

Interim Financial Report for the Period Ended March 30, 2019

LOGISTEC

Q1 2019

Revenue
(in millions of Canadian dollars)

	2016	2017	2018	2019
March	64.9	60.1	82.4	114.7
June	79.6	101.9	149.2	
September	103.1	168.3	184.5	
December	95.8	145.5	168.7	
Year	343.3	475.7	584.9	

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

	2016	2017	2018	2019 ⁽¹⁾
March	(0.01)	(1.5)	(9.5)	(8.9)
June	1.0	4.8	1.9	
September	9.2	11.0	22.3	
December	8.9	13.2	3.4	
Year	18.9	27.4	18.1	

Total earnings (loss) per share⁽²⁾
(in Canadian dollars)

	2016	2017	2018	2019 ⁽¹⁾
March	(0.01)	(0.13)	(0.75)	(0.70)
June	0.07	0.37	0.14	
September	0.71	0.83	1.69	
December	0.71	1.01	0.26	
Year	1.48	2.11	1.38	

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16"), please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details, for which the comparative figures have not been restated.

⁽²⁾ For earnings (loss) per share per class of share, please refer to the Selected Quarterly Financial Information table on page 4.



To Our Shareholders

During the first quarter of 2019, consolidated revenue totalled \$114.7 million, an increase of \$32.3 million or 39.2% over the same period in 2018. Revenue from the marine services segment rose by 44.0%, from \$63.3 million to \$91.1 million. Cargo handling activities were very strong in the first quarter. We also benefitted from two additional months of Gulf Stream Marine Inc. (“GSM”) in 2019, our new Gulf terminals purchased in early March 2018, and, to a lesser extent, the results of Pate Stevedore Company, Inc. (“Pate”), our new Florida terminals purchased in May 2018. Our teams have integrated well, and we are confident that we will achieve positive synergies going forward. Revenue from the environmental services segment amounted to \$23.6 million, an increase of \$4.4 million or 23.2% over the first quarter of 2018.

The adjusted EBITDA ⁽¹⁾ for the quarter closed at \$1.2 million.

The first quarter of 2019 closed with a consolidated loss attributable to owners of the Company of \$8.9 million, compared with a loss of \$9.5 million in the first quarter of 2018. Loss from the marine services segment amounted to \$1.0 million in the first quarter of 2019, \$3.1 million less than the \$2.1 million profit reported for the same quarter of 2018. However, cargo handling performance was in line with 2018 if we exclude higher professional fees, increased finance expense to support the business combinations, and the incremental expenses related to the transition to IFRS 16 that were recorded in Q1 2019. Loss from the environmental services segment amounted to \$11.3 million in the first quarter of 2019, \$0.9 million less than the \$12.2 million loss reported for the same quarter of 2018. This segment is particularly affected by weather conditions in winter months since most of its operations, Aqua-Pipe or site remediation, require soil excavation and manipulation.

The loss attributable to owners of the Company translated to a total basic and diluted loss per share of \$0.70, of which \$0.67 was attributable to Class A Common Shares and \$0.74 to Class B Subordinate Voting Shares.

Outlook

We are cautiously optimistic about the outlook for the remainder of the year. We expect a good performance from our marine services, where we have recently added two break-bulk terminals in Cleveland (OH) to our network. We also expect a strong year with our Arctic transportation business, where we were successful in winning larger contracts from the government of Nunavut and have taken the opportunity to modernize our fleet. We replaced two vessels with younger, larger ships.

The outlook for our environmental services is also good. Although we foresee lower revenue for our Aqua-Pipe business in Québec, we are very excited about the increasing demand for the Neofit®+Plus technology, a water pipe liner that prevents lead from seeping into the drinking water. We are also focused on improving the performance of FER-PAL, our subsidiary based in Toronto (ON), that installs Aqua-Pipe in Canada and the Midwest.

As well as pursuing margin improvement, we also continue to seek new growth opportunities in both our marine and environmental services segments.

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

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

May 9, 2019

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the Non-IFRS Measure section on page 5.

Introduction

This management's discussion and analysis ("MD&A") deals with LOGISTEC Corporation's operations, results and financial position for the three-month periods ended March 30, 2019, and March 31, 2018. All financial information contained in this MD&A and the attached unaudited condensed consolidated interim financial statements ("Q1 2019 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 2018 audited consolidated financial statements, except as described in Note 2 of the notes to Q1 2019 financial statements. In this report, unless indicated otherwise, 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, municipal and industrial customers. The Company has cargo handling facilities in 36 ports and 62 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 sector. It provides services to industrial and municipal organizations relative to 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
	\$	\$	\$	\$	\$
2019 ⁽¹⁾					
Revenue	114,748				
Profit (loss) attributable to owners of the Company	(8,890)				
Profit (loss) for the period	(8,931)				
PLUS:					
Depreciation and amortization expense	10,834				
Net finance expense	2,552				
Income taxes	(3,287)				
Adjusted EBITDA ⁽²⁾	1,168				
Basic earnings (loss) per Class A Common Share ⁽³⁾	(0.67)				
Basic earnings (loss) per Class B Subordinate Voting Share ⁽⁴⁾	(0.74)				
Total basic earnings (loss) per share	(0.70)				
Diluted earnings (loss) per Class A share	(0.67)				
Diluted earnings (loss) per Class B share	(0.74)				
Total diluted earnings (loss) per share	(0.70)				
2018					
Revenue	82,442	149,182	184,537	168,717	584,878
Profit (loss) attributable to owners of the Company	(9,477)	1,868	22,256	3,413	18,060
Profit (loss) for the period	(8,326)	3,060	19,823	3,437	17,994
PLUS:					
Depreciation and amortization expense	6,083	6,485	7,385	8,627	28,580
Impairment charge	—	—	—	6,821	6,821
Net finance expense	804	2,745	1,858	2,067	7,474
Income taxes	(1,745)	2,630	4,081	(1,658)	3,308
Adjusted EBITDA ⁽²⁾	(3,184)	14,920	33,147	19,294	64,177
Basic earnings (loss) per Class A share	(0.72)	0.14	1.68	0.26	1.37
Basic earnings (loss) per Class B share	(0.80)	0.16	1.85	0.28	1.51
Total basic earnings (loss) per share	(0.75)	0.15	1.75	0.27	1.43
Diluted earnings (loss) per Class A share	(0.72)	0.14	1.62	0.25	1.32
Diluted earnings (loss) per Class B share	(0.80)	0.15	1.78	0.27	1.45
Total diluted earnings (loss) per share	(0.75)	0.14	1.69	0.26	1.38

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16"), please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details, for which the 2018 figures have not been restated.

⁽²⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the Non-IFRS Measure section on page 5.

⁽³⁾ Class A Common Share ("Class A share").

⁽⁴⁾ Class B Subordinate Voting Share ("Class B share").

Non-IFRS Measure

In this MD&A, the Company uses a measure that is not in accordance with IFRS. Adjusted earnings before interest expense, income taxes, depreciation and amortization expense ("adjusted EBITDA") is not defined by IFRS and cannot be formally presented in the Q1 2019 financial statements. The definition of adjusted EBITDA excludes the Company's impairment charge. The definition of adjusted EBITDA used by the Company may differ from those used by other companies. Even though adjusted EBITDA is a non-IFRS measure, it is used by managers, analysts, investors and other financial stakeholders to analyze and assess the Company's performance and management from a financial and operational standpoint.

Seasonal Nature of Operations

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

Environmental services are also affected by weather conditions, as the majority of the specialized services offered depend upon the excavation of soils, which is more difficult during the winter.

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

Business Combinations

2018 Business Combinations

GSM

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

PATE

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

As at March 30, 2019, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. Consequently, intangible assets were increased by \$5.6 million, property, plant and equipment was increased by \$1.9 million, and current assets were decreased by \$0.2 million with an offsetting adjustment to goodwill in the amount of \$7.4 million. The comparative figures of the condensed consolidated statements of financial position have been changed accordingly.

Please refer to Note 5 of the notes to Q1 2019 financial statements for further details.

Results

Revenue

Consolidated revenue totalled \$114.7 million for the first quarter of 2019, up \$32.3 million or 39.2% from \$82.4 million for the same period in 2018. Consolidated revenue was positively affected by \$3.2 million due to a strengthening U.S. dollar against the Canadian dollar in the first quarter of 2019, in contrast to the Canadian/U.S. dollar translation rate in the first quarter of 2018.

Q1 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

In the first quarter of 2019, revenue in the marine services segment amounted to \$91.1 million, up by \$27.9 million or 44.0% over the first quarter of 2018. This increase stems from two factors: the business combinations of GSM and Pate, which contributed an additional \$25.4 million in sales during the first quarter of 2019, and a general volume increase in our bulk and break-bulk terminals, which saw more activity in this quarter than in the same period in 2018.

Revenue from the environmental services segment rose to \$23.6 million, up from \$19.2 million in the first quarter of 2018. This increase is mainly due to higher revenue than last year from the sale of goods and from services relating to rehabilitation of underground water mains.

Employee Benefits Expense

In the first quarter of 2019, employee benefits expense rose by \$12.0 million to \$58.4 million, a significant increase over the \$46.4 million recorded for the same quarter in 2018. This increase is due to the business combinations of GSM and Pate, which represent an additional expense of \$12.0 million. The ratio of employee benefits expense to consolidated revenue was 50.9%, compared with 56.2% for the same period last year. Although the employee benefits expense is mostly variable, this lower expense ratio comes from the environmental services segment and is the result of higher revenues to absorb the fixed portion of the employee benefits expense.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$34.4 million in the first quarter of 2019, an increase of \$10.0 million or 41.2% over the \$24.3 million reported in the first quarter of 2018. This increase is in line with the revenue increase. The ratio of equipment and supplies expense to consolidated revenue was stable at 29.9% for the first quarter of 2019, compared with 29.5% for the first quarter of 2018.

Rental Expense

Rental expense stood at \$9.5 million for the first quarter of 2019, or \$13.0 million, when we exclude the impact of the application of IFRS 16. The ratio of rental expense to consolidated revenue, excluding the impact of IFRS 16, was 11.3%, which is similar to 11.5% for the same period last year.

IFRS 16 requires the recognition of an asset and a related liability for all contractual obligations previously accounted for as operating leases under IAS 17 *Leases*, unless the contract term is 12 months or less or the underlying asset has a low value. Lease payments falling under the scope of IFRS 16 amount to \$3.5 million and are presented in the unaudited condensed consolidated interim statements of cash flows as repayment of lease liabilities and interest paid, instead of as rental expense. Please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details.

Other Expenses

Other expenses stood at \$10.7 million, representing a variation of \$4.5 million or 73.7% compared to the first quarter of 2018. This increase stems from two factors: the two new business combinations made in the last 12 months and professional fees incurred to analyze business development opportunities.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$10.8 million for the first quarter of 2019, up \$4.8 million from \$6.1 million for the same period in 2018. Of this increase, \$2.0 million relates to depreciation and amortization of the newly acquired businesses, and \$3.0 million relates to depreciation of the additional right of use of assets created under IFRS 16. The increased depreciation expense related to IFRS 16 should be analyzed in conjunction with the reduced rental expense and increased finance expense.

Please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details.

Other Gains and Losses

Other gains and losses varied by \$1.5 million, from a \$0.2 million gain in the first quarter of 2018 to a \$1.3 million loss in this quarter. This variance is mainly related to unrealized exchange losses on translating net working capital denominated in U.S. dollars, given the weakened Canadian dollar.

Finance Expense

Finance expense amounted to \$2.9 million in the first quarter of 2019, an increase of \$2.0 million over the \$0.9 million reported for the same quarter of 2018. Of this increase, \$0.9 million relates to the accretion expense of the additional liabilities created under IFRS 16. The remaining variance relates to a higher borrowing base following financing of the business combinations of GSM and Pate that occurred during the first half of 2018. The increased finance expense related to IFRS 16 should be analyzed in conjunction with the reduced rental expense and increased depreciation expense.

Please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details.

Profit for the Period and Earnings per Share

Overall, the Company reported a loss attributable to owners of the Company of \$8.9 million in the first quarter of 2019, which is similar to the \$9.5 million loss recorded in the corresponding period last year. This translated into a basic and diluted loss per share of \$0.70, of which \$0.67 was attributable to Class A shares and \$0.74 to Class B shares.

Our marine services segment decreased its profit when compared with the same quarter of 2018. From an operational point of view, however, cargo handling performance was in line with 2018 if we exclude the professional fees incurred to analyze business development opportunities, the increased finance expense to support the business combinations, and the incremental expenses related to the transition to IFRS 16 that were recorded in Q1 2019.

The loss from the environmental services segment amounted to \$11.3 million in the first quarter of 2019, \$0.9 million less than the \$12.2 million loss reported for the same quarter of 2018. The decreased loss, as explained earlier, is the result of higher revenue to absorb the fixed cost structure at the beginning of the year. This segment is particularly affected by the weather in winter months since most of its operations, Aqua-Pipe or site remediation, require soil excavation and manipulation.

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

Dividends

On March 15, 2019, 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.

On May 9, 2019, 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 July 5, 2019, to shareholders of record as of June 21, 2019.

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 4 of the notes to consolidated financial statements in the 2018 annual report and were applied consistently in the first quarter of 2019. Please also refer to Note 4 of the notes to Q1 2019 financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to \$672.1 million as at March 30, 2019, up by \$35.0 million over the December 31, 2018 closing balance of \$637.1 million. As mentioned earlier, this increase is mainly due to the application of IFRS 16, partly offset by the reduction of our working capital outstanding as at December 31, 2018.

Cash and cash equivalents totalled \$5.6 million at the end of the first quarter of 2019, down by \$9.8 million from \$15.4 million as at December 31, 2018. The main items behind this decrease are as follows:

(in thousands of dollars)

Positive:	
Changes in non-cash working capital items	13,700
Depreciation and amortization expense	10,834
	<hr/> 24,534
Negative:	
Acquisition of property, plant and equipment	(9,419)
Loss for the period	(8,931)
Income taxes paid	(5,607)
Repayment of due to shareholders	(5,386)
Interest paid	(2,857)
Repayment of lease liabilities	(2,538)
	<hr/> (34,738)

Working Capital

Working capital totalled \$60.2 million at the end of the first quarter of 2019, for a current ratio of 1.58:1 compared with \$82.1 million or a ratio of 1.65:1 as at December 31, 2018. The decrease is due to the seasonal nature of our operations.

Long-Term Debt

Combining the current and long-term portions of long-term debt, the balance of \$163.3 million as at December 31, 2018, was up by \$78.1 million to \$241.4 million as at March 30, 2019. This increase mainly reflects the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q1 2019 financial statements.

Equity Attributable to Owners of the Company

As at March 30, 2019, equity attributable to owners of the Company amounted to \$250.6 million, down by \$11.6 million from the December 31, 2018 closing balance of \$262.2 million. Adding long-term debt yields a capitalization of \$492.0 million, which computes to a debt/capitalization ratio of 49.1% compared to 38.4% as at December 31, 2018. This variation is mainly explained by the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q1 2019 financial statements. When we exclude lease liabilities from the calculation, the debt/capitalization ratio as at March 30, 2019 is 39.3%.

Q1 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

As at May 9, 2019, 7,390,622 Class A shares and 5,407,101 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 7 of the notes to Q1 2019 financial statements for further details regarding the Company's share capital.

Significant Joint Venture

As disclosed in Note 16 of the notes to 2018 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 March 30, 2019 \$	As at December 31, 2018 \$
<hr/>		
Statement of financial position		
Total assets ⁽¹⁾	86,789	44,199
Total liabilities ⁽¹⁾	37,723	179
<hr/>		
	For the three months ended March 30, 2019 \$	March 31, 2018 \$
<hr/>		
Statement of earnings		
Revenue	1,041	879
Share of profit of an equity accounted investment	791	292
Profit for the period	1,392	829

⁽¹⁾ Increases in total assets and total liabilities are related to the application of IFRS 16.

Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	March 30, 2019 \$	December 31, 2018 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	126.3	160.1	(33.8)	(21.1)	The decrease reflects the lower level of our seasonal operations and the sustained collection effort in the environmental services segment in the first quarter of 2019 compared with the fourth quarter of 2018.
Contract assets	8.0	14.3	(6.3)	(44.0)	The decrease reflects the lower level of our seasonal operations.
Current income tax assets	7.3	3.0	4.3	n.m.	The increase is due to the income tax recovery related to the loss of the period and the 2019 tax instalments made.
Property, plant and equipment	263.4	181.3	82.1	45.3	The increase stems mainly from the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q1 2019 financial statements. Other regular CAPEX was offset by the depreciation expense.
Trade and other payables	68.8	98.7	(29.9)	(30.3)	The decrease reflects the lower level of activity in all business segments in the first quarter of 2019 compared with the fourth quarter of 2018.
Current portion of long-term debt	13.0	3.3	9.7	n.m.	The variation stems from the \$79.3 million in lease liabilities, net of repayment of lease liabilities of \$2.4 million under IFRS 16, as fully described in Notes 2 and 6 of the notes to Q1 2019 financial statements. The remaining variance relates to issuance of \$0.7 million of long-term debt, net of repayment.
Long-term debt	228.3	160.0	68.3	42.7	
Share capital	39.9	35.0	4.9	13.8	The variation 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	9.8	14.7	(4.9)	(33.3)	

n.m.: not meaningful

All other items included in the unaudited condensed consolidated interim statements of financial position varied according to normal business parameters in the first quarter of 2019.

Application of New and Revised IFRS

Accounting Standard and Interpretation Issued and Adopted

On January 1, 2019, the Company adopted the following standard and Interpretation:

IFRS 16 *LEASES*

The Q1 2019 financial statements have been prepared in accordance with IFRS 16. The Company adopted this standard using the modified retrospective approach, therefore the comparative information has not been restated and continues to be reported under IAS 17 *Leases*. The Company used the practical expedients exemptions for short-term leases, leases for which the underlying asset is of low value and applied a single discount rate to a portfolio of leases with similar remaining lease terms.

The Company used the practical expedients exemptions not to reassess whether a contract is, or contains, a lease as at January 1, 2019. Instead, the Company reviewed and assessed its existing lease arrangements that were previously identified as leases under IAS 17 and, based on the facts and circumstances that existed at that date, concluded that the initial application of IFRS 16 has had the following impact regarding its recognition, measurement and disclosures:

- Property, plant and equipment increased by \$82.6 million, representing the right of use of assets of lease arrangements;
- Long-term debt (including the current portion) increased by \$82.6 million, representing the present value of the lease payments discounted using the interest rate implicit in these lease arrangements;
- Right of use of assets are depreciated in accordance with IAS 16 *Property, Plant and Equipment*. The expense for the period ended March 30, 2019 amounts to \$3.0 million and is recorded in depreciation and amortization in the unaudited condensed consolidated interim statements of earnings;
- Accretion expense on the lease liability amounts to \$0.9 million for the period ended March 30, 2019 and is recorded in finance expense in the unaudited condensed consolidated interim statements of earnings.

Please refer to Notes 2 and 6 of the notes to Q1 2019 financial statements for further details.

IFRIC 23 *ACCOUNTING FOR UNCERTAINTIES IN INCOME TAXES (IAS 12)*

The Q1 2019 financial statements have been prepared in accordance with IAS 12. The Company completed its assessment of the impact of this interpretation and the adoption does not have a material impact on the Q1 2019 financial statements.

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 Chief Financial Officer 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.

Q1 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

They have reviewed this management's discussion and analysis and the Q1 2019 financial statements and related notes (the "Interim Filings"). Based on their knowledge, the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Interim Filings. Based on their knowledge, the Q1 2019 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 Chief Financial Officer 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 Chief Financial Officer have also designed such ICFR, or caused it to be designed under their supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS, the Company's generally accepted accounting principles.

There has been no change in the Company's ICFR that occurred during the first quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

It is not unusual for the Company to post a loss in the first quarter of its fiscal year. January to March are winter months and cold weather conditions affect performance in both of our business segments. This seasonality factor has increased in the last two years with the expansion of our environmental services segment, which is almost at a standstill in the first quarter.

Despite this operational inactivity, however, our sales force remained active with quotes and bids for site remediation and Aqua-Pipe contracts. Indeed, in the last couple of months, we have increased our backlog in the environmental services segment to nearly \$200 million. This is a very promising sign for the remainder of 2019.

As discussed earlier, the Q1 2019 operating performance of our marine services segment was very similar to that of the same period last year, once we adjust for factors such as the impact of IFRS 16, additional interest charges deriving from debt related to business combinations, foreign exchange impact, and professional fees incurred to analyze business development opportunities.

Moreover, our sales and marketing group has been reporting customer inquiries and potential cargo volumes. This is a positive indicator that 2019 looks promising for the marine services segment.

Finally, we remain very active on the business development front. We are looking at a variety of opportunities, both in the marine services and environmental services segments. In doing so, we continue to apply very strict evaluation criteria in order to create value for the Company and its shareholders.

Q1 2019 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) 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
Chief Financial Officer

May 9, 2019

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Earnings

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

	Notes	For the three months ended March 30, 2019 \$	March 31, 2018 \$
Revenue	8	114,748	82,442
Employee benefits expense		(58,377)	(46,366)
Equipment and supplies expense		(34,364)	(24,338)
Rental expense	6	(9,455)	(9,061)
Other expenses		(10,676)	(6,146)
Depreciation and amortization expense	6	(10,834)	(6,083)
Share of profit of equity accounted investments		562	70
Other (losses) gains		(1,270)	215
Operating loss		(9,666)	(9,267)
Finance expense	6	(2,890)	(887)
Finance income		338	83
Loss before income taxes		(12,218)	(10,071)
Income taxes		3,287	1,745
Loss for the period		(8,931)	(8,326)
Profit (loss) attributable to:			
Owners of the Company		(8,890)	(9,477)
Non-controlling interests		(41)	1,151
Loss for the period		(8,931)	(8,326)
Basic and diluted earnings per Class A Common Share ⁽¹⁾		(0.67)	(0.72)
Basic and diluted earnings per Class B Subordinate Voting Share ⁽²⁾		(0.74)	(0.80)
Weighted average number of Class A shares outstanding, basic and diluted		7,392,722	7,405,922
Weighted average number of Class B shares outstanding, basic and diluted		5,315,890	5,163,331

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

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

See accompanying notes to the condensed consolidated interim financial statements.

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the three months ended	
	March 30, 2019 \$	March 31, 2018 \$
Loss for the period	(8,931)	(8,326)
Other comprehensive income (loss)		
Items that are or may be reclassified to the consolidated statements of earnings		
Currency translation differences arising on translation of foreign operations	(2,323)	1,977
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations	1,778	—
Gains (losses) on derivatives financial instruments designated as cash flow hedges	(146)	4
Income taxes relating to derivatives financial instruments designated as cash flow hedges	39	(1)
Total items that are or may be reclassified to the consolidated statements of earnings	(652)	1,980
Items that will not be reclassified to the consolidated statements of earnings		
Remeasurement losses on benefit obligation	(33)	—
Return on retirement plan assets excluding amounts included in profit for the period	(352)	(186)
Income taxes on remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	103	49
Total items that will not be reclassified to the consolidated statements of earnings	(282)	(137)
Other comprehensive income (loss) for the period, net of income taxes	(934)	1,843
Total comprehensive loss for the period	(9,865)	(6,483)
Total comprehensive income (loss) attributable to:		
Owners of the Company	(9,814)	(7,646)
Non-controlling interests	(51)	1,163
Total comprehensive loss for the period	(9,865)	(6,483)

See accompanying notes to the condensed consolidated interim financial statements.

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at March 30, 2019 \$	As at December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents		5,566	15,393
Trade and other receivables		126,300	160,067
Contract assets		8,004	14,282
Current income tax assets		7,305	2,964
Prepaid expenses and other		5,793	4,899
Inventories		11,403	10,711
		164,371	208,316
Equity accounted investments		38,308	38,005
Property, plant and equipment	6	263,443	181,284
Goodwill	5	141,795	142,672
Intangible assets	5	44,458	47,006
Non-current assets		2,378	2,173
Non-current financial assets		4,626	6,328
Deferred income tax assets		12,711	11,319
Total assets		672,090	637,103
Liabilities			
Current liabilities			
Short-term bank loans		14,509	13,577
Trade and other payables		68,819	98,668
Contract liabilities		5,204	5,225
Current income tax liabilities		699	3,480
Dividends payable		1,987	1,973
Current portion of long-term debt	6	13,036	3,294
		104,254	126,217
Long-term debt	6	228,331	160,003
Deferred income tax liabilities		20,798	21,465
Post-employment benefit obligations		15,303	14,716
Contract liabilities		3,233	3,333
Non-current liabilities		47,448	46,980
Total liabilities		419,367	372,714
Equity			
Share capital	7	39,856	35,016
Share capital to be issued	7	9,811	14,717
Retained earnings		189,497	200,404
Accumulated other comprehensive income		11,419	12,061
Equity attributable to owners of the Company		250,583	262,198
Non-controlling interest		2,140	2,191
Total equity		252,723	264,389
Total liabilities and equity		672,090	637,103

See accompanying notes to the condensed consolidated interim financial statements.

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Changes in Equity

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company								
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income			Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$					
Balance as at January 1, 2019		35,016	14,717	135	11,926	200,404	262,198	2,191	264,389	
Loss for the period		-	-	-	-	(8,890)	(8,890)	(41)	(8,931)	
Other comprehensive income (loss)										
Currency translation differences arising on translation of foreign operations		-	-	-	(2,313)	-	(2,313)	(10)	(2,323)	
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		-	-	-	1,778	-	1,778	-	1,778	
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		-	-	-	-	(282)	(282)	-	(282)	
Cash flow hedges, net of income taxes		-	-	(107)	-	-	(107)	-	(107)	
Total comprehensive loss for the period		-	-	(107)	(535)	(9,172)	(9,814)	(51)	(9,865)	
Put option liabilities		-	-	-	-	(86)	(86)	-	(86)	
Repurchase of Class B shares	7	(66)	-	-	-	(438)	(504)	-	(504)	
Issue of Class B shares		4,906	(4,906)	-	-	-	-	-	-	
Dividends on Class A shares	7	-	-	-	-	(671)	(671)	-	(671)	
Dividends on Class B shares	7	-	-	-	-	(540)	(540)	-	(540)	
Balance as at March 30, 2019		39,856	9,811	28	11,391	189,497	250,583	2,140	252,723	

See accompanying notes to the condensed consolidated interim financial statements.

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Changes in Equity [Continued]

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company								
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income			Retained earnings \$	Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$					
Balance as at January 1, 2018		29,019	19,820	138	6,468	173,129	228,574	2,221	230,795	
Profit(loss) for the period		–	–	–	–	(9,477)	(9,477)	1,151	(8,326)	
Other comprehensive income (loss)										
Currency translation differences arising on translation of foreign operations		–	–	–	1,965	–	1,965	12	1,977	
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		–	–	–	–	(137)	(137)	–	(137)	
Cash flow hedges, net of income taxes		–	–	3	–	–	3	–	3	
Total comprehensive income (loss) for the period		–	–	3	1,965	(9,614)	(7,646)	1,163	(6,483)	
Repurchase of Class A shares	7	–	–	–	–	(32)	(32)	–	(32)	
Issue and repurchase of Class B shares	7	(15)	–	–	–	(127)	(142)	–	(142)	
Issuance and repurchase of share capital		5,103	(5,103)	–	–	–	–	–	–	
Dividends on Class A shares	7	–	–	–	–	(611)	(611)	–	(611)	
Dividends on Class B shares	7	–	–	–	–	(478)	(478)	–	(478)	
Balance as at March 31, 2018		34,107	14,717	141	8,433	162,267	219,665	3,384	223,049	

See accompanying notes to the condensed consolidated interim financial statements.

Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the three months ended	
		March 30, 2019 \$	March 31, 2018 \$
Operating activities			
Loss for the period		(8,931)	(8,326)
Items not affecting cash and cash equivalents		10,382	6,640
Cash generated from operations		1,451	(1,686)
Dividends received from equity accounted investments		245	2,346
Contributions to defined benefit retirement plans		(232)	(294)
Settlement of provisions		(2)	(43)
Changes in non-cash working capital items		13,700	25,328
Income taxes paid		(5,607)	(6,833)
		9,555	18,818
Financing activities			
Net change in short-term bank loans		932	(763)
Issuance of long-term debt		16,269	90,958
Repayment of long-term debt		(15,582)	(11,972)
Repayment of lease liabilities	6	(2,538)	–
Interest paid	6	(2,857)	(795)
Repurchase of Class A shares	7	–	(32)
Repurchase of Class B shares	7	(504)	(142)
Dividends paid on Class A shares		(671)	(611)
Dividends paid on Class B shares		(526)	(464)
		(5,477)	76,179
Investing activities			
Interest received		282	86
Repayment of due to shareholders		(5,386)	(157)
Business combination		–	(85,634)
Cash acquired in a business combination		–	2,377
Issuance of note receivable		–	(5,067)
Acquisition of property, plant and equipment		(9,419)	(4,673)
Acquisition of intangible assets		(27)	(3)
Proceeds from disposal of property, plant and equipment		123	25
Repayment of other non-current financial assets		52	52
Repayment of other non-current liabilities		(86)	–
Acquisition of other non-current assets		(271)	(280)
Disposal of other non-current assets		63	106
		(14,669)	(93,168)
Net change in cash and cash equivalents		(10,591)	1,829
Cash and cash equivalents, beginning of period		15,393	3,963
Effect of exchange rate on balances held in foreign currencies of foreign operations		764	(643)
Cash and cash equivalents, end of period		5,566	5,149
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		2,627	295

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018

(in thousands of Canadian dollars)

(unaudited)

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 36 ports across North America and offers 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 Saint. Jacques Street, Suite 1500, Montréal (QC) H2Y 1P5, Canada.

The Company’s largest shareholder is Sumanic Investments Inc.

The accompanying Q1 2019 financial statements of the Company have been prepared by and are the responsibility of management. The Q1 2019 financial statements were approved by the Company’s Board of Directors on May 9, 2019.

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 2018 consolidated financial statements, except as described 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 Q1 2019 financial statements includes significant assumptions made by management, which have been set out in Note 3 of the notes to 2018 consolidated financial statements.

The Q1 2019 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 2018 annual report.

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018

(in thousands of Canadian dollars)

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Accounting Standard and Interpretation Issued and Adopted

On January 1, 2019, the Company adopted the following standards:

IFRS 16 LEASES

IFRS 16 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. This standard replaces IAS 17 *Leases* ("IAS 17"), IFRIC 4 *Determining whether an arrangement contains a lease*, SIC-15 *Operating Leases – Incentives* and SIC-27 *Evaluating the substance of transactions involving the legal form of a lease*.

The condensed consolidated interim financial statements have been prepared in accordance with IFRS 16. The Company adopted this standard using the modified retrospective approach, therefore the comparative information has not been restated and continues to be reported under IAS 17. The Company used the practical expedients exemptions for short-term leases, leases for which the underlying asset is of low value and apply a single discount rate to a portfolio of leases with similar remaining lease term.

The Company used the practical expedients exemptions not to reassess whether a contract is, or contains, a lease as at January 1, 2019. Instead, the Company reviewed and assessed its existing lease arrangements that were previously identified as leases under IAS 17 and, based on the facts and circumstances that existed at that date, concluded that the initial application of IFRS 16 has had the following impact regarding its recognition, measurement and disclosures:

- Property, plant and equipment increased by \$82,622 representing the right of use of assets of lease arrangements;
- Long-term debt (including the current portion) increased by \$82,622 representing the present value of the lease payment discounted using the interest rate implicit in these lease arrangements;
- Right of use of assets are depreciated in accordance with IAS 16 *Property, Plant and Equipment*. The expense for the period ended March 30, 2019 amounts to \$3,025 and is recorded in depreciation and amortization in the condensed consolidated interim statements of earnings;
- Accretion expense on the lease liability amounts to \$922 million for the period ended March 30, 2019 and is recorded in finance expense in the condensed consolidated interim statements of earnings;
- Additional disclosures related to IFRS 16 are provided in Note 6.

	January 1, 2019 \$
Operating lease commitment as at December 31, 2018, as disclosed in the Company's consolidated financial statements	85,229
Discounted using the incremental weighted average borrowing rate of 4.70%	(7,833)
Finance lease liabilities recognized as at December 31, 2018	77,396
Recognition exemption for short-term and low-value asset leases	(1,587)
Extension and termination options reasonably certain to be exercised	29,165
Variable lease payments based on an index or a rate	(22,352)
Lease liabilities recognized as at January 1, 2019	82,622

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018
(in thousands of Canadian dollars)
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The Company has updated its significant accounting policies in the section below.

IFRIC 23 ACCOUNTING FOR UNCERTAINTIES IN INCOME TAXES (IAS 12)

IFRIC 23 *Uncertainty over Income Tax Treatments (IAS 12)*, clarifies how to apply the recognition and measurement requirements in IAS 12 *Income Taxes*, when there is uncertainty over income tax treatments.

The Q1 2019 financial statements have been prepared in accordance with IAS 12. The Company completed its assessment of the impact of this interpretation and the adoption does not have a material impact on the Q1 2019 financial statements.

Change in Significant Accounting Policies

The Company has initially adopted IFRS 16 as of January 1, 2019.

LEASE ARRANGEMENTS – ACCOUNTING POLICY APPLICABLE BEFORE JANUARY 1, 2019.

Leases were classified as either operating or finance leases based on the substance of the transaction at the inception of the lease.

OPERATING LEASES

Leases in which a significant portion of the risks and rewards of ownership were retained by the lessor were classified as operating leases. Expenses under an operating lease were recognized in the consolidated statements of earnings on a straight-line basis over the period of the lease.

FINANCE LEASES

Leases in which substantially all the risks and rewards of ownership were transferred to the Company were classified as finance leases.

Assets held under finance leases were initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor was included in the consolidated statements of financial position as a finance lease obligation and was classified in long-term debt.

Lease payments were apportioned between finance expense and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. A finance expense was charged directly to the consolidated statements of earnings, unless it was directly attributable to qualifying assets, in which case it was capitalized.

LEASE ARRANGEMENTS – ACCOUNTING POLICY APPLICABLE AFTER JANUARY 1, 2019

At inception of a lease arrangement, the Company assesses whether a contract is or contains a lease, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

SHORT-TERM OR LOW VALUE LEASES

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term in the consolidated statements of earnings under the caption Rental expense.

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018
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ALL OTHER LEASES

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The assets are depreciated using the straight-line method over the earlier of the end of their estimated useful lives or the lease term. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

Lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. Lease payments are apportioned between finance expense and reduction of the lease liability using the effective interest method to achieve a constant rate of interest on the remaining balance of the liability. A finance expense is charged directly to the consolidated statements of earnings.

Lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When it is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

3. Seasonal Nature of Operations

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

Environmental services are also affected by weather conditions, as the majority of the specialized services offered depend upon the excavation of soils, which is more difficult during the winter.

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

4. Financial Risk Management

Capital Management

The Company monitors the debt/capitalization ratio on a quarterly basis. As at March 30, 2019, the ratio is 49.1% based on debt of \$241,367 divided by a capitalization of \$491,950 (38.4% as at December 31, 2018, based on \$163,297/\$425,495). The variation is mainly explained by the application of IFRS 16, as fully described in Notes 2 and 6. When we exclude lease liabilities from the calculation, the debt/capitalization ratio as at March 30, 2019 is 39.3%.

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018

(in thousands of Canadian dollars)

(unaudited)

Note that an amount of \$47,448 is presented as non-current financial liabilities in the condensed consolidated interim financial statements of financial position. Of this amount, \$40,989 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 \$40,989 and we exclude lease liabilities of \$79,342 in our debt/capitalization ratio, the calculation becomes a debt of \$203,014 divided by a capitalization of \$453,597, resulting in a ratio of 44.8%.

As at March 30, 2019, 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 2,200 customers. For the three months ended March 30, 2019, the 20 largest customers account for 36.6% (51.5% in 2018) of consolidated revenue.

Fair Value of Financial Instruments

As at March 30, 2019 and December 31, 2018, the estimated fair values of cash and cash equivalents, trade and other receivables, short-term bank loans, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at March 30, 2019 and December 31, 2018, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair values of long-term debt and lease liabilities were not significantly different from their carrying values as at March 30, 2019 and December 31, 2018, since they had financing conditions similar to those then available to the Company.

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.

The Company presents a fair value hierarchy with three levels that reflects the significance of inputs used in determining the fair value assessments. The fair value of financial assets and liabilities classified in these three levels is evaluated as follows:

- 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

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018
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(unaudited)

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.

For the period ended March 30, 2019, no financial instruments were transferred between levels 1, 2 and 3.

Sensitivity analysis

On March 30, 2019, all other things being equal, a 10.0% increase of pre-established financial performance threshold of acquired businesses related to the written put option would have resulted in a decrease of \$3,250 in retained earnings for the period ended March 30, 2019, and an increase of the same amount in total liabilities. A 10.0% decrease of pre-established financial performance threshold would have had the opposite estimated impacts.

5. Business Combinations

2018 Business Combinations

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

Pate 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.

As at March 30, 2019, the Company finalized estimates of the fair value of assets acquired and liabilities assumed. Consequently, intangible assets were increased by \$5,620, property, plant and equipment was increased by \$1,945 and current assets were decreased by \$177 with an offsetting adjustment to goodwill in the amount of \$7,388. The comparative figures of the condensed consolidated statements of financial position have been changed accordingly.

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

	\$
Cash and cash equivalents	124
Current assets	1,093
Property, plant and equipment	6,039
Goodwill (deductible for tax purpose)	3,400
Intangible assets	5,667
Current liabilities	(201)
Long-term debt	(3,758)
	12,364
Purchase consideration	
Cash	12,364
	12,364

The purchase price allocation of Pate is final.

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018

(in thousands of Canadian dollars)

(unaudited)

6. Lease arrangements

As at March 30, 2019, the Company's property, plant and equipment include owned and leased assets.

Carrying amount	Land and buildings \$	Machinery, automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
Owned	59,630	106,690	749	8,168	9,349	184,586
Right-of-use assets	72,130	6,530	197	–	–	78,857
	131,760	113,220	946	8,168	9,349	263,443

Right-of-use assets

Carrying amount	Land and buildings \$	Machinery, automotive equipment \$	Computer equipment, furniture and fixtures \$	Total \$
As at January 1, 2019	75,207	7,201	214	82,622
Additions	–	–	–	–
Depreciation expense	(2,437)	(573)	(15)	(3,025)
Effect of foreign currency exchange differences	(640)	(98)	(2)	(740)
As at March 30, 2019	72,130	6,530	197	78,857

Lease liabilities

	As at March 30, 2019 \$
Contractual undiscounted cash flows	
Less than 1 year	11,275
Between 1 and 5 years	42,911
More than 5 years	37,655
Total undiscounted lease liabilities	91,841
Lease liabilities as at March 30, 2019	79,342
Current	10,398
Non-current	68,944

Amount recognized in the condensed consolidated interim statements of earnings

	For the three months ended March 30, 2019 \$
Interest on lease liabilities	922
Variable lease payments, expense related to short-term and low-value assets not included in the measurement of lease liabilities	8,166

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018
(in thousands of Canadian dollars)
(unaudited)

7. Share Capital

During the first quarter of 2019, pursuant to the Company's normal course issuer bid, nil (700 in 2018) Class A shares and 11,500 (3,100 in 2018) Class B shares were repurchased and cancelled for cash consideration of nil (\$32 in 2018) and \$504 (\$142 in 2018), respectively. Of this amount, the excess over stated capital of the repurchased shares of nil (\$32 in 2018) and \$438 (\$127 in 2018), respectively, was charged to retained earnings.

As at March 30, 2019, the outstanding balance of the non-interest-bearing loans granted under the ESPP and repayable over two years has a carrying value of \$331 (\$315 as at December 31, 2018).

Following the 2016 agreement with Sanexen, as at March 30, 2019, LOGISTEC issued 148,567 Class B shares at \$33.02 per share, which reduced the share capital to be issued from \$14,717 as at December 31, 2018 to \$9,811 as at March 30, 2019.

The issued and outstanding shares were as follows:

	As at March 30, 2019 \$	As at December 31, 2018 \$
7,392,722 Class A shares (7,392,722 as at December 31, 2018)	4,885	4,885
5,410,401 Class B shares (5,273,334 as at December 31, 2018)	34,971	30,131
	39,856	35,016

Dividends

Details of dividends declared per share are as follows:

	For the three months ended March 30, 2019 \$	March 31, 2018 \$
Class A shares	0.091	0.083
Class B shares	0.100	0.091

8. Revenues

Revenue is detailed as follows:

	For the three months ended March 30, 2019 \$	March 31, 2018 \$
Revenue from cargo handling services	89,137	63,262
Revenue from services relating to rehabilitation of underground water mains	4,855	1,105
Revenue from site remediation services and decontamination services	8,992	10,159
Revenue from sale of goods	11,764	7,916
	114,748	82,442

NOTES TO Q1 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 30, 2019, and March 31, 2018
(in thousands of Canadian dollars)
(unaudited)

9. Segmented Information

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

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

The financial information by industry and geographic segments is as follows:

Industry Segments

The financial information by industry segment is as follows:

	Marine services \$	Environmental services \$	Total \$
For the three months ended March 30, 2019			
Revenue	91,126	23,622	114,748
Loss before income taxes	(957)	(11,261)	(12,218)
As at March 30, 2019			
Total assets	436,558	235,532	672,090
Total liabilities	304,880	114,487	419,367
For the three months ended March 31, 2018			
Revenue	63,262	19,180	82,442
Profit (loss) before income taxes	2,132	(12,203)	(10,071)
As at December 31, 2018			
Total assets	377,876	259,227	637,103
Total liabilities	242,708	130,006	372,714

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 March 30, 2019	50,322	64,426	114,748
For the three months ended March 31, 2018	47,263	35,179	82,442
Non-current assets⁽¹⁾			
As at March 30, 2019	261,950	228,432	490,382
As at December 31, 2018	229,209	181,931	411,140

⁽¹⁾ Non-current assets exclude non-current financial assets and deferred income tax assets.

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