 million — more than double last year's profit for the same period. Furthermore, the acquisitions we made in this segment over the last two years, namely Logistec Gulf Coast, GSM and Pate Stevedore, all contributed positively to the profit and generated close to \$40 million in revenue. Volumes were strong in the majority of our terminals and we expect this trend to continue.

In the environmental services segment, although the profit before income taxes for this quarter has improved compared to the same period last year, performance is lower than expected. FER-PAL's sales continue to be sluggish and are lower than last year. Despite the fact that FER-PAL won several bids from municipalities, the issuance of work permits was delayed more than usual. This caused a slowdown of work performed for the municipalities, which make up a significant portion of FER-PAL's clientele. As we are fairly late in the year and winter is soon approaching, there will not be enough time to fully reverse this trend before year-end. At Sanexen, Aqua-Pipe activities were at an acceptable level during this quarter, but traditional environmental activities such as site remediation, risk assessment, and regulated materials management were slower. This is the nature of the business; there are years when we have several projects to bid on and others with fewer projects available — 2018 is the latter. That being said, the forecast for our environmental services segment is positive. The combined backlog of Sanexen and FER-PAL tallied up to some \$150 million as at the end of September 2018, a relatively high number for this time of year, which means that we will likely start 2019 with a substantial backlog and a solid base for next year.

We continuously seek development opportunities in both our business segments in order to ensure the sustainability of our revenue stream and generate growth for the benefit of our shareholders.

### Q3 2018 MANAGEMENT'S DISCUSSION AND ANALYSIS

*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](http://www.sedar.com)) and some of these documents can also be consulted on LOGISTEC's website ([www.LOGISTEC.com](http://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

November 7, 2018

### Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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

(unaudited and not reviewed by the independent auditor)

## Condensed Consolidated Interim Statements of Earnings

	For the three months ended		For the nine months ended	
	September 29, 2018 \$	September 30, 2017 \$	September 29, 2018 \$	September 30, 2017 \$
Revenue	184,537	168,314	416,161	330,246
Employee benefits expense	(87,718)	(83,326)	(211,369)	(163,558)
Equipment and supplies expense	(47,204)	(41,255)	(110,833)	(87,642)
Rental expense	(12,784)	(9,068)	(33,623)	(24,186)
Other expenses	(7,859)	(7,589)	(21,816)	(16,194)
Depreciation and amortization expense	(7,385)	(12,419)	(19,953)	(20,668)
Share of profit of equity accounted investments	4,575	4,137	5,606	5,371
Other gains and losses	(400)	(2,226)	755	(555)
Operating profit	25,762	16,568	24,928	22,814
Finance expense	(2,272)	(889)	(5,918)	(1,779)
Finance income	414	98	512	279
Profit before income taxes	23,904	15,777	19,522	21,314
Income taxes	(4,081)	(3,610)	(4,966)	(5,925)
<b>Profit for the period</b>	<b>19,823</b>	<b>12,167</b>	<b>14,556</b>	<b>15,389</b>
Profit attributable to:				
<b>Owners of the Company</b>	<b>22,256</b>	<b>10,955</b>	<b>14,647</b>	<b>14,214</b>
Non-controlling interests	(2,433)	1,212	(91)	1,175
<b>Profit for the period</b>	<b>19,823</b>	<b>12,167</b>	<b>14,556</b>	<b>15,389</b>
Basic earnings per Class A Common Share <sup>(1)</sup>	1.68	0.84	1.11	1.12
Basic earnings per Class B Subordinate Voting Share <sup>(2)</sup>	1.85	0.93	1.22	1.23
Diluted earnings per Class A share	1.62	0.80	1.07	1.05
Diluted earnings per Class B share	1.78	0.88	1.17	1.16
Weighted average number of Class A shares outstanding, basic and diluted	7,405,022	7,410,122	7,405,466	7,411,100
Weighted average number of Class B shares outstanding, basic	5,286,167	5,062,472	5,240,222	4,845,939
Weighted average number of Class B shares outstanding, diluted	5,741,904	5,720,654	5,730,299	5,565,206

<sup>(1)</sup> Class A Common Share ("Class A share")

<sup>(2)</sup> Class B Subordinate Voting Share ("Class B share")

### Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

## Condensed Consolidated Interim Statements of Comprehensive Income

	For the three months ended		For the nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
	\$	\$	\$	\$
<b>Profit for the period</b>	<b>19,823</b>	<b>12,167</b>	<b>14,556</b>	<b>15,389</b>
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	(2,141)	(2,281)	2,841	(2,810)
Gain on derivatives	—	87	4	87
Income tax related	—	(24)	(1)	(24)
Total items that are or may be reclassified to the consolidated statements of earnings	(2,141)	(2,218)	2,844	(2,747)
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement gain (loss) on benefit obligation	1,155	1,436	2,326	(1,075)
Return on retirement plan assets excluding amounts included in profit for the period	19	535	(14)	676
Income taxes on remeasurement gain (loss) on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	(308)	(530)	(613)	107
Total items that will not be reclassified to the consolidated statements of earnings	866	1,441	1,699	(292)
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	—	24	—	24
Total share of other comprehensive income of equity accounted investments, net of income taxes	—	24	—	24
Other comprehensive income for the period, net of income taxes	(1,275)	(753)	4,543	(3,015)
<b>Total comprehensive income for the period</b>	<b>18,548</b>	<b>11,414</b>	<b>19,099</b>	<b>12,374</b>
Total comprehensive income attributable to:				
Owners of the Company	20,990	10,202	19,176	11,199
Non-controlling interests	(2,442)	1,212	(77)	1,175
<b>Total comprehensive income for the period</b>	<b>18,548</b>	<b>11,414</b>	<b>19,099</b>	<b>12,374</b>



### Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

## Condensed Consolidated Interim Statements of Financial Position

	Notes	As at September 29, 2018 \$	As at December 31, 2017 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		1,866	3,963
Trade and other receivables		148,774	153,342
Work in progress		29,863	5,306
Current income tax assets		2,965	494
Other financial assets		208	1,055
Prepaid expenses		5,981	2,775
Inventories		10,137	11,550
		199,794	178,485
Equity accounted investments		36,640	34,350
Property, plant and equipment	7	178,098	160,717
Goodwill	7	161,304	105,618
Other intangible assets		41,134	14,903
Other non-current assets		1,762	1,658
Post-employment benefit assets		—	606
Non-current financial assets		6,997	7,984
Deferred income tax assets		10,063	9,218
<b>Total assets</b>		<b>635,792</b>	<b>513,539</b>
<b>Liabilities</b>			
Current liabilities			
Short-term bank loans		11,609	9,829
Trade and other payables		95,851	85,174
Deferred revenue		4,655	2,252
Current income tax liabilities		3,013	3,699
Dividends payable		1,976	1,075
Current portion of long-term debt	12	4,652	5,447
Provisions		881	813
		122,637	108,289
Long-term debt	12	162,058	77,957
Provisions		1,956	771
Deferred income tax liabilities	7	26,540	15,575
Post-employment benefit obligations		12,433	14,778
Deferred revenue		3,434	3,733
Non-current financial liabilities		61,602	61,641
<b>Total liabilities</b>		<b>390,660</b>	<b>282,744</b>
<b>Equity</b>			
Share capital	8	35,143	29,019
Share capital to be issued	8	14,717	19,820
Retained earnings		183,692	173,129
Accumulated other comprehensive income		9,436	6,606
Equity attributable to owners of the Company		242,988	228,574
Non-controlling interests		2,144	2,221
<b>Total equity</b>		<b>245,132</b>	<b>230,795</b>
<b>Total liabilities and equity</b>		<b>635,792</b>	<b>513,539</b>

### Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

## Condensed Consolidated Interim Statements of Changes in Equity

	Notes	Attributable to owners of the Company							
		Share capital	Share capital to be issued	Accumulated other comprehensive income		Retained earnings	Total	Non-controlling interests	Total equity
				Cash flow hedges	Foreign currency translation				
		\$	\$	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2018</b>		<b>29,019</b>	<b>19,820</b>	<b>138</b>	<b>6,468</b>	<b>173,129</b>	<b>228,574</b>	<b>2,221</b>	<b>230,795</b>
Profit (loss) for the period		—	—	—	—	14,647	14,647	(91)	14,556
Other comprehensive income									
Currency translation differences arising on translation of foreign operations		—	—	—	2,827	—	2,827	14	2,841
Remeasurement gain on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	1,699	1,699	—	1,699
Cash flow hedges, net of income taxes		—	—	3	—	—	3	—	3
<b>Total comprehensive income (loss) for the period</b>		<b>—</b>	<b>—</b>	<b>3</b>	<b>2,827</b>	<b>16,346</b>	<b>19,176</b>	<b>(77)</b>	<b>19,099</b>
Remeasurement of written put option liability		—	—	—	—	(1,356)	(1,356)	—	(1,356)
Repurchase of Class A shares	8	—	—	—	—	(32)	(32)	—	(32)
Issuance and repurchase of Class B shares	8	1,021	—	—	—	(242)	779	—	779
Issuance of Class B share capital to a subsidiary shareholder upon the exercise of put options	8	5,103	(5,103)	—	—	—	—	—	—
Dividends on Class A shares	8	—	—	—	—	(1,894)	(1,894)	—	(1,894)
Dividends on Class B shares	8	—	—	—	—	(1,483)	(1,483)	—	(1,483)
Other dividends		—	—	—	—	(776)	(776)	—	(776)
<b>Balance as at September 29, 2018</b>		<b>35,143</b>	<b>14,717</b>	<b>141</b>	<b>9,295</b>	<b>183,692</b>	<b>242,988</b>	<b>2,144</b>	<b>245,132</b>

### Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

## Condensed Consolidated Interim Statements of Changes in Equity [Continued]

	Notes	Attributable to owners of the Company							
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income		Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$				
<b>Balance as at January 1, 2017</b>		<b>15,618</b>	<b>24,898</b>	<b>(4)</b>	<b>9,255</b>	<b>151,616</b>	<b>201,383</b>	<b>1,798</b>	<b>203,181</b>
Profit for the period		—	—	—	—	14,214	14,214	1,175	15,389
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	—	(2,810)	—	(2,810)	—	(2,810)
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	(292)	(292)	—	(292)
Cash flow hedges, net of income taxes		—	—	87	—	—	87	—	87
<b>Total comprehensive income (loss) for the period</b>		<b>—</b>	<b>—</b>	<b>87</b>	<b>(2,810)</b>	<b>13,922</b>	<b>11,199</b>	<b>1,175</b>	<b>12,374</b>
Repurchase of Class A shares		(2)	—	—	—	(91)	(93)	—	(93)
Issuance and repurchase of Class B shares		8,359	—	—	—	(697)	7,662	—	7,662
Non-controlling interests arising from business acquisitions	9	—	—	—	—	—	—	50,593	50,593
Long-term liability for the obligation to repurchase the non-controlling interests	9	—	—	—	—	—	—	(50,089)	(50,089)
Issuance of Class B share capital to a subsidiary shareholder upon the exercise of put options	5	5,078	(5,078)	—	—	—	—	—	—
Dividends on Class A shares	8	—	—	—	—	(1,723)	(1,723)	—	(1,723)
Dividends on Class B shares	8	—	—	—	—	(1,232)	(1,232)	—	(1,232)
<b>Balance as at September 30, 2017</b>		<b>29,053</b>	<b>19,820</b>	<b>83</b>	<b>6,445</b>	<b>161,795</b>	<b>217,196</b>	<b>3,477</b>	<b>220,673</b>

## Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

### Condensed Consolidated Interim Statements of Cash Flows

	Notes	For the nine months ended	
		September 29, 2018 \$	September 30, 2017 \$
<b>Operating activities</b>			
Profit for the period		14,556	15,389
Items not affecting cash and cash equivalents		29,588	25,547
Cash generated from operations		44,144	40,936
Dividends received from equity accounted investments		3,346	3,600
Contributions to defined benefit retirement plans		(816)	(850)
Settlement of provisions		(251)	(92)
Changes in non-cash working capital items		(5,019)	(14,565)
Income taxes paid		(9,127)	(1,702)
		32,277	27,327
<b>Financing activities</b>			
Net change in short-term bank loans		1,780	498
Issuance of long-term debt		127,447	88,251
Repayment of long-term debt		(47,100)	(53,508)
Interest paid		(5,087)	(1,745)
Issuance of Class B shares	8	561	201
Repurchase of Class A shares	8	(32)	(93)
Repurchase of Class B shares	8	(272)	(751)
Dividends paid on Class A shares	8	(1,833)	(1,667)
Dividends paid on Class B shares	8	(1,419)	(1,173)
		74,045	30,013
<b>Investing activities</b>			
Customer repayment of an investment in a service contract		—	865
Interest received		394	297
Business acquisitions	7	(97,998)	(48,037)
Cash acquired in a business acquisition	7	2,501	—
Cash paid to minority interest		(157)	(2,214)
Acquisition of property, plant and equipment		(13,488)	(21,230)
Proceeds from disposal of property, plant and equipment		961	2,511
Repayment of other non-current assets		193	142
Acquisition of intangible assets		(172)	(39)
Acquisition of other non-current assets		—	(692)
Increase of other non-current-assets		(286)	—
Repayment of other non-current financial assets		159	72
		(107,893)	(68,325)
Net change in cash and cash equivalents		(1,571)	(10,985)
Cash and cash equivalents, beginning of period		3,963	15,971
Effect of exchange rate on balances held in foreign currencies of foreign operations		(526)	1,331
<b>Cash and cash equivalents, end of period</b>		<b>1,866</b>	<b>6,317</b>
<b>Additional information</b>			
Acquisition of property, plant and equipment included in trade and other payables		391	1,914

## NOTES TO Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 29, 2018, and September 30, 2017

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

### 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 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 water mains, regulated materials management, site remediation, risk assessment and manufacturing of woven hoses.

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

The Company’s largest shareholder is Sumanic Investments Inc.

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

These unaudited condensed consolidated interim financial statements were approved by the Company’s Board of Directors on November 7, 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.

## NOTES TO Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 29, 2018, and September 30, 2017

(in thousands of Canadian dollars)

(unaudited and not reviewed by the independent auditor)

### 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 as 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 are 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.

## NOTES TO Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 29, 2018, and September 30, 2017

(in thousands of Canadian dollars)

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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 annual consolidated 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 ("FVTPL")) 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 FVTPL are recognized immediately in profit or loss.



## NOTES TO Q3 2018 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 29, 2018, and September 30, 2017

(in thousands of Canadian dollars)

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### FINANCIAL ASSETS

#### CLASSIFICATION

All financial assets that do not meet a solely payment of principal and interest (“SPPI”) condition shall be classified at 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 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 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 derecognizes 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.

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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 retained earnings. As at September 29, 2018, the remeasurement of the written put option liability amounted to \$1,356.

### 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 recognizes 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 recognizes revenue from the following major sources:

### MARINE SERVICES SEGMENT

The Company earns revenue from stevedoring, cargo loading and unloading, container stuffing and destuffing, ship dockage, 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 standalone 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 water mains, 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.

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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 during the winter months.

Our marine services are also affected by seasonality. Our coastal shipping business to the Arctic is virtually at a standstill during the winter, 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 September 29, 2018, the ratio is 40.7% based on debt of \$166,710 divided by a capitalization of \$409,698 (26.7% as at December 31, 2017, based on \$83,404/\$311,978).

Note that an amount of \$61,602 is presented as non-current financial liabilities in the condensed consolidated interim financial statements of financial position. Of this amount, \$57,654 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 \$57,654 in our debt/capitalization ratio, the calculation becomes a debt of \$224,364 divided by a capitalization of \$467,352, resulting in a ratio of 48.0%.

As at September 29, 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. For the nine months ended September 29, 2018, the 20 largest customers account for 41.3% (48.5% in 2017) of consolidated revenue.

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### 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

### Sensitivity analysis

On September 29, 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 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 Coast region.

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 September 29, 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.

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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 September 29, 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 an associate to acquire excluded assets from the transaction. On August 31, the Company completed the sale of its associate for a minimal cash consideration. Prior to the sale, the Company received a cash consideration of US\$4,000 (CA\$5,067) as reimbursement of the note receivable.

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 equivalents	124	2,377	2,501
Current assets	1,270	20,190	21,460
Property, plant and equipment	3,771	19,518	23,289
Goodwill	11,303	42,832	54,135
Other intangible assets	47	26,331	26,378
Current liabilities	(201)	(15,389)	(15,590)
Long-term debt	(3,950)	–	(3,950)
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 acquisitions as a result of expected synergies and intangible assets not qualifying for separate recognition. Goodwill is not deductible for tax purposes.

### Impact of the Acquisitions on the Results of the Company

Revenue and profit for the three-month and nine-month periods ended September 29, 2018, contributed by Pate Stevedore amounted to \$1,856 and \$367, and \$2,184 and \$474, respectively.

Revenue and profit for the three-month and nine-month periods ended September 29, 2018, contributed by GSM amounted to \$32,314 and \$2,748, and \$67,931 and \$3,375, respectively.

Had these business acquisitions been made effective January 1, 2018, per the Company’s best estimate, revenue and profit for the nine-month period would have been \$433,548 and \$17,849, respectively.

In determining these estimated amounts, the Company assumes that the fair value adjustments that arose on the acquisition dates would have been the same had the acquisitions occurred on January 1, 2018.

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### 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 water main 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 was 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. During the third quarter of 2018, the Company reached an agreement on the final post-closing adjustment for an amount of \$5,760. An additional gain of \$500 was recorded in the caption other gains and losses in the condensed consolidated interim statements of earnings. As at September 29, 2018, the Company received an amount of \$5,000 with a balance receivable of \$760.

As at 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 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.

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### 8. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 700 (2,500 in 2017) Class A shares and 5,700 (21,300 in 2017) Class B shares were repurchased and cancelled for cash consideration of \$32 (\$93 in 2017) and \$272 (\$751 in 2017), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$32 (\$91 in 2017) and \$242 (\$697 in 2017), respectively, was charged to retained earnings.

Since the beginning of the year, under the Employee Stock Purchase Plan ("ESPP"), 23,250 (15,850 in 2017) Class B Shares were issued for a cash consideration of \$561 (\$201 in 2017), repayable over two years. As at September 29, 2018, the outstanding balance of the non-interest-bearing loans granted under the ESPP and repayable over two years has a carrying value of \$581 (\$423 as at December 31, 2017). There remains an unallocated balance of 208,500 Class B shares reserved for issuance pursuant to this ESPP.

During the third quarter ended September 29, 2018, there were 500 Class A shares converted into Class B shares (300 in 2017).

Following the 2016 agreement to repurchase the non-controlling interest of Sanexen, as at September 29, 2018, the Company 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 September 29, 2018.

The issued and outstanding shares were as follows:

	As at September 29, 2018 \$	As at December 31, 2017 \$
7,405,022 Class A shares (7,406,222 as at December 31, 2017)	4,895	4,895
5,285,834 Class B shares (5,113,255 as at December 31, 2017)	30,248	24,124
	35,143	29,019

### Dividends

Details of dividends declared per share are as follows:

	For the nine months ended September 29, 2018 \$	September 30, 2017 \$
Class A shares	0.26	0.23
Class B shares	0.28	0.26



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### 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 nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
	\$	\$	\$	\$
Sale of services	275	80	1,924	1,056
Purchase of services	225	(3)	673	713

  

	As at September 29, 2018	As at December 31, 2017
	\$	\$
Amounts owed to joint ventures	907	1,404
Amounts owed from joint ventures	1,116	830

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

#### 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 29, 2018	September 30, 2017
	\$	\$
Dividends paid to Sumanic Investments Inc.	1,580	1,307
Dividends paid to certain members of key management personnel	102	71

#### Contribution to Retirement Plans

Total cash payments for employee future benefits for the nine-month period ended September 29, 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 \$2,782 (\$2,485 in 2017).

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### Compensation of Key Management Personnel

The compensation of directors and of other members of key management personnel<sup>(1)</sup> was as follows:

	For the three months ended		For the nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
	\$	\$	\$	\$
Short-term benefits	2,321	1,549	6,681	4,266
Post-employment benefits	517	87	855	337
Other long-term benefits	48	260	618	780
	<b>2,886</b>	<b>1,896</b>	<b>8,154</b>	<b>5,383</b>

<sup>(1)</sup> 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 nine months ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
	\$	\$	\$	\$
Revenue from cargo handling services	96,398	53,638	245,347	147,821
Revenue from services relating to the rehabilitation of underground water mains	60,400	80,374	97,341	95,098
Revenue from site remediation services and decontamination services	16,554	21,856	42,737	56,756
Revenue from the sale of goods	11,185	12,446	30,736	30,571
	<b>184,537</b>	<b>168,314</b>	<b>416,161</b>	<b>330,246</b>

## 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.

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### Industry Segments

The financial information by industry segment is as follows:

	Marine services \$	Environmental services \$	Total \$
<b>For the three months ended September 29, 2018</b>			
Revenue	96,398	88,139	184,537
Profit before income taxes	13,251	10,653	23,904
<b>For the nine months ended September 29, 2018</b>			
Revenue	245,347	170,814	416,161
Profit before income taxes	22,894	(3,372)	19,522
<b>As at September 29, 2018</b>			
Total assets	365,088	270,704	635,792
Total liabilities	230,368	160,292	390,660
<b>For the three months ended September 30, 2017</b>			
Revenue	53,723	114,591	168,314
Profit before income taxes	6,322	9,455	15,777
<b>For the nine months ended September 30, 2017</b>			
Revenue	147,968	182,278	330,246
Profit before income taxes	15,158	6,156	21,314
<b>As at December 31, 2017</b>			
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 September 29, 2018	110,715	73,822	184,537
For the three months ended September 30, 2017	125,858	42,456	168,314
For the nine months ended September 29, 2018	231,915	184,246	416,161
For the nine months ended September 30, 2017	223,514	106,732	330,246
<b>Non-current assets <sup>(1)</sup></b>			
As at September 29, 2018	247,968	170,970	418,938
As at December 31, 2017	245,213	72,033	317,246

<sup>(1)</sup> Non-current assets exclude post-employment benefit assets, non-current financial assets and deferred income tax assets

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### 12. Long-Term Debt

	As at September 29, 2018 \$	As at December 31, 2017 \$
Revolving credit facility, bearing interest at banker's prime rate and/or banker's acceptances and LIBOR loans, with no principal repayment required until September 2021. The weighted average interest rate was 4.43% at quarter end <sup>(1)</sup>	106,117	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 <sup>(2)</sup>	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 <sup>(3)</sup>	2,003	1,861
Non-interest bearing government loan, without any principal repayment due before January 2018, maturing in 2022	1,700	2,000
Loan for equipment purchases, maturing from 2018 to 2022, bearing interest from 0.5% to 6.20%	3,958	3,686
Balance of sale from business acquisitions, bearing no interest, maturing in 2018	150	650
Other	2,782	2,245
	<b>166,710</b>	<b>83,404</b>
Less:		
Current portion	4,652	5,447
	<b>162,058</b>	<b>77,957</b>

<sup>(1)</sup> 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, banker's 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<sup>(i)</sup> ratio achieved by the Company.

<sup>(2)</sup> 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.

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

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The credit facility details are as follows:

- A \$15,000 overdraft facility due on demand, to be used for operating requirements. The facility can be used in the form of overdrafts, banker's acceptances and letters of credit. The advances are based on accounts receivables, estimated worth of good quality. As at September 29, 2018, an amount of \$11,609 had been drawn on the overdraft credit facility.
- 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 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 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 September 29 2018 \$	As at December 31, 2017 \$
Less than 1 year	4,652	5,447
Between 1 and 5 years	120,108	54,207
More than 5 years	41,950	23,750
	166,710	83,404



LOGISTEC Corporation  
360 St. Jacques Street  
Suite 1500  
Montréal (QC) H2Y 1P5  
[www.LOGISTEC.com](http://www.LOGISTEC.com)

