

Interim Financial Report for the Period Ended September 28, 2019

LOGISTEC
Q3 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	195.3
December	95.8	145.5	168.7	
Year-to-date	343.3	475.7	584.9	466.2

Adjusted EBITDA ⁽²⁾

(in millions of Canadian dollars)

	2016	2017	2018	2019 ⁽¹⁾
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	36.1
December	17.4	30.4	19.3	
Year-to-date	42.0	74.7	64.2	59.0

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	5.9
September	9.2	11.0	22.3	17.4
December	8.9	13.2	3.4	
Year-to-date	18.9	27.4	18.1	14.4

Total earnings (loss) per share ⁽³⁾

(in Canadian dollars)

	2016	2017	2018	2019 ⁽¹⁾
March	(0.01)	(0.13)	(0.75)	(0.70)
June	0.07	0.37	0.14	0.45
September	0.71	0.83	1.69	1.33
December	0.71	1.01	0.26	
Year-to-date	1.48	2.11	1.38	1.10

⁽¹⁾ The 2019 figures reflect the application of IFRS 16 Leases ("IFRS 16"), please refer to Notes 2 and 6 of the notes to Q3 2019 financial statements for further details, for which the comparative figures have not been restated.

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

⁽³⁾ 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 third quarter of 2019:

- Consolidated revenue up \$10.8 million (5.8%) to \$195.3 million;
- Adjusted EBITDA ⁽¹⁾ closed at \$36.1 million;
- Total diluted profit per share of \$1.33;
- On August 7, 2019, the Company's Board of Directors elected to increase the dividend payment by 3.0%.

Highlights from the nine-month period ended September 28, 2019:

- Consolidated revenue up \$50.0 million (12.0%) to \$466.2 million;
- Adjusted EBITDA ⁽¹⁾ closed at \$59.0 million;
- Total diluted profit per share of \$1.10.

The third quarter of 2019 closed with a consolidated profit attributable to owners of the Company of \$17.4 million, compared to \$22.3 million for the same quarter of 2018. The profit attributable to owners of the Company translated into a total diluted profit per share of \$1.33, of which \$1.27 was attributable to Class A Common Shares and \$1.40 to Class B Subordinate Voting Shares.

The lower profit attributable to owners of the Company in the third quarter of 2019, when compared to the same period last year, stems mostly from a different distribution of the non-controlling interests, an overall effective tax rate which reflects our geographical distribution, increased business in more labour-intensive activities, and higher accretion costs based on the application of IFRS 16.

Year-to-date profit attributable to owners of the Company for the period are in line with 2018, despite the increased costs resulting from the application of IFRS 16. Essentially, comparative operating profit was \$2.0 million higher than last year. As in all years, our services incurred highs and lows, and, in the end, they balanced each other out during the quarter. These fluctuations include better performance on bulk and break-bulk in our marine services segment, as well as soil management in Sanexen and Aqua-Pipe installation by FER-PAL. Offsetting these, we realized lower container volumes as well as reduced Aqua-Pipe in Québec and lower activity in our woven-hose manufacturing facility.

Outlook

We view the outlook for the remainder of the year with optimism. We expect our marine services to perform well and our environmental services will be very active as site remediations progress for the coming months. Our dedicated focus on the operations of FER-PAL should also help improve performance, as their results are better than last year.

On August 7, 2019, our Board of Directors elected to increase the dividend payment by 3.0%, which shows their confidence in our commitment to sustainable long-term growth.

(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

November 6, 2019

⁽¹⁾ 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 nine-month periods ended September 28, 2019, and September 29, 2018. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements ("Q3 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 Q3 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 34 ports and 60 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 \$
2019⁽¹⁾					
Revenue	114,748	156,175	195,293		466,216
Adjusted EBITDA ⁽²⁾	1,168	21,744	36,040		58,952
Profit (loss) attributable to owners of the Company	(8,890)	5,927	17,393		14,430
Basic earnings (loss) per Class A Common Share ⁽³⁾	(0.67)	0.44	1.31		1.09
Basic earnings (loss) per Class B Subordinate Voting Share ⁽⁴⁾	(0.74)	0.49	1.44		1.19
Total basic earnings (loss) per share	(0.70)	0.46	1.37		1.13
Diluted earnings (loss) per Class A share	(0.67)	0.43	1.27		1.06
Diluted earnings (loss) per Class B share	(0.74)	0.48	1.40		1.16
Total diluted earnings (loss) per share	(0.70)	0.45	1.33		1.10
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year \$
2018					
Revenue	82,442	149,182	184,537	168,717	584,878
Adjusted EBITDA ⁽²⁾	(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, please refer to Notes 2 and 6 of the notes to Q3 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 Q3 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.

Q3 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
	\$	\$	\$	\$	\$
2019					
Profit (loss) for the period	(8,931)	6,106	17,478		14,653
PLUS:					
Depreciation and amortization expense	10,834	10,728	10,497		32,059
Net finance expense	2,552	2,804	2,662		8,018
Income taxes	(3,287)	2,106	5,403		4,222
Adjusted EBITDA ⁽¹⁾	1,168	21,744	36,040		58,952
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2018					
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
2017					
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
2016					
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

⁽¹⁾ The 2019 figures reflect the application of IFRS 16, please refer to Notes 2 and 6 of the notes to Q3 2019 financial statements for further details, for which the comparative figures have not been restated.

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 Q3 2019 financial statements for further details.

Results

Revenue

Consolidated revenue totalled \$195.3 million for the third quarter of 2019, up \$10.8 million or 5.8% from \$184.5 million for the same period in 2018. Consolidated revenue was positively affected by \$1.5 million due to a stronger U.S. dollar against the Canadian dollar in the third quarter of 2019 than in the third quarter of 2018.

In the third quarter of 2019, revenue in the marine services segment amounted to \$100.9 million, up by \$4.5 million or 4.6% from the third quarter of 2018. This increase stems from 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 \$94.4 million, up from \$88.1 million in the third quarter of 2018. This increase of \$6.3 million is mainly due to higher revenue from site remediation and decontamination services than last year, which was partially offset by lower revenue from woven hose manufacturing.

Q3 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

For the nine-month period ended September 28, 2019, consolidated revenue totalled \$466.2 million, compared with \$416.2 million for the same period in 2018, an increase of \$50.0 million. Consolidated revenue has been positively affected by \$5.8 million year-to-date, due to a stronger U.S. dollar against the Canadian dollar in 2019. Revenue in the marine services segment totalled \$286.5 million for the first nine months of 2019, up by \$41.1 million from \$245.4 million for the same period last year. This increase is primarily attributable to the business combinations of GSM and Pate, which contributed an additional \$36.6 million in sales, and to a general volume increase in our bulk and break-bulk terminals, which saw more activity in 2019 than in the same period in 2018. The environmental services segment delivered revenue totalling \$179.7 million, an increase of \$8.9 million or 5.2% over revenue of \$170.8 million for the same nine-month period in 2018. This increase is primarily attributable to higher revenue from services related to site remediation and decontamination and to rehabilitation of underground water mains.

Employee Benefits Expense

In the third quarter of 2019, the employee benefits expense rose by \$7.6 million or 8.6% to \$95.3 million, from the \$87.7 million recorded for the same quarter in 2018. This increase is mainly attributable to our revenue increase as described above and increased business in more labour-intensive activities related to services from rehabilitation of underground water mains when compared to last year. The ratio of employee benefits expense to revenue was 48.8% in the third quarter of 2019, compared with 47.5% for the same period in 2018.

For the first nine months of 2019, the employee benefits expense reached \$232.4 million, an increase of \$21.0 million or 9.9% over the \$211.4 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 \$14.9 million in employee benefits expenses. The ratio of employee benefits expense to revenue was down to 49.8% from 50.8% for the same period last year.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$50.8 million in the third quarter of 2019, an increase of \$3.6 million when compared to the same period last year. The ratio of equipment and supplies expense to consolidated revenue was relatively stable at 26.0% for the third quarter of 2019, compared with 25.6% for the third quarter of 2018.

For the first nine months of 2019, equipment and supplies expense amounted to \$124.4 million, an increase of \$13.5 million or 12.2% over the same period of 2018. This increase is in line with the revenue increase. The overall ratio of equipment and supplies expense to revenue was 26.7% for the first nine months of 2019, which is very close to the ratio of 26.6% for the same period in 2018.

Rental Expense

Rental expense stood at \$11.3 million, or \$14.9 million, when we exclude the impact of the application of IFRS 16 for the third quarter of 2019. The ratio of rental expense to consolidated revenue, excluding the impact of IFRS 16, was 7.6%, which is similar to 6.9% for the same period last year.

For the first nine months of 2019, rental expense reached \$30.9 million, or \$41.3 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 8.8%, which is similar to 8.1% for the same period last year.

Q3 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

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 \$3.6 million during the third quarter of 2019 and \$10.3 million in the first nine months of 2019. Lease payments are presented in the 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 Q3 2019 financial statements for further details.

Other Expenses

Other expenses stood at \$7.1 million, representing a decrease of \$0.8 million or 10.2% compared to the third quarter of 2018.

Other expenses for the first nine months of 2019 amounted to \$23.7 million, representing an increase of 8.8% compared with \$21.8 million in 2018. This increase stems from two factors: the integration costs of the two new business combinations made last year, and the professional fees incurred to analyze business development opportunities.

Depreciation and Amortization Expense

Depreciation and amortization expense amounted to \$10.5 million for the third quarter of 2019, up \$3.1 million from \$7.4 million for the same period in 2018. Of this increase, \$2.9 million relates to depreciation of the additional right of use of assets created under IFRS 16.

Depreciation and amortization expense amounted to \$32.1 million for the first nine months of 2019, up \$12.1 million from \$20.0 million for the same period in 2018. Of this increase, \$8.7 million relates to depreciation of the additional right of use of assets created under IFRS 16, and \$2.9 million relates to depreciation and amortization of assets acquired in business combinations.

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 Q3 2019 financial statements for further details.

Other Gains and Losses

Other gains and losses varied by \$1.4 million, from a \$0.4 million loss in the third quarter of 2018 to a \$1.0 million gain in this quarter. In the first nine months of the year, other gains and losses varied by \$2.4 million, from a \$0.8 million gain in 2018 to a \$1.6 million loss in 2019. These variances are mainly related to unrealized exchange losses incurred in 2019 on translating net working capital denominated in U.S. dollars, given the stronger Canadian dollar, and to the \$1.0 million gain realized in the third quarter of 2018 through disposal of property, plant and equipment and other non-recurring settlements.

Finance Expense

Finance expense amounted to \$2.7 million in the third quarter of 2019, an increase of \$0.4 million over the \$2.3 million reported for the same quarter of 2018. Of this increase, \$1.1 million relates to the accretion expense of the additional liabilities created under IFRS 16.

For the first nine months of 2019, the finance expense amounted to \$8.4 million, an increase of \$2.5 million over the same period in 2018. Of this increase, \$2.9 million relates to the accretion expense of the additional liabilities created under IFRS 16, partially 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 Q3 2018 financial statements. This relates to balances due following the acquisition of the non-controlling interest in Sanexen three years ago. The acceleration stems from the early retirement of one of the executives involved in the transaction.

Q3 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

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 Q3 2019 financial statements for further details.

Income taxes

Income taxes amounted to \$5.4 million for the third quarter of 2019, up \$1.3 million from \$4.1 million for the same period in 2018. This increase stems primarily from the income taxes benefits associated to the tax losses of a foreign subsidiary that are no longer recognized in 2019 and profit (loss) before income taxes that were taxed at different rates for our U.S. and Canadian operations.

Profit for the Period and Earnings per Share

Overall, the Company reported a profit attributable to owners of the Company of \$17.4 million in the third quarter of 2019, down \$4.9 million from the \$22.3 million recorded in the corresponding period last year. This translated into total diluted earnings per share of \$1.33, of which \$1.27 was attributable to Class A shares and \$1.40 to Class B shares.

Profit before income taxes from the marine services segment amounted to \$12.4 million in the third quarter of 2019, down \$0.9 million from the \$13.3 million profit reported for the same quarter of 2018. From an operational point of view, cargo handling performance was positive in the third quarter of 2019. The decrease stems from two factors: the incremental expenses related to the transition to IFRS 16, and a lower share of profit from equity-accounted investments. These decreases were partially offset by 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.

Profit before income taxes from the environmental services segment amounted to \$10.5 million in the third quarter of 2019, stable compared to the \$10.7 million profit reported for the same quarter of 2018. From an operational point of view, a higher level of activity has caused revenue to rise by \$6.3 million. However, this improvement was offset by higher employee benefits expense due to increased business in more labour-intensive activities related to services from rehabilitation of underground water mains when compared to last year.

For the first nine months of 2019, the Company reported a profit of \$14.7 million, of which a profit of \$0.3 million was attributable to non-controlling interests, amounting to a \$14.4 million profit attributable to owners of the Company. This translated into total diluted earnings per share of \$1.10 of which \$1.06 per share was attributable to Class A shares and \$1.16 per share was attributable to Class B shares.

For the first nine months of 2019, profit before income taxes from the marine services segment amounted to \$19.9 million, down from the \$22.9 million profit for the same period of 2018. From an operational point of view, cargo-handling performance was positive in the first nine months of 2019. However, this decrease stems from the professional fees incurred to analyze business development opportunities, the incremental expenses related to the transition to IFRS 16 and a lower share of profit from equity-accounted investments.

For the first nine months of 2019, the profit before income taxes from the environmental services segment amounted to a \$1.0 million loss, an improvement over the \$3.4 million loss in the same period of 2018. The decreased loss before income taxes is mainly attributable to revenue increase and sound management of employee benefits expense, and was partially offset by the \$1.0 million gain realized in the third quarter of 2018 through disposal of property, plant and equipment and other non-recurring settlements.

All other items of the 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 third quarter of 2019. Please also refer to Note 4 of the notes to Q3 2019 financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to \$759.1 million as at September 28, 2019, up by \$122.0 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 and to the additional contract assets that reflect the higher level of our seasonal operations.

Cash and cash equivalents totalled \$16.1 million at the end of the third quarter of 2019, up by \$0.7 million from \$15.4 million as at December 31, 2018. The main items behind this increase are as follows:

(in thousands of dollars)

Positive:	
Cash generated from operations	59.9
Issuance of long-term debt, net of repayment	31.4
	91.3
Negative:	
Acquisition of property, plant and equipment, net of proceeds from disposal	(28.2)
Net change in short-term bank loans	(13.6)
Changes in non-cash working capital items	(16.3)
Income taxes paid	(9.9)
Repayment of due to shareholders	(5.4)
Interest paid	(8.6)
Repayment of lease liabilities	(7.4)
	(89.4)

Working Capital

Working capital totalled \$112.3 million at the end of the third quarter of 2019, for a current ratio of 1.90:1 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 higher contract assets at the end of the third quarter of 2019.

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 \$28.7 million to \$192.0 million as at September 28, 2019. This increase is mainly attributable to the \$82.0 million issuance of long-term debt, partly offset by repayment of long-term debt of \$50.6 million.

In October 2019, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., renegotiated their credit agreement leading to an amendment to the existing credit agreement. The unsecured revolving credit facility was increased from \$175 million to \$300 million or the U.S. dollar equivalent, with maturity in October 2023. The credit agreement remains subject to certain financial and non-financial covenants. The interest rate charged on borrowings under this agreement depends on the form of borrowing, to which is added a margin that varies according to the level of leverage ratio achieved by the Company.

Normal Course Issuer Bid ("NCIB")

The Company repurchased some of its shares for cancellation purposes pursuant to NCIBs. The new NCIB was launched on October 28, 2019 and will terminate on October 27, 2020. LOGISTEC intends to repurchase, for cancellation purposes, up to 369,296 Class A shares and 270,195 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 22, 2019.

Equity Attributable to Owners of the Company

As at September 28, 2019, equity attributable to owners of the Company amounted to \$268.9 million, up by \$6.7 million from the December 31, 2018 closing balance of \$262.2 million. Adding long-term debt yields a capitalization of \$425.5 million, which computes to a debt/capitalization ratio of 41.7% compared to 38.4% as at December 31, 2018.

As at November 6, 2019, 7,385,422 Class A shares and 5,403,101 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 Q3 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 marine services.

The following table summarizes the financial information of Termont Terminal Inc. at 100%. The Company holds a 50% equity interest in this joint venture:

(in thousands of dollars)

	As at September 28, 2019 \$	As at December 31, 2018 \$		
Statement of financial position				
Total assets ⁽¹⁾	86,496	48,218		
Total liabilities ⁽¹⁾	37,631	543		
	For the three months ended September 28, 2019 \$	September 29, 2018 \$	For the nine months ended September 28, 2019 \$	September 29, 2018 \$
Statement of earnings				
Revenue	916	933	2,943	2,772
Share of profit of an equity accounted investment	1,731	3,002	4,028	5,220
Profit for the period	2,217	3,534	5,695	6,770

⁽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)	September 28, 2019 \$	December 31, 2018 \$	Var. \$	Var. %	Explanation of variation
Contract assets	33.7	14.3	19.4	n.m.	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 third quarter of 2019.
Property, plant and equipment	188.0	181.3	6.7	3.7	This increase stems mainly from capital expenditures of \$29.9 million, which exceeded the depreciation expense of \$19.4 million.
Right-of-use assets	90.1	—	90.1	n.m.	This increase stems from the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q3 2019 financial statements.
Intangible assets	41.8	47.0	(5.2)	(11.1)	This decrease stems mainly from the amortization expense of \$4.0 million.
Contract liabilities	9.8	5.2	4.6	88.2	Contract liabilities represent advance consideration received from customers, for which revenue will be recognized when contract work is to be performed in our environmental services segment. The start of the season in all business activities led to higher deferred revenue at the end of the third quarter of 2019.
Current portion of lease liabilities	9.8	—	9.8	n.m.	This increase stems from the application of IFRS 16, as fully described in Notes 2 and 6 of the notes to Q3 2019 financial statements.
Non-current lease liabilities	81.8	—	81.8	n.m.	
Current portion of long-term debt	5.2	3.3	1.9	58.5	This variance stems from the \$82.0 million issuance of long-term debt, partly offset by repayment of long-term debt of \$50.6 million.
Long-term debt	186.8	160.0	26.8	16.7	
Non-current liabilities	52.7	47.0	5.7	12.2	This increase stems mainly from a \$4.9 million advance due to a non-controlling interest.
Share capital	40.3	35.0	5.3	15.0	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 condensed consolidated interim statements of financial position varied according to normal business parameters in the third 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 Q3 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 nine-month periods ended September 28, 2019, amount to \$2.9 million and \$8.7 million, respectively, and are recorded in depreciation and amortization in the condensed consolidated interim statements of earnings;
- Accretion expenses on the lease liability amount to \$1.1 million and \$2.9 million, respectively, for the three and nine-month periods ended September 28, 2019 and are recorded in finance expense in the condensed consolidated interim statements of earnings.

Please refer to Notes 2 and 6 of the notes to Q3 2019 financial statements for further details.

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

The Q3 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 Q3 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.

Q3 2019 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

They have reviewed this management's discussion and analysis and the Q3 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 Q3 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 third quarter of 2019 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

We are satisfied with the results of the third quarter of 2019, even though they were not as strong as we had expected.

The marine services segment is posting a satisfactory performance, with strong activities in Arctic coastal transportation and solid results in cargo handling, despite lower than expected volumes of steel, containers and spot cargoes. We foresee the volume in this segment to remain strong in the last quarter of 2019, particularly for bulk and project cargo.

In the environmental services segment, results for the quarter are very similar to last year's, and year-to-date results are slightly better. Explanations of the variances provided earlier in this report can be essentially summed up in four factors: higher site remediation activities and improvement in FER-PAL results, offset by lower woven hose manufacturing and Aqua-Pipe installations in Québec. Regarding site remediation, this strong pace should carry on until the end of 2019, as we have a well garnished back log with planned delivery date prior to year-end. As for FER-PAL, the cost control improvements that were implemented in 2019 should allow for a much smoother landing at year-end.

We are therefore cautiously optimistic that, corporation-wide, we will deliver a good fourth quarter, with improved overall performance for 2019 over 2018.

Our long-term goal remains to grow both top and bottom lines. As such, we are seeking growth opportunities in both of our business segments, for the benefit of the company, our shareholders, and our partners.

Q3 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) 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

November 6, 2019

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 September 28, 2019 \$	September 29, 2018 \$	For the nine months ended September 28, 2019 \$	September 29, 2018 \$
Revenue	9	195,293	184,537	466,216	416,161
Employee benefits expense		(95,261)	(87,718)	(232,353)	(211,369)
Equipment and supplies expense		(50,756)	(47,204)	(124,374)	(110,833)
Rental expense	6	(11,290)	(12,784)	(30,878)	(33,623)
Other expenses		(7,059)	(7,859)	(23,736)	(21,816)
Depreciation and amortization expense	6	(10,497)	(7,385)	(32,059)	(19,953)
Share of profit of equity accounted investments		4,162	4,575	5,654	5,606
Other gains (losses)		951	(400)	(1,577)	755
Operating profit		25,543	25,762	26,893	24,928
Finance expense	6	(2,733)	(2,272)	(8,374)	(5,918)
Finance income		71	414	356	512
Profit before income taxes		22,881	23,904	18,875	19,522
Income taxes		(5,403)	(4,081)	(4,222)	(4,966)
Profit for the period		17,478	19,823	14,653	14,556
Profit (loss) attributable to:					
Owners of the Company		17,393	22,256	14,430	14,647
Non-controlling interests		85	(2,433)	223	(91)
Profit for the period		17,478	19,823	14,653	14,556
Basic earnings per Class A Common Share ⁽¹⁾		1.31	1.68	1.09	1.11
Basic earnings per Class B Subordinate Voting Share ⁽²⁾		1.44	1.85	1.19	1.22
Diluted earnings per Class A share		1.27	1.62	1.06	1.07
Diluted earnings per Class B share		1.40	1.78	1.16	1.17
Weighted average number of Class A shares outstanding, basic and diluted		7,385,989	7,405,022	7,389,289	7,405,466
Weighted average number of Class B shares outstanding, basic		5,407,301	5,286,167	5,377,686	5,240,222
Weighted average number of Class B shares outstanding, diluted		5,714,471	5,741,904	5,717,871	5,730,299

⁽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.

Q3 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 nine months ended	
	September 28, 2019 \$	September 29, 2018 \$	September 28, 2019 \$	September 29, 2018 \$
Profit for the period	17,478	19,823	14,653	14,556
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	1,591	(2,141)	(3,359)	2,841
Unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations	(810)	—	2,348	—
Gain (loss) on derivatives financial instruments designated as cash flow hedges	18	—	(167)	4
Income taxes relating to derivatives financial instruments designated as cash flow hedges	(5)	—	45	(1)
Total items that are or may be reclassified to the consolidated statements of earnings	794	(2,141)	(1,133)	2,844
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement (loss) gain on benefit obligation	(1,056)	1,155	(2,136)	2,326
Return on retirement plan assets excluding amounts included in profit for the period	2,254	19	539	(14)
Income taxes on remeasurement (loss) gain on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period	(323)	(308)	429	(613)
Total items that will not be reclassified to the consolidated statements of earnings	875	866	(1,168)	1,699
Other comprehensive income (loss) for the period, net of income taxes	1,669	(1,275)	(2,301)	4,543
Total comprehensive income for the period	19,147	18,548	12,352	19,099
Total comprehensive income (loss) attributable to:				
Owners of the Company	19,054	20,990	12,142	19,176
Non-controlling interests	93	(2,442)	210	(77)
Total comprehensive income (loss) for the period	19,147	18,548	12,352	19,099

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 September 28, 2019 \$	As at December 31, 2018 \$
Assets			
Current assets			
Cash and cash equivalents		16,102	15,393
Trade and other receivables		162,965	160,067
Contract assets		33,669	14,282
Current income tax assets		5,384	2,964
Prepaid expenses and other		6,052	4,899
Inventories		13,421	10,711
		237,593	208,316
Equity accounted investments		39,869	38,005
Property, plant and equipment		187,954	181,284
Right-of-use assets	6	90,065	—
Goodwill	5	141,437	142,672
Intangible assets	5	41,805	47,006
Non-current assets		2,141	2,173
Non-current financial assets		5,197	6,328
Deferred income tax assets		13,022	11,319
Total assets		759,083	637,103
Liabilities			
Current liabilities			
Short-term bank loans		—	13,577
Trade and other payables		97,464	98,668
Contract liabilities		9,834	5,225
Current income tax liabilities		951	3,480
Dividends payable		2,023	1,973
Current portion of lease liabilities	6	9,810	—
Current portion of long-term debt		5,221	3,294
		125,303	126,217
Lease liabilities	6	81,836	—
Long-term debt	8	186,765	160,003
Deferred income tax liabilities		21,112	21,465
Post-employment benefit obligations		17,023	14,716
Contract liabilities		3,033	3,333
Non-current liabilities		52,719	46,980
Total liabilities		487,791	372,714
Equity			
Share capital	7	40,269	35,016
Share capital to be issued	7	9,811	14,717
Retained earnings		207,870	200,404
Accumulated other comprehensive income		10,941	12,061
Equity attributable to owners of the Company		268,891	262,198
Non-controlling interest		2,401	2,191
Total equity		271,292	264,389
Total liabilities and equity		759,083	637,103

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		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
Profit (loss) for the period		—	—	—	—	14,430	14,430	223	14,653
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	—	(3,346)	—	(3,346)	(13)	(3,359)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	—	2,348	—	2,348	—	2,348
Remeasurement losses on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	(1,168)	(1,168)	—	(1,168)
Cash flow hedges, net of income taxes		—	—	(122)	—	—	(122)	—	(122)
Total comprehensive income (loss) for the period		—	—	(122)	(998)	13,262	12,142	210	12,352
Remeasurement of written put option liability		—	—	—	—	(697)	(697)	—	(697)
Repurchase of Class A shares	7	(5)	—	—	—	(286)	(291)	—	(291)
Issuance and repurchase of Class B shares	7	352	—	—	—	(1,146)	(794)	—	(794)
Issuance of Class B shares capital to a subsidiary shareholder	7	4,906	(4,906)	—	—	—	—	—	—
Dividends on Class A shares	7	—	—	—	—	(2,032)	(2,032)	—	(2,032)
Dividends on Class B shares	7	—	—	—	—	(1,635)	(1,635)	—	(1,635)
Balance as at September 28, 2019		40,269	9,811	13	10,928	207,870	268,891	2,401	271,292

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		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		—	—	—	—	14,647	14,647	(91)	14,556
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	—	2,827	—	2,827	14	2,841
Remeasurement gain on benefit obligation and return on retirement plan assets excluding amounts included in profit for the period, net of income taxes		—	—	—	—	1,699	1,699	—	1,699
Cash flow hedges, net of income taxes		—	—	3	—	—	3	—	3
Total comprehensive income (loss) for the period		—	—	3	2,827	16,346	19,176	(77)	19,099
Remeasurement of written put option liability		—	—	—	—	(1,356)	(1,356)	—	(1,356)
Repurchase of Class A shares	7	—	—	—	—	(32)	(32)	—	(32)
Issuance and repurchase of Class B shares	7	1,021	—	—	—	(242)	779	—	779
Issuance of Class B shares capital to a subsidiary shareholder	7	5,103	(5,103)	—	—	—	—	—	—
Dividends on Class A shares	7	—	—	—	—	(1,894)	(1,894)	—	(1,894)
Dividends on Class B shares	7	—	—	—	—	(1,483)	(1,483)	—	(1,483)
Other dividends		—	—	—	—	(776)	(776)	—	(776)
Balance as at September 29, 2018		35,143	14,717	141	9,295	183,692	242,988	2,144	245,132

See accompanying notes to the condensed consolidated interim financial statements.

Q3 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the nine months ended September 28, 2019 \$	September 29, 2018 \$
Operating activities			
Profit for the period		14,653	14,556
Items not affecting cash and cash equivalents		45,293	29,588
Cash generated from operations		59,946	44,144
Dividends received from equity accounted investments		3,770	3,346
Contributions to defined benefit retirement plans		(698)	(816)
Settlement of provisions		(217)	(251)
Changes in non-cash working capital items		(16,333)	(5,019)
Income taxes paid		(9,857)	(9,127)
		36,611	32,277
Financing activities			
Net change in short-term bank loans	8	(13,577)	1,780
Issuance of long-term debt	8	81,969	127,447
Repayment of long-term debt		(50,607)	(47,100)
Repayment of lease liabilities	6	(7,374)	—
Interest paid	6	(8,635)	(5,087)
Issuance of Class B shares		258	561
Repurchase of Class A shares	7	(291)	(32)
Repurchase of Class B shares	7	(1,350)	(272)
Dividends paid on Class A shares		(2,012)	(1,833)
Dividends paid on Class B shares		(1,606)	(1,419)
		(3,225)	74,045
Investing activities			
Acquisition of property, plant and equipment		(29,919)	(13,488)
Acquisition of intangible assets		(53)	(172)
Proceeds from disposal of property, plant and equipment		1,676	961
Business combinations		—	(97,998)
Cash acquired in a business combination		—	2,501
Repayment of due to shareholders		(5,386)	—
Interest received		226	394
Cash paid to a minority interest		—	(157)
Repayment of other non-current financial assets		157	159
Repayment of other non-current liabilities		(310)	—
Acquisition of other non-current assets		(276)	(286)
Disposal of other non-current assets		123	193
		(33,762)	(107,893)
Net change in cash and cash equivalents		(376)	(1,571)
Cash and cash equivalents, beginning of period		15,393	3,963
Effect of exchange rate on balances held in foreign currencies of foreign operations		1,085	(526)
Cash and cash equivalents, end of period		16,102	1,866
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		645	391
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 Q3 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 28, 2019, and September 29, 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 34 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 Q3 2019 financial statements of the Company have been prepared by and are the responsibility of management. The Q3 2019 financial statements were approved by the Company’s Board of Directors on November 6, 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 Q3 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 Q3 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 Q3 2019 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and nine months ended September 28, 2019, and September 29, 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 nine-month periods ended September 28, 2019, amount to \$2,938 and \$8,726, respectively, and are recorded in depreciation and amortization in the condensed consolidated interim statements of earnings;
- Accretion expenses on the lease liability amount to \$1,090 and \$2,888, respectively for three and nine-month periods ended September 28, 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)
Lease liabilities recognized as at January 1, 2019	76,517

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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 Q3 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 Q3 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 September 28, 2019, the ratio is 41.7% based on debt of \$191,986 divided by a capitalization of \$460,877 (38.4% as at December 31, 2018, based on \$163,297/\$425,459).

As at September 28, 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 nine months ended September 28, 2019, the 20 largest customers account for 33.6% (41.3% in 2018) of consolidated revenue.

Fair Value of Financial Instruments

As at September 28, 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 September 28, 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 September 28, 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 September 28, 2019, no financial instruments were transferred between levels 1, 2 and 3.

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Sensitivity analysis

On September 28, 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 September 28, 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 purposes)	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.

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6. Lease arrangements

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	24,855	742	100	25,697
Disposals	(2,018)	(45)	(11)	(2,074)
Depreciation expense	(6,990)	(1,680)	(56)	(8,726)
Effect of foreign currency exchange differences	(1,178)	(170)	(1)	(1,349)
As at September 28, 2019	83,771	6,048	246	90,065

Lease liabilities

	As at September 28, 2019 \$
Contractual undiscounted cash flows	
Less than 1 year	13,722
Between 1 and 5 years	41,912
More than 5 years	66,448
Total undiscounted lease liabilities	122,082
Lease liabilities as at September 28, 2019	91,646
Current	9,810
Non-current	81,836

Amount recognized in the condensed consolidated interim statements of earnings

	For the three months ended September 28, 2019 \$	For the nine months ended September 28, 2019 \$
Interest on lease liabilities	1,090	2,888
Expense related to variable lease payments, short-term and low-value assets not included in the measurement of lease liabilities	8,614	23,578

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7. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 6,800 (700 in 2018) Class A shares and 32,800 (5,700 in 2018) Class B shares were repurchased and cancelled for cash consideration of \$291 (\$32 in 2018) and \$1,350 (\$272 in 2018), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$286 (\$32 in 2018) and \$1,146 (\$242 in 2018), respectively, was charged to retained earnings.

As of September 28, 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 \$420 as at September 28, 2019 (\$482 as at December 31, 2018).

During the third quarter ended September 28, 2019, there were no Class A shares converted into Class B shares (500 in 2018).

Following the 2016 agreement with Sanexen, as at September 28, 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 September 28, 2019.

The issued and outstanding shares were as follows:

	As at September 28, 2019 \$	As at December 31, 2018 \$
7,385,922 Class A shares (7,392,722 as at December 31, 2018)	4,880	4,885
5,403,901 Class B shares (5,273,334 as at December 31, 2018)	35,389	30,131
	40,269	35,016

Dividends

Details of dividends declared per share are as follows:

	For the nine months ended September 28, 2019 \$	September 29, 2018 \$
Class A shares	0.28	0.26
Class B shares	0.30	0.28

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8. Long-Term Debt

As at September 28, 2019, an amount of \$131,632 had been drawn on the existing Credit Facilities, including \$3,763 in letters of credit. The unused amount under the credit facility was \$43,368.

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 September 28, 2019, the overdraft facility was undrawn.

9. Revenue

Revenue is detailed as follows:

	For the three months ended		For the nine months ended	
	September 28, 2019	September 29, 2018	September 28, 2019	September 29, 2018
	\$	\$	\$	\$
Revenue from cargo-handling services	100,868	96,398	284,491	245,347
Revenue from services relating to rehabilitation of underground water mains	61,746	60,400	103,942	97,341
Revenue from site remediation services and decontamination services	27,583	16,554	50,783	42,737
Revenue from sale of goods	5,096	11,185	27,000	30,736
	195,293	184,537	466,216	416,161

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 \$
For the three months ended September 28, 2019			
Revenue	100,867	94,426	195,293
Profit before income taxes	12,370	10,511	22,881
For the nine months ended September 28, 2019			
Revenue	286,500	179,716	466,216
Profit (loss) before income taxes	19,912	(1,037)	18,875
As at September 28, 2019			
Total assets	468,297	290,786	759,083
Total liabilities	325,626	162,165	487,791
For the three months ended September 29, 2018			
Revenue	96,398	88,139	184,537
Profit before income taxes	13,251	10,653	23,904
For the nine months ended September 29, 2018			
Revenue	245,347	170,814	416,161
Profit (loss) before income taxes	22,894	(3,372)	19,522
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.

	Canada \$	USA \$	Total \$
Revenue			
For the three months ended September 28, 2019	111,555	83,738	195,293
For the three months ended September 29, 2018	110,715	73,822	184,537
For the nine months ended September 28, 2019	232,702	233,514	466,216
For the nine months ended September 29, 2018	231,915	184,246	416,161
Non-current assets ⁽¹⁾			
As at September 28, 2019	258,381	244,890	503,271
As at December 31, 2018	231,466	179,674	411,140

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

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11. Subsequent Event

In October 2019, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., renegotiated their credit agreement leading to an amendment to the existing credit agreement. The unsecured revolving credit facility was increased from \$175,000 to \$300,000 or the U.S. dollar equivalent, with maturity in October 2023. The credit agreement remains subject to certain financial and non-financial covenants. The interest rate charged on borrowings under this agreement depends on the form of borrowing, to which is added a margin that varies according to the level of leverage ratio achieved by the Company.

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