

# Interim Financial Report for the Period Ended June 29, 2019

**LOGISTEC**  
**Q2 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	156.2
September	103.1	168.3	184.5	
December	95.8	145.5	168.7	
Year-to-date	343.3	475.7	584.9	270.9

## Adjusted EBITDA <sup>(2)</sup>

(in millions of Canadian dollars)

	2016	2017	2018	2019 <sup>(1)</sup>
March	2.7	3.4	(3.2)	1.2
June	6.2	11.9	14.9	21.7
September	15.8	29.0	33.2	
December	17.4	30.4	19.3	
Year-to-date	42.0	74.7	64.2	22.9

## Profit (loss) attributable to owners of the Company

(in millions of Canadian dollars)

	2016	2017	2018	2019 <sup>(1)</sup>
March	(0.01)	(1.5)	(9.5)	(8.9)
June	1.0	4.8	1.9	5.9
September	9.2	11.0	22.3	
December	8.9	13.2	3.4	
Year-to-date	18.9	27.4	18.1	(3.0)

## Total earnings (loss) per share <sup>(3)</sup>

(in Canadian dollars)

	2016	2017	2018	2019 <sup>(1)</sup>
March	(0.01)	(0.13)	(0.75)	(0.70)
June	0.07	0.37	0.14	0.46
September	0.71	0.83	1.69	
December	0.71	1.01	0.26	
Year-to-date	1.48	2.11	1.38	(0.23)

<sup>(1)</sup> The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16"), please refer to Notes 2 and 6 of the notes to Q2 2019 financial statements for further details, for which the comparative figures have not been restated.

<sup>(2)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the Non-IFRS Measure section on page 4.

<sup>(3)</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

Here are the highlights from the second quarter of 2019:

- Consolidated revenue up \$7.0 million (4.7%) to \$156.2 million;
- Adjusted EBITDA<sup>(1)</sup> closed at \$21.7 million;
- Total basic profit per share up \$0.32 to \$0.46;
- LOGISTEC and Waterson Terminal Services join forces to support ProvPort, Rhode Island;
- Inauguration of two newer and larger vessels at our Arctic transportation business.

Highlights from the six-month period ended June 29, 2019:

- Consolidated revenue up \$39.3 million (17.0%) to \$270.9 million;
- Adjusted EBITDA<sup>(1)</sup> closed at \$22.9 million;
- Total basic loss per share from (\$0.60) to (\$0.23).

The strong performance of the first half of 2019 stems from the two new business combinations made in the course of last year. In the second quarter of 2019, Pate Stevedore Company, Inc. ("Pate"), our new Florida terminals purchased on May 25, 2018 and Gulf Stream Marine, Inc. ("GSM") which performs cargo handling operations in the U.S. Gulf Coast, acquired March 1, 2018, contributed a combined \$5.4 million in additional sales when compared to Q2 2018. For the first half of 2019, the additional combined sales from these business combinations amount to \$30.7 million, when compared to the same period last year.

The second quarter of 2019 closed with a consolidated profit attributable to owners of the Company of \$5.9 million, compared with a profit of \$1.9 million for the second quarter of 2018. The profit attributable to owners of the Company translated to a total basic profit per share of \$0.46, of which \$0.44 was attributable to Class A Common Shares and \$0.49 was attributable to Class B Subordinate Voting Shares. These higher results stem primarily from the good performance of Pate and GSM, and higher levels of activity throughout our network, partially offset by the unrealized exchange losses on translating net working capital denominated in U.S. dollars, given the weakened Canadian dollar.

### Outlook

The outlook remains positive for the remainder of the year. We expect continued organic growth from our marine services, where we have entered into a cargo-handling operational agreement with Waterson Terminal Services at the Port of Providence's ProvPort, New England's premiere deepwater facility. Also, our Arctic transportation business has invested in modern Canadian flag vessels to enhance our cargo capacity and improve the overall customer sealift experience.

Our environmental services should also have a good year. Although Aqua-Pipe contracts in Québec will be lower this year, we are seeing increased activity for our lead removal services and we expect a stronger year for our traditional environmental services based on a firm order book.

We are proud of the above achievements, as they are in line with our goals to provide our customers with forward-thinking marine and environmental solutions. We strive to go beyond and connect with our partners and communities and seize the right opportunities. Our commitment and passion make the difference.

(signed) James C. Cherry  
James C. Cherry, FCPA, FCA  
Chairman of the Board

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

August 7, 2019

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the Non-IFRS Measure section on page 4.

## Introduction

This management's discussion and analysis ("MD&A") deals with LOGISTEC Corporation's operations, results and financial position for the three-month and six-month periods ended June 29, 2019, and June 30, 2018. All financial information contained in this MD&A and the attached unaudited condensed consolidated interim financial statements ("Q2 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 Q2 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 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 63 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-to-date
	\$	\$	\$	\$	\$
<b>2019<sup>(1)</sup></b>					
Revenue	114,748	156,175			270,923
Adjusted EBITDA <sup>(2)</sup>	1,168	21,744			22,912
Profit (loss) attributable to owners of the Company	(8,890)	5,927			(2,963)
Basic earnings (loss) per Class A Common Share <sup>(3)</sup>	(0.67)	0.44			(0.22)
Basic earnings (loss) per Class B Subordinate Voting Share <sup>(4)</sup>	(0.74)	0.49			(0.25)
Total basic earnings (loss) per share	(0.70)	0.46			(0.23)
Diluted earnings (loss) per Class A share	(0.67)	0.43			(0.22)
Diluted earnings (loss) per Class B share	(0.74)	0.48			(0.25)
Total diluted earnings (loss) per share	(0.70)	0.45			(0.23)
<b>2018</b>					
Revenue	82,442	149,182	184,537	168,717	584,878
Adjusted EBITDA <sup>(2)</sup>	(3,184)	14,920	33,147	19,294	64,177
Profit (loss) attributable to owners of the Company	(9,477)	1,868	22,256	3,413	18,060
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 Q2 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 below.

(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 Q2 2019 financial statements. The definition of adjusted EBITDA excludes the Company's impairment charge and includes the customer repayment of an investment in a service contract. 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.

## Q2 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

The following table provides a reconciliation of profit (loss) for the period to adjusted EBITDA.

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

	Q1	Q2	Q3	Q4	Year-to-date
	\$	\$	\$	\$	\$
<b>2019</b>					
Profit (loss) for the period	(8,931)	6,106			(2,825)
PLUS:					
Depreciation and amortization expense	10,834	10,728			21,562
Net finance expense	2,552	2,804			5,356
Income taxes	(3,287)	2,106			(1,181)
Adjusted EBITDA	1,168	21,744			22,912
<b>2018</b>					
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	(3,184)	14,920	33,147	19,294	64,177
<b>2017</b>					
Profit (loss) for the period	(1,559)	4,781	12,167	11,967	27,356
PLUS:					
Depreciation and amortization expense	4,026	4,223	12,419	13,191	33,859
Impairment charge	—	—	—	2,917	2,917
Net finance expense	312	397	791	2,033	3,533
Income taxes	(220)	2,535	3,610	286	6,211
Customer repayment of an investment in a service contract	865	—	—	—	865
Adjusted EBITDA	3,424	11,936	28,987	30,394	74,741
<b>2016</b>					
Profit (loss) for the period	(501)	938	9,162	8,887	18,486
PLUS:					
Depreciation and amortization expense	3,036	3,450	3,661	4,141	14,288
Impairment charge	—	—	—	—	—
Net finance expense	243	364	606	487	1,700
Income taxes	(169)	1,343	2,319	3,775	7,268
Customer repayment of an investment in a service contract	70	72	74	76	292
Adjusted EBITDA	2,679	6,167	15,822	17,366	42,034

## 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 Q2 2019 financial statements for further details.

## Results

### Revenue

Consolidated revenue totalled \$156.2 million for the second quarter of 2019, up \$7.0 million or 4.7% from \$149.2 million for the same period in 2018. Consolidated revenue was positively affected by \$1.6 million due to a strengthening U.S. dollar against the Canadian dollar in the second quarter of 2019, in contrast to the Canadian/U.S. dollar exchange rate in the second quarter of 2018.

In the second quarter of 2019, revenue in the marine services segment amounted to \$94.5 million, up by \$8.8 million or 10.3% over the second quarter of 2018. This increase stems from two factors: the business combinations of GSM and Pate, which contributed an additional \$5.4 million in sales during the second 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 reached \$61.7 million, down from \$63.5 million in the second quarter of 2018. This decrease of \$1.8 million is mainly due to lower revenue than last year from site remediation and decontamination services, as well as woven hose manufacturing.

## Q2 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

For the six-month period ended June 29, 2019, consolidated revenue totalled \$270.9 million, compared with \$231.6 million for the same period in 2018, an increase of \$39.3 million. Consolidated revenue has been positively affected by \$4.5 million year-to-date, due to a strengthening U.S. dollar against the Canadian dollar in the first half of 2019. Revenue in the marine services segment totalled \$185.6 million for the first half of 2019, up by \$36.7 million from \$148.9 million for the same period last year. This increase is primarily attributable to the business combinations of GSM and Pate, which contributed an additional \$30.7 million in sales during the first half of 2019, and to 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. The environmental services segment delivered revenue totalling \$85.3 million, an increase of \$2.6 million or 3.2% over revenue of \$82.7 million for the same six-month period in 2018. The increase is primarily attributable to higher revenue from services relating to rehabilitation of underground water mains.

### Employee Benefits Expense

In the second quarter of 2019, employee benefits expense rose by \$1.4 million to \$78.7 million, an increase over the \$77.3 million recorded for the same quarter in 2018. This increase is in line with the revenue increase. The ratio of employee benefits expense to revenue was 50.4% in the second quarter of 2019, compared with 51.8% for the same period in 2018.

For the first half of 2019, the employee benefits expense reached \$137.1 million, an increase of \$13.4 million or 10.9% over the \$123.7 million recorded for the same period last year. This increase stemmed from the business combinations of GSM and Pate, which together represent a total of \$13.6 million in employee benefits expenses. The ratio of employee benefits expense to revenue was down to 50.6%, from 53.4% for the same period last year.

### Equipment and Supplies Expense

Equipment and supplies expense amounted to \$39.3 million in the second quarter of 2019, which is stable when compared to the same period last year. The ratio of equipment and supplies expense to consolidated revenue was relatively stable at 25.1% for the second quarter of 2019, compared with 26.3% for the second quarter of 2018.

For the first half of 2019, equipment and supplies expense amounted to \$73.6 million, an increase of \$10.0 million or 15.7% over the first half of 2018. This increase is in line with the revenue increase. The overall ratio of equipment and supplies expense to revenue was 27.2% for the first half of 2019 compared with 27.5% for the same period in 2018.

### Rental Expense

Rental expense stood at \$10.1 million, or \$13.3 million, for the second quarter of 2019, 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 8.5%, which is similar to 7.9% for the same period last year.

For the first half of 2019, rental expense reached \$19.6 million, or \$26.2 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 9.7%, which is similar to 9.0% 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 amounted to \$3.2 million during the second quarter of 2019 and \$6.6 million in the first half of 2019. Lease payments 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 Q2 2019 financial statements for further details.



**Other Expenses**

Other expenses stood at \$6.0 million, representing a decrease of \$1.8 million or 23.2% compared to the second quarter of 2018. This year-over-year decrease relates to the higher professional fees incurred in the second quarter of 2018 following the business combinations of GSM and Pate.

Other expenses for the first six months of 2019 amounted to \$16.7 million, representing an increase of 19.5% compared with \$14.0 million in 2018. This increase stems from two factors: the integration costs of two new business combinations made in course of last year, and professional fees incurred to analyze business development opportunities.

**Depreciation and Amortization Expense**

Depreciation and amortization expense amounted to \$10.7 million for the second quarter of 2019, up \$4.2 million from \$6.5 million for the same period in 2018. Of this increase, \$2.8 million relates to depreciation of the additional right of use of assets created under IFRS 16.

Depreciation and amortization expense amounted to \$21.6 million for the first half of 2019, up \$9.0 million from \$12.6 million for the same period in 2018. Of this increase, \$2.9 million relates to depreciation and amortization of the business combinations, and \$5.8 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 Q2 2019 financial statements for further details.

**Other Gains and Losses**

Other gains and losses varied by \$2.2 million, from a \$0.9 million gain in the second quarter of 2018 to a \$1.3 million loss in this quarter. In the first half of the year, other gains and losses varied by \$3.7 million, from a \$1.2 million gain in 2018 to a \$2.5 million loss in 2019. These variances are 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 second quarter of 2019, an increase of \$0.1 million over the \$2.8 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, which was partly offset by some \$0.6 million due to the accelerated accretion of the liability due to shareholders included in the Non-current financial liabilities in the Q2 2018 financial statements.

For the first half of 2019, the finance expense amounted to \$5.6 million, an increase of \$2.0 million over the same period in 2018. Of this increase, \$1.8 million relates to the accretion expense of the additional liabilities created under IFRS 16. The remaining increase relates to a higher borrowing base following the financing of the business combinations of GSM and Pate that occurred during the first half of 2018, partly offset by some \$0.6 million due to the accelerated accretion of the liability due to shareholders included in the Non-current financial liabilities in the Q2 2018 financial statements.

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 Q2 2019 financial statements for further details.



**Profit for the Period and Earnings per Share**

Overall, the Company reported a profit attributable to owners of the Company of \$5.9 million in the second quarter of 2019, up \$4.0 million from the \$1.9 million recorded in the corresponding period last year. This translated into total diluted earnings per share of \$0.45, of which \$0.43 was attributable to Class A shares and \$0.48 to Class B shares.

Profit before income taxes from the marine services segment amounted to \$8.5 million in the second quarter of 2019, up \$1.0 million from the \$7.5 million profit reported for the same quarter of 2018. From an operational point of view, cargo handling performance was positive in the second quarter of 2019. This increase stems from three factors: the business combinations, 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, and the lower professional fees mentioned above. These increases were partly offset by the incremental expenses related to the transition to IFRS 16 and the unrealized exchange losses on translating net working capital denominated in U.S. dollars, given the weakened Canadian dollar.

Loss before income taxes from the environmental services segment amounted to \$0.3 million in the second quarter of 2019, \$1.5 million less than the \$1.8 million loss reported for the same quarter of 2018. This improvement is mainly attributable to sound management of variable costs including employee benefits expenses and equipment and supplies expense. The improvement was partly offset by the incremental expenses related to the transition to IFRS 16.

For the first six months of 2019, the Company reported a loss of \$2.8 million, of which a profit of \$0.1 million was attributable to non-controlling interests, amounting to a \$3.0 million loss attributable to owners of the Company. This translated into a total basic and diluted loss per share of \$0.23 of which \$0.22 per share was attributable to Class A shares and \$0.25 per share was attributable to Class B shares.

For the first half of 2019, profit before income taxes from the marine services segment amounted to \$7.5 million, down from \$9.6 million profit in the same period of 2018. From an operational point of view, cargo handling performance was positive in the first half of 2019. However, this decrease stems from the professional fees incurred to analyze business development opportunities, the increased finance expense to support the business combinations, and the unrealized exchange losses on translating net working capital denominated in U.S. dollars, given the weakened Canadian dollar.

For the first half of 2019, the loss before income taxes from the environmental services segment amounted to \$11.5 million, an improvement when compared to the \$14.0 million loss in the same period of 2018. The decreased loss before income taxes is mainly attributable to the revenue increase combined with sound management of employee benefits expense, partly offset by the incremental expenses related to the transition to IFRS 16.

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

## Dividends

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.

On August 7, 2019, the Company's Board of Directors elected to increase the dividend payment by 3.0%.

The following table describes the 2019 dividend payments schedule, which are all eligible dividends for Canada Revenue Agency purposes.

(in millions of dollars, except per share amounts)

Declaration date	Record date	Payment date	Per Class A \$	Per Class B \$	Total \$
December 6, 2018	January 4, 2019	January 18, 2019	0.09075	0.099825	1.2
March 15, 2019	April 4, 2019	April 18, 2019	0.09075	0.099825	1.2
May 9, 2019	June 21, 2019	July 5, 2019	0.09075	0.099825	1.2
August 7, 2019	September 27, 2019	October 11, 2019	0.09350	0.102850	1.2

## 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 second quarter of 2019. Please also refer to Note 4 of the notes to Q2 2019 financial statements for an update on financial risk management information.

### Capital Resources

Total assets amounted to \$720.9 million as at June 29, 2019, up by \$83.8 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 and was partly offset by the reduction of cash and cash equivalents as at December 31, 2018.

Cash and cash equivalents totalled \$7.4 million at the end of the second quarter of 2019, down by \$8.0 million from \$15.4 million as at December 31, 2018. The main items behind this decrease are as follows:

(in thousands of dollars)

<b>Positive:</b>	
Cash generated from operations	27.8
Issuance of long-term debt, net of repayment	35.3
	63.1
<b>Negative:</b>	
Acquisition of property, plant and equipment	(21.9)
Net change in short-term bank loans	(13.6)
Changes in non-cash working capital items	(11.1)
Income taxes paid	(7.9)
Repayment of due to shareholders	(5.4)
Interest paid	(5.3)
Repayment of lease liabilities	(4.8)
	(70.0)

## Working Capital

Working capital totalled \$98.2 million at the end of the second quarter of 2019, for a current ratio of 1.94:1 compared with \$82.1 million, or a ratio of 1.65:1, as at December 31, 2018. The increase is due to the seasonal nature of our operations, which has led to the reimbursement of our short-term bank loans and payments of our trade and other payables.

## 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 \$122.4 million to \$285.7 million as at June 29, 2019. The increase is mainly attributable to the additional \$90.4 million of lease liabilities following the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q2 2019 financial statements, and the issuance of \$35.3 million in long-term debt, net of repayment during the period.

## Equity Attributable to Owners of the Company

As at June 29, 2019, equity attributable to owners of the Company amounted to \$251.9 million, down by \$10.3 million from the December 31, 2018 closing balance of \$262.2 million. Adding long-term debt yields a capitalization of \$537.6 million, which computes to a debt/capitalization ratio of 53.1% compared to 47.8% as at December 31, 2018, when we include lease liabilities upon the initial application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q2 2019 financial statements.

As at August 7, 2019, 7,386,122 Class A shares and 5,411,001 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 Q2 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 June 29, 2019 \$		As at December 31, 2018 \$	
Statement of financial position				
Total assets <sup>(1)</sup>	88,708		48,218	
Total liabilities <sup>(1)</sup>	37,556		543	
	For the three months ended		For the six months ended	
	June 29, 2019 \$	June 30, 2018 \$	June 29, 2019 \$	June 30, 2018 \$
Statement of earnings				
Revenue	997	942	2,027	1,821
Share of profit of an equity accounted investment	1,505	1,926	2,297	2,218
Profit for the period	2,086	2,407	3,478	3,236

<sup>(1)</sup> 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)	June 29, 2019 \$	December 31, 2018 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	139.2	160.1	(20.9)	(13.1)	The decrease reflects the lower level of our seasonal operations and the sustained collection effort in the environmental services segment in the second quarter of 2019 compared with the fourth quarter of 2018.
Contract assets	26.4	14.3	12.1	(84.6)	Contract assets represent the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. The start of the season in all business activities led to higher work in progress at the end of the second quarter of 2019.
Current income tax assets	9.2	3.0	6.2	n.m.	The increase is due to the income tax recovery related to the loss of the period and to the 2019 tax instalments made.
Property, plant and equipment	277.4	181.3	96.1	53.0	The increase stems mainly from the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q2 2019 financial statements. Other regular CAPEX was offset by the depreciation expense.
Trade and other payables	77.3	98.7	(21.4)	(21.7)	The variation is primarily explained by the seasonality of operations.
Current portion of long-term debt	18.6	3.3	15.3	n.m.	The variation stems from the \$90.4 million in lease liabilities, net of repayment under IFRS 16, as fully described in Notes 2 and 6 of the notes to Q2 2019 financial statements. The remaining variance relates to the issuance, net of repayment, of \$35.3 million of long-term debt.
Long-term debt	267.2	160.0	107.2	67.0	
Share capital	40.4	35.0	5.4	15.4	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 second 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 Q2 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 \$76.5 million, representing the right of use of assets of lease arrangements;
- Long-term debt (including the current portion) increased by \$76.5 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 expenses for the three and six-month periods ended June 29, 2019, amount to \$2.8 million and \$5.8 million, respectively, and are recorded in depreciation and amortization in the unaudited condensed consolidated interim statements of earnings;
- Accretion expenses on the lease liability amount to \$0.9 million and \$1.8 million, respectively, for the three and six-month periods ended June 29, 2019 and are recorded in finance expense in the unaudited condensed consolidated interim statements of earnings.

Please refer to Notes 2 and 6 of the notes to Q2 2019 financial statements for further details.

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

The Q2 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 Q2 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.

## Q2 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

They have reviewed this management's discussion and analysis and the Q2 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 Q2 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 second quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

## Outlook

We are pleased with the overall results of the second quarter of 2019.

Our marine services segment is performing well and, when we exclude the negative impact of foreign exchange rates and professional fees incurred to study business combination opportunities, the segment is doing better operationally than last year. We are also satisfied with the performance of our latest business combinations.

The results of our environmental services segment are improving over last year's (same quarter and year-to-date) but they are not quite where we want them to be. For Sanexen, a late start due to weather conditions, combined with lower than expected amounts of Aqua-Pipe contracts, had a negative impact on the quarter. This was partially made up by additional business for lead pipe removal, but not enough to make up for cancelled contracts. FER-PAL continues to be a challenge against our expectations, but we are seeing improvement. Both earnings and revenue have improved over the last year. We will continue to direct time and effort to improve its performance.

Based on the seasonality of our business in both segments, the second half of 2019 should yield substantially better results than the first half, and we are optimistic that the second half of 2019 will surpass the same period of 2018, supported by the strong performance of our 2018 business combinations in the marine services segment and improved performance of FER-PAL.

As always, we continue to seek development opportunities to grow our Company for the benefit of our shareholders and partners.

## Q2 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

*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  
Chief Financial Officer

August 7, 2019



## Q2 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)

		For the three months ended		For the six months ended	
	Notes	June 29, 2019 \$	June 30, 2018 \$	June 29, 2019 \$	June 30, 2018 \$
Revenue	9	156,175	149,182	270,923	231,624
Employee benefits expense		(78,715)	(77,284)	(137,092)	(123,650)
Equipment and supplies expense		(39,254)	(39,292)	(73,618)	(63,630)
Rental expense	6	(10,133)	(11,777)	(19,588)	(20,838)
Other expenses		(6,001)	(7,812)	(16,677)	(13,958)
Depreciation and amortization expense	6	(10,728)	(6,485)	(21,562)	(12,568)
Share of profit of equity accounted investments		930	962	1,492	1,032
Other gains (losses)		(1,258)	941	(2,528)	1,156
Operating profit (loss)		11,016	8,435	1,350	(832)
Finance expense	6	(2,884)	(2,760)	(5,641)	(3,647)
Finance income		80	15	285	98
Profit (loss) before income taxes		8,212	5,690	(4,006)	(4,381)
Income taxes		(2,106)	(2,630)	1,181	(885)
<b>Profit (loss) for the period</b>		<b>6,106</b>	<b>3,060</b>	<b>(2,825)</b>	<b>(5,266)</b>
Profit (loss) attributable to:					
<b>Owners of the Company</b>		<b>5,927</b>	<b>1,868</b>	<b>(2,963)</b>	<b>(7,609)</b>
Non-controlling interests		179	1,192	138	2,343
<b>Profit (loss) for the period</b>		<b>6,106</b>	<b>3,060</b>	<b>(2,825)</b>	<b>(5,266)</b>
Basic earnings (loss) per Class A Common Share <sup>(1)</sup>		0.44	0.14	(0.22)	(0.58)
Basic earnings (loss) per Class B Subordinate Voting Share <sup>(2)</sup>		0.49	0.16	(0.25)	(0.64)
Diluted earnings (loss) per Class A share		0.43	0.14	(0.22)	(0.58)
Diluted earnings (loss) per Class B share		0.48	0.15	(0.25)	(0.64)
Weighted average number of Class A shares outstanding, basic and diluted		7,389,155	7,405,455	7,390,939	7,405,689
Weighted average number of Class B shares outstanding, basic		5,409,868	5,271,167	5,362,879	5,217,249
Weighted average number of Class B shares outstanding, diluted		5,717,038	5,726,904	5,719,571	5,724,496

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

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

See accompanying notes to the condensed consolidated interim financial statements.

## Q2 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

# Condensed Consolidated Interim Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 29, 2019 \$	June 30, 2018 \$	June 29, 2019 \$	June 30, 2018 \$
<b>Profit (loss) for the period</b>	<b>6,106</b>	<b>3,060</b>	<b>(2,825)</b>	<b>(5,266)</b>
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	(2,627)	3,004	(4,950)	4,981
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations	1,380	—	3,158	—
Gain (loss) on derivatives financial instruments designated as cash flow hedges	(39)	—	(185)	4
Income taxes relating to derivatives financial instruments designated as cash flow hedges	11	—	50	(1)
Total items that are or may be reclassified to the consolidated statements of earnings	(1,275)	3,004	(1,927)	4,984
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement gain (loss) on benefit obligation	(1,047)	1,171	(1,080)	1,171
Return on retirement plan assets excluding amounts included in profit for the period	(1,363)	153	(1,715)	(33)
Income taxes on remeasurement gain (loss) on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	649	(354)	752	(305)
Total items that will not be reclassified to the consolidated statements of earnings	(1,761)	970	(2,043)	833
Other comprehensive income (loss) for the period, net of income taxes	(3,036)	3,974	(3,970)	5,817
<b>Total comprehensive income (loss) for the period</b>	<b>3,070</b>	<b>7,034</b>	<b>(6,795)</b>	<b>551</b>
Total comprehensive income (loss) attributable to:				
Owners of the Company	2,902	5,832	(6,912)	(1,814)
Non-controlling interests	168	1,202	117	2,365
<b>Total comprehensive income (loss) for the period</b>	<b>3,070</b>	<b>7,034</b>	<b>(6,795)</b>	<b>551</b>

See accompanying notes to the condensed consolidated interim financial statements.

## Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at June 29, 2019 \$	As at December 31, 2018 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		7,416	15,393
Trade and other receivables		139,167	160,067
Contract assets		26,355	14,282
Current income tax assets		9,185	2,964
Prepaid expenses and other		6,833	4,899
Inventories		13,758	10,711
		202,714	208,316
Equity accounted investments		37,959	38,005
Property, plant and equipment	6	277,380	181,284
Goodwill	5	140,928	142,672
Intangible assets	5	42,129	47,006
Non-current assets		2,215	2,173
Non-current financial assets		4,403	6,328
Deferred income tax assets		13,122	11,319
<b>Total assets</b>		<b>720,850</b>	<b>637,103</b>
<b>Liabilities</b>			
Current liabilities			
Short-term bank loans		—	13,577
Trade and other payables		77,346	98,668
Contract liabilities		5,713	5,225
Current income tax liabilities		911	3,480
Dividends payable		1,986	1,973
Current portion of long-term debt	6	18,556	3,294
		104,512	126,217
Long-term debt	6,8	267,150	160,003
Deferred income tax liabilities		21,241	21,465
Post-employment benefit obligations		17,924	14,716
Contract liabilities		3,133	3,333
Non-current liabilities		52,691	46,980
<b>Total liabilities</b>		<b>466,651</b>	<b>372,714</b>
<b>Equity</b>			
Share capital	7	40,351	35,016
Share capital to be issued	7	9,811	14,717
Retained earnings		191,574	200,404
Accumulated other comprehensive income		10,155	12,061
Equity attributable to owners of the Company		251,891	262,198
Non-controlling interest		2,308	2,191
<b>Total equity</b>		<b>254,199</b>	<b>264,389</b>
<b>Total liabilities and equity</b>		<b>720,850</b>	<b>637,103</b>

See accompanying notes to the condensed consolidated interim financial statements.

## 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			Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$	Retained earnings \$			
<b>Balance as at January 1, 2019</b>		<b>35,016</b>	<b>14,717</b>	<b>135</b>	<b>11,926</b>	<b>200,404</b>	<b>262,198</b>	<b>2,191</b>	<b>264,389</b>
Profit (loss) for the period		—	—	—	—	(2,963)	(2,963)	138	(2,825)
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	—	(4,929)	—	(4,929)	(21)	(4,950)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	—	3,158	—	3,158	—	3,158
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	(2,043)	(2,043)	—	(2,043)
Cash flow hedges, net of income taxes		—	—	(135)	—	—	(135)	—	(135)
<b>Total comprehensive income (loss) for the period</b>		<b>—</b>	<b>—</b>	<b>(135)</b>	<b>(1,771)</b>	<b>(5,006)</b>	<b>(6,912)</b>	<b>117</b>	<b>(6,795)</b>
Remeasurement of written put option liability		—	—	—	—	(390)	(390)	—	(390)
Repurchase of Class A shares	7	(4)	—	—	—	(274)	(278)	—	(278)
Issuance and repurchase of Class B shares	7	433	—	—	—	(739)	(306)	—	(306)
Issuance of Class B shares capital to a subsidiary shareholder	7	4,906	(4,906)	—	—	—	—	—	—
Dividends on Class A shares	7	—	—	—	—	(1,341)	(1,341)	—	(1,341)
Dividends on Class B shares	7	—	—	—	—	(1,080)	(1,080)	—	(1,080)
<b>Balance as at June 29, 2019</b>		<b>40,351</b>	<b>9,811</b>	<b>—</b>	<b>10,155</b>	<b>191,574</b>	<b>251,891</b>	<b>2,308</b>	<b>254,199</b>

See accompanying notes to the condensed consolidated interim financial statements.

## 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			Total \$	Non-controlling interests \$	Total equity \$
				Cash flow hedges \$	Foreign currency translation \$	Retained earnings \$			
<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		—	—	—	—	(7,609)	(7,609)	2,343	(5,266)
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	—	4,959	—	4,959	22	4,981
Remeasurement gain on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	833	833	—	833
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>4,959</b>	<b>(6,776)</b>	<b>(1,814)</b>	<b>2,365</b>	<b>551</b>
Remeasurement of written put option liability		—	—	—	—	(900)	(900)	—	(900)
Repurchase of Class A shares	7	—	—	—	—	(32)	(32)	—	(32)
Issuance and repurchase of Class B shares	7	1,027	—	—	—	(196)	831	—	831
Issuance of Class B shares capital to a subsidiary shareholder	7	5,103	(5,103)	—	—	—	—	—	—
Dividends on Class A shares	7	—	—	—	—	(1,220)	(1,220)	—	(1,220)
Dividends on Class B shares	7	—	—	—	—	(957)	(957)	—	(957)
<b>Balance as at June 30, 2018</b>		<b>35,149</b>	<b>14,717</b>	<b>141</b>	<b>11,427</b>	<b>163,048</b>	<b>224,482</b>	<b>4,586</b>	<b>229,068</b>

See accompanying notes to the condensed consolidated interim financial statements.

## Q2 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

# Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the six months ended	
		June 29, 2019 \$	June 30, 2018 \$
<b>Operating activities</b>			
Loss for the period		(2,825)	(5,266)
Items not affecting cash and cash equivalents		30,577	20,334
Cash generated from operations		27,752	15,068
Dividends received from equity accounted investments		1,520	3,346
Contributions to defined benefit retirement plans		(502)	(595)
Settlement of provisions		(65)	(165)
Changes in non-cash working capital items		(11,137)	5,808
Income taxes paid		(7,868)	(7,998)
		9,700	15,464
<b>Financing activities</b>			
Net change in short-term bank loans	8	(13,577)	3,989
Issuance of long-term debt	8	62,298	117,226
Repayment of long-term debt		(26,992)	(16,425)
Issuance of Class B shares		258	562
Repayment of lease liabilities	6	(4,830)	—
Interest paid	6	(5,349)	(1,844)
Repurchase of Class A shares	7	(278)	(32)
Repurchase of Class B shares	7	(862)	(220)
Dividends paid on Class A shares		(1,341)	(1,222)
Dividends paid on Class B shares		(1,067)	(942)
		8,260	101,092
<b>Investing activities</b>			
Acquisition of property, plant and equipment		(21,886)	(10,144)
Acquisition of intangible assets		(39)	(93)
Proceeds from disposal of property, plant and equipment		297	290
Business combinations		—	(97,998)
Cash acquired in a business combination		—	2,585
Repayment of due to shareholders		(5,386)	—
Issuance of notes receivable		—	(5,067)
Interest received		163	108
Cash paid to a minority interest		—	(157)
Repayment of other non-current financial assets		104	101
Repayment of other non-current liabilities		(190)	—
Acquisition of other non-current assets		(271)	(285)
Disposal of other non-current assets		90	150
		(27,118)	(110,510)
Net change in cash and cash equivalents		(9,158)	6,046
Cash and cash equivalents, beginning of period		15,393	3,963
Effect of exchange rate on balances held in foreign currencies of foreign operations		1,181	(1,032)
<b>Cash and cash equivalents, end of period</b>		<b>7,416</b>	<b>8,977</b>
<b>Additional information</b>			
Acquisition of property, plant and equipment included in trade and other payables		2,627	253
Issuance of Class B shares under the Employee Stock Purchase Plan for non-interest-bearing loans	7	298	489

See accompanying notes to the condensed consolidated interim financial statements.

## NOTES TO Q2 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and six months ended June 29, 2019, and June 30, 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 37 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 Q2 2019 financial statements of the Company have been prepared by and are the responsibility of management. The Q2 2019 financial statements were approved by the Company’s Board of Directors on August 7, 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 Q2 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 Q2 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 Q2 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and six months ended June 29, 2019, and June 30, 2018  
(in thousands of Canadian dollars)  
(unaudited)

### 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 \$76,517 representing the right of use of assets of lease arrangements;
- Long-term debt (including the current portion) increased by \$76,517 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 expenses for the three and six-month periods ended June 29, 2019, amount to \$2,763 and \$5,788, respectively, and are recorded in depreciation and amortization in the condensed consolidated interim statements of earnings;
- Accretion expenses on the lease liability amount to \$876 and \$1,798, respectively for three and six-month periods ended June 29, 2019 and are 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%	(7,775)
Finance lease liabilities recognized as at December 31, 2018	77,454
Recognition exemption for short-term and low-value asset leases	(1,587)
Extension and termination options reasonably certain to be exercised	24,322
Variable lease payments based on an index or a rate	(23,672)
<b>Lease liabilities recognized as at January 1, 2019</b>	<b>76,517</b>

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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 Q2 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 Q2 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.

##### **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

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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 June 29, 2019, the ratio is 53.1% based on debt of \$285,706 divided by a capitalization of \$537,597 (47.8% as at December 31, 2018, based on \$239,814/\$502,012 when we include lease liabilities upon the initial application of IFRS 16, as fully described in Notes 2 and 6).

Note that an amount of \$52,691 is presented as non-current liabilities in the condensed consolidated interim financial statements of financial position. Of this amount, \$41,089 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 \$41,089 in our debt/capitalization ratio, the calculation becomes a debt of \$326,795 divided by a capitalization of \$578,686, resulting in a ratio of 56.5%.

As at June 29, 2019, the Company is in compliance with all of its obligations under the terms of its banking agreements.

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### 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, municipal 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 six months ended June 29, 2019, the 20 largest customers account for 38.5% (42.6% in 2018) of consolidated revenue.

### Fair Value of Financial Instruments

As at June 29, 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 June 29, 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 June 29, 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 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 June 29, 2019, no financial instruments were transferred between levels 1, 2 and 3.

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### Sensitivity analysis

On June 29, 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 \$3,500 in retained earnings for the period ended June 29, 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)
	<b>12,364</b>
Purchase consideration	
Cash	12,364
	<b>12,364</b>

The purchase price allocation of Pate is final.

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### 6. Lease arrangements

As at June 29, 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	58,668	113,979	703	7,786	6,712	187,848
Right-of-use assets	83,292	5,985	255	—	—	89,532
	<b>141,960</b>	<b>119,964</b>	<b>958</b>	<b>7,786</b>	<b>6,712</b>	<b>277,380</b>

#### Right-of-use assets

Carrying amount	Land and buildings \$	Machinery, automotive equipment \$	Computer equipment, furniture and fixtures \$	Total \$
As at January 1, 2019	69,102	7,201	214	76,517
Additions	20,787	111	79	20,977
Depreciation expense	(4,656)	(1,096)	(36)	(5,788)
Effect of foreign currency exchange differences	(1,941)	(231)	(2)	(2,174)
As at June 29, 2019	<b>83,292</b>	<b>5,985</b>	<b>255</b>	<b>89,532</b>

#### Lease liabilities

	As at June 29, 2019 \$
<b>Contractual undiscounted cash flows</b>	
Less than 1 year	13,617
Between 1 and 5 years	41,738
More than 5 years	65,313
Total undiscounted lease liabilities	120,668
<b>Lease liabilities as at June 29, 2019</b>	<b>90,404</b>
Current	13,258
Non-current	77,146

#### Amount recognized in the condensed consolidated interim statements of earnings

	For the three months ended June 29, 2019 \$	For the six months ended June 29, 2019 \$
Interest on lease liabilities	876	1,798
Expense related to variable lease payments, short-term and low-value assets not included in the measurement of lease liabilities	<b>6,798</b>	<b>14,964</b>

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### 7. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 6,500 (700 in 2018) Class A shares and 20,300 (4,700 in 2018) Class B shares were repurchased and cancelled for cash consideration of \$278 (\$32 in 2018) and \$862 (\$220 in 2018), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$274 (\$32 in 2018) and \$739 (\$196 in 2018), respectively, was charged to retained earnings.

As of June 29, 2019, following the issuance of 14,800 (23,250 in 2018) Class B shares under the Employee Stock Purchase Plan ("ESPP"), there remains an unallocated balance of 193,700 Class B shares reserved for issuance pursuant to this ESPP. Those 14,800 (23,250 in 2018) Class B shares were issued for cash consideration of \$258 (\$562 in 2018) and for non-interest-bearing loans of \$298 (\$489 in 2018), repayable over two years. The carrying value of non-interest-bearing loans amounts to \$531 as at June 29, 2019 (\$482 as at December 31, 2018).

During the second quarter ended June 29, 2019, there were no Class A shares converted into Class B shares (200 in 2018).

Following the 2016 agreement with Sanexen, as at June 29, 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 June 29, 2019.

The issued and outstanding shares were as follows:

	As at June 29, 2019 \$	As at December 31, 2018 \$
7,386,222 Class A shares (7,392,722 as at December 31, 2018)	4,881	4,885
5,416,401 Class B shares (5,273,334 as at December 31, 2018)	35,470	30,131
	40,351	35,016

### Dividends

Details of dividends declared per share are as follows:

	For the six months ended June 29, 2019 \$	June 30, 2018 \$
Class A shares	0.18	0.17
Class B shares	0.20	0.18



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### 8. Long-Term Debt

As at June 29, 2019, an amount of \$133,561 had been drawn on the existing Credit Facilities, including \$3,739 in letters of credit. The unused amount under the credit facility was \$41,439.

In June 2019, FER-PAL extended its credit agreement by refinancing the overdraft lending facility and adding a demand loan. The overdraft lending facility was decreased from \$15,000 to \$10,000, while a new \$10,000 demand loan is due over 48 months in equal principal repayments plus monthly interests, bearing interest at prime rate plus 0.75%. The credit agreement remains subject to certain financial and non-financial covenants. As at June 29, 2019, the overdraft facility was undrawn.

### 9. Revenue

Revenue is detailed as follows:

	For the three months		For the six months	
	ended		ended	
	June 29,	June 30,	June 29,	June 30,
	2019	2018	2019	2018
	\$	\$	\$	\$
Revenue from cargo handling services	94,486	85,687	183,623	148,949
Revenue from services relating to rehabilitation of underground water mains	37,341	35,837	42,196	36,942
Revenue from site remediation services and decontamination services	14,208	16,024	23,200	26,183
Revenue from sale of goods	10,140	11,634	21,904	19,550
	156,175	149,182	270,923	231,624

### 10. 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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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 \$
<b>For the three months ended June 29, 2019</b>			
Revenue	94,507	61,668	156,175
Profit (loss) before income taxes	8,499	(287)	8,212
<b>For the six months ended June 29, 2019</b>			
Revenue	185,633	85,290	270,923
Profit (loss) before income taxes	7,542	(11,548)	(4,006)
<b>As at June 29, 2019</b>			
Total assets	455,614	265,236	720,850
Total liabilities	322,515	144,136	466,651
<b>For the three months ended June 30, 2018</b>			
Revenue	85,687	63,495	149,182
Profit (loss) before income taxes	7,512	(1,822)	5,690
<b>For the six months ended June 30, 2018</b>			
Revenue	148,949	82,675	231,624
Profit (loss) before income taxes	9,644	(14,025)	(4,381)
<b>As at December 31, 2018</b>			
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 \$
<b>For the three months ended June 29, 2019</b>	<b>70,825</b>	<b>85,350</b>	<b>156,175</b>
For the three months ended June 30, 2018	81,690	67,492	149,182
<b>For the six months ended June 29, 2019</b>	<b>121,147</b>	<b>149,776</b>	<b>270,923</b>
For the six months ended June 30, 2018	121,200	110,424	231,624
<b>Non-current assets <sup>(1)</sup></b>			
<b>As at June 29, 2019</b>	<b>256,701</b>	<b>243,910</b>	<b>500,611</b>
As at December 31, 2018	231,466	179,674	411,140

<sup>(1)</sup> Non-current assets exclude non-current financial assets and deferred income tax assets.



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