

Interim Financial Report for the Period Ended March 28, 2020

LOGISTEC
Q1 2020

Revenue

(in millions of Canadian dollars)

	2017	2018	2019 ⁽¹⁾	2020 ⁽¹⁾
March	60.1	82.4	114.7	109.4
June	101.9	149.2	156.2	
September	168.3	184.5	195.3	
December	145.5	168.7	173.7	
Year-to-date	475.7	584.9	639.9	109.4

Adjusted EBITDA ⁽²⁾

(in millions of Canadian dollars)

	2017	2018	2019 ⁽¹⁾	2020 ⁽¹⁾
March	3.4	(3.2)	1.2	7.5
June	11.9	14.9	21.7	
September	29.0	33.2	36.0	
December	30.4	19.3	30.7	
Year-to-date	74.7	64.2	89.6	7.5

Profit (loss) attributable to owners of the Company

(in millions of Canadian dollars)

	2017	2018	2019 ⁽¹⁾	2020 ⁽¹⁾
March	(1.5)	(9.5)	(8.9)	(5.4)
June	4.8	1.9	5.9	
September	11.0	22.3	17.4	
December	13.2	3.4	11.8	
Year-to-date	27.4	18.1	26.2	(5.4)

Total earnings (loss) per share ⁽³⁾

(in Canadian dollars)

	2017	2018	2019 ⁽¹⁾	2020 ⁽¹⁾
March	(0.13)	(0.75)	(0.70)	(0.42)
June	0.37	0.14	0.45	
September	0.83	1.69	1.33	
December	1.01	0.26	0.90	
Year-to-date	2.11	1.38	2.00	(0.42)

⁽¹⁾ The 2020 and 2019 figures reflect the application of IFRS 16, Leases ("IFRS 16"), for which the 2018 and 2017 comparative figures have not been restated. Please refer to the application of IFRS 16 section on page 8 for further details.

⁽²⁾ Adjusted EBITDA is a non-IFRS measure; please refer to the non-IFRS measure section on page 7.

⁽³⁾ For earnings (loss) per share per class of share, please refer to the selected quarterly financial information on page 6.



To Our Shareholders

Here are the highlights from the first quarter of 2020:

- Consolidated revenue down \$5.3 million or 4.6% to \$109.4 million;
- Adjusted EBITDA ⁽¹⁾ up \$6.3 million to \$7.5 million;
- Cash flows from operating activities up \$14.3 million to \$23.9 million;
- Total loss per share improved from \$0.70 to \$0.42.

During the first quarter of 2020, consolidated revenue totalled \$109.4 million, a decrease of \$5.3 million or 4.6% over the same period in 2019. Revenue from the marine services segment was lower at \$90.3 million compared to \$91.1 million in the comparative period. Cargo handling activities are deemed essential services by the government authorities in Canada and the United States. As such, our terminal operations across our North American network remained functional under our business continuity plan. Revenue from the environmental services segment amounted to \$19.1 million, a decrease of \$4.5 million or 19.2% over the first quarter of 2019. COVID-19 has affected some of these activities, causing delays in certain projects. However, as we perform crucial services to maintain and upgrade critical infrastructure, we expect to move forward with a number of them in the weeks to come.

The adjusted EBITDA ⁽¹⁾ for the quarter closed at \$7.5 million, an increase of \$6.3 million over the comparative period. This increase stemmed mainly from the unrealized exchange gains and lower professional fees incurred in 2020 compared to 2019, to support business integration and to analyze business development opportunities. The increase was partially offset by lower revenue as explained above.

Cash flows from operating activities totalled \$23.9 million for the first quarter of 2020, up \$14.3 million from \$9.6 million for the same period in 2019. The increase stemmed mainly from a reduced loss for the period and a better monetization of working capital.

As in previous first quarters, our Company showed a loss in the first quarter. This is due to the high seasonality of its environmental services, as well as marine navigation to the Arctic, and the lack of cargo-handling activities in the Great Lakes, which are closed to navigation during this period. Loss attributable to the owners of the Company for the first quarter amounted to \$5.4 million, substantially better than last year's loss of \$8.9 million. The improvement can largely be attributed to a gain in foreign exchange as mentioned above, but it is important to note that our non-seasonal operating activities also performed well. The loss attributable to owners of the Company translated to a total basic and diluted loss per share of \$0.42, of which \$0.41 was attributable to Class A Common Shares and \$0.45 to Class B Subordinate Voting Shares.

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section.

Outlook

We want to thank all of our people, both on the front lines and those working remotely, for their dedication and resilience in these trying times. Since we rolled out our business continuity plan for our operations that are deemed essential services by the government authorities in Canada and the United States, they have demonstrated resilience and agility to provide reliable services to our customers, our partners, and the communities in which we operate. Our business diversity and our essential services bring us some financial stability, which we believe will position us favourably in the coming months.

(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

May 6, 2020

Introduction

This management's discussion and analysis ("MD&A") deals with LOGISTEC Corporation's operations, results and financial position for the three-month periods ended March 28, 2020, and March 30, 2019. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements ("Q1 2020 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 2019 audited consolidated financial statements, except for the new accounting standards and amendments described in Note 2 of the Q1 2020 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 59 terminals across North America. It is widely diversified in terms 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. We deliver creative and customized solutions to industrial, municipal and governmental clients with respect to rehabilitation of underground water mains, site remediation, soils and materials management, risk assessment, and manufacturing of woven hoses.

Business Development

COVID-19 Measures

During March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is constantly evolving, and the measures put in place have numerous economic repercussions on the global and national levels. These measures, which include travel bans, solitary confinement or quarantine, whether voluntary or not, and social distancing, have caused significant disruption in the United States and Canada, where the Company operates.

LOGISTEC has rolled out its business continuity plan for its operations that are deemed essential services by the government authorities in Canada and the United States. More precisely, the Company's marine operations are considered essential services and, as such, our terminal operations across our North American network remain open and functional. In addition, our manufacturing of woven hoses, which is essential in providing communities with drinking water and fighting forest fires, remain operational.

On the environmental side, we are, as every year, affected by the seasonality of our operations and most activities cannot be performed in the winter season. This includes site remediation and rehabilitation of water mains. COVID-19 has nonetheless affected some of these activities, causing delays in certain projects. However, as we perform crucial services to maintain and upgrade critical infrastructure, we expect to move forward with a number of them in the weeks to come.

In light of the COVID-19 measures, management has reviewed their judgments, estimates and assumptions, which are fully described in the 2019 consolidated financial statements, about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As at March 28, 2020, management has not found any triggering events that could impair its long-lived assets, including goodwill, that could increase its expected credit losses on its trade receivables, or that could limit its ability to draw on its credit facilities.

Q1 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Selected Quarterly Financial Information

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

	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year-to-date \$
2020					
Revenue	109,431				109,431
Adjusted EBITDA ⁽¹⁾	7,473				7,473
Profit (loss) attributable to owners of the Company	(5,421)				(5,421)
Basic earnings (loss) per Class A Common Share ⁽²⁾	(0.41)				(0.41)
Basic earnings (loss) per Class B Subordinate Voting Share ⁽³⁾	(0.45)				(0.45)
Total basic earnings (loss) per share	(0.42)				(0.42)
Diluted earnings (loss) per Class A share	(0.41)				(0.41)
Diluted earnings (loss) per Class B share	(0.45)				(0.45)
Total diluted earnings (loss) per share	(0.42)				(0.42)
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year \$
2019					
Revenue	114,748	156,175	195,293	173,726	639,942
Adjusted EBITDA ⁽¹⁾	1,168	21,744	36,040	30,659	89,611
Profit (loss) attributable to owners of the Company	(8,890)	5,927	17,393	11,764	26,194
Basic earnings (loss) per Class A share	(0.67)	0.44	1.31	0.89	1.97
Basic earnings (loss) per Class B share	(0.74)	0.49	1.44	0.97	2.16
Total basic earnings (loss) per share	(0.70)	0.46	1.37	0.92	2.05
Diluted earnings (loss) per Class A share	(0.67)	0.43	1.27	0.86	1.92
Diluted earnings (loss) per Class B share	(0.74)	0.48	1.40	0.95	2.11
Total diluted earnings (loss) per share	(0.70)	0.45	1.33	0.90	2.00

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure; please refer to the non-IFRS measure section below.

⁽²⁾ Class A Common Share ("Class A share").

⁽³⁾ Class B Subordinate Voting Share ("Class B share").

Non-IFRS Measure

In this MD&A, the Company uses measures that are not in accordance with IFRS. Adjusted earnings before interest expense, income taxes, depreciation and amortization expense ("adjusted EBITDA") and net indebtedness/capitalization ratio are not defined by IFRS and cannot be formally presented in the Q1 2020 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 and net indebtedness/capitalization ratio 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. Net indebtedness/capitalization ratio is a leverage ratio used by our fund providers.

The following tables provide a reconciliation of profit (loss) for the period to adjusted EBITDA:

(in thousands of Canadian dollars)

	Q1	Q2	Q3	Q4	Year-to-date
	\$	\$	\$	\$	\$
2020 ⁽¹⁾					
Profit (loss) for the period	(5,230)				(5,230)
PLUS:					
Depreciation and amortization expense	10,776				10,776
Net finance expense	3,006				3,006
Income taxes	(1,079)				(1,079)
Adjusted EBITDA ⁽¹⁾	7,473				7,473
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2019 ⁽¹⁾					
Profit (loss) for the period	(8,931)	6,106	17,478	11,784	26,437
PLUS:					
Depreciation and amortization expense	10,834	10,728	10,497	10,063	42,122
Net finance expense	2,552	2,804	2,662	4,335	12,353
Income taxes	(3,287)	2,106	5,403	4,477	8,699
Adjusted EBITDA ⁽¹⁾	1,168	21,744	36,040	30,659	89,611

⁽¹⁾ The 2020 and 2019 figures reflect the application of IFRS 16, for which the comparative figures have not been restated. Please refer to the application of IFRS 16 section on page 8 for further details.

Q1 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

(in thousands of Canadian dollars)

	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

Application of IFRS 16

The following table provides the estimated impact of the adoption of IFRS 16:

(in thousands of Canadian dollars)

	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year-to-date \$
2020					
Statement of earnings line items:					
Operating expense ⁽¹⁾	3,674				3,674
Depreciation and amortization expense ⁽²⁾	(2,980)				(2,980)
Finance expense ⁽³⁾	(1,163)				(1,163)
Loss before income taxes	(469)				(469)
	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year \$
2019					
Statement of earnings line items:					
Operating expense ⁽¹⁾	3,460	3,168	3,634	3,424	13,686
Depreciation and amortization expense ⁽²⁾	(3,025)	(2,763)	(2,938)	(2,842)	(11,568)
Finance expense ⁽³⁾	(922)	(876)	(1,090)	(1,072)	(3,960)
Loss before income taxes	(487)	(471)	(394)	(490)	(1,842)

⁽¹⁾ 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 are presented in the unaudited condensed consolidated interim statements of cash flows as repayment of lease liabilities and interest paid, instead of as operating expense.

⁽²⁾ Right-of-use of assets are depreciated in accordance with IAS 16 Property, Plant and Equipment using the straight-line method over the earlier of the end of their estimated useful lives or the lease term.

⁽³⁾ Accretion interest expenses on the lease liability were created under IFRS 16.

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 involve 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.

Results

Revenue

Consolidated revenue totalled \$109.4 million for the first quarter of 2020, down \$5.3 million or 4.6% from \$114.7 million for the same period in 2019. Consolidated revenue was positively affected by \$1.5 million due to a stronger U.S. dollar against the Canadian dollar in the first quarter of 2020 than in the first quarter of 2019.

In the first quarter of 2020, revenue in the marine services segment amounted to \$90.3 million, lower than in the first quarter of 2019. Cargo handling activities are deemed essential services by the government authorities in Canada and the United States. As such, our terminal operations across our North American network remained functional under our business continuity plan.

Revenue from the environmental services segment was \$19.1 million, down from \$23.6 million in the first quarter of 2019. Although the revenue from site remediation services and decontamination services rose to \$13.7 million, up \$4.7 million over the same period in 2019, we noticed a decline in our other lines of service as COVID-19 has affected some of these activities, causing delays in certain projects.

Employee Benefits Expense

In the first quarter of 2020, employee benefits expense decreased by \$1.5 million to \$56.9 million, from the \$58.4 million recorded for the same quarter in 2019. The ratio of employee benefits expense to revenue was 52.0%, slightly up from 50.9% for the same period in 2019. The increase in the ratio is mainly attributable to the fixed cost structure, to some extent, of the employee benefits. The Company is currently assessing whether it is eligible to grants, financial support and other stimulus programs offered by governments and no receivable is recorded as at March 28, 2020.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$32.0 million in the first quarter of 2020, a decrease of \$2.3 million compared to the same period last year. The decline is in line with the revenue decrease, as the overall ratio of equipment and supplies expense to consolidated revenue was relatively stable at 29.3% for the first quarter of 2020, compared to 29.9% for the first quarter of 2019.

Operating Expense

Operating expense stood at \$11.3 million for the first quarter of 2020, up \$1.8 million from the comparative period. This increase is in line with the revenue increase in the U.S. Gulf Coast region, as incremental volume in the wind cargo increased the wharfage charge.

Q1 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Other Expenses

Other expenses stood at \$6.4 million, down \$4.2 million or 39.6% compared to the first quarter of 2019. This decrease stems mainly from lower professional fees incurred in 2020, compared to 2019, to support the business integration and to analyze business development opportunities.

Other Gains and Losses

Other gains and losses varied by \$6.1 million, from a \$1.3 million loss in the first quarter of 2019 to a \$4.8 million gain in this quarter. This variance is mainly related to unrealized exchange gains incurred in 2020 on translating net working capital denominated in U.S. dollars, given the weaker Canadian dollar.

Profit for the Period and Earnings per Share

Overall, the Company reported a loss attributable to owners of the Company of \$5.4 million in the first quarter of 2020, an improvement of \$3.5 million over the \$8.9 million loss recorded in the corresponding period last year, which translated into a basic and diluted loss per share of \$0.42, of which \$0.41 was attributable to Class A shares and \$0.45 to Class B shares.

Profit before income taxes from the marine services segment amounted to \$6.4 million in the first quarter of 2020, up \$7.4 million from the \$1.0 million loss reported for the same quarter of 2019. This increase stemmed mainly from the unrealized exchange gains incurred in 2020 on translating net working capital denominated in U.S. dollars, given the weaker Canadian dollar, and from the lower professional fees incurred in 2020, compared to 2019, to support business integration and to analyze business development opportunities.

Loss before income taxes from the environmental services segment amounted to \$12.7 million in the first quarter of 2020, \$1.4 million more than the \$11.3 million loss reported for the same quarter of 2019. The increased loss is mainly revenue-driven given the fixed cost structure at the beginning of the year. This segment is particularly affected by the weather in winter months since most of its operations, Aqua-Pipe or site remediation, require soil excavation and manipulation. COVID-19 has affected some of these activities, causing delays in certain projects. However, as we perform crucial services to maintain and upgrade critical infrastructure, we expect to move forward with a number of them in the weeks to come.

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.

The following table describes the 2020 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 4, 2019	January 3, 2020	January 17, 2020	0.09350	0.102850	1.2
March 7, 2020	April 3, 2020	April 17, 2020	0.09350	0.102850	1.2
May 6, 2020	June 19, 2020	July 3, 2020	0.09350	0.102850	1.2

The Board of Directors has maintained the dividend payment for now, and will review the decision at the next Board meetings, depending on the evolution of the economic crisis.

Liquidity and Capital Resources

Capital Management

The Company's financial strategy and primary objectives when managing capital are described in Note 10 of the notes to the 2019 audited consolidated financial statements and were applied consistently in the first quarter of 2020. Please also refer to Note 5 of the notes to Q1 2020 financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to \$728.0 million as at March 28, 2020, down by \$6.7 million over the December 31, 2019 closing balance of \$734.7 million. The decrease is mainly due to the monetization of trade and other receivables as explained below, partially offset by an increase of \$23.4 million in right-of-use assets.

Cash and cash equivalents totalled \$19.1 million at the end of the first quarter of 2020, down by \$3.5 million from \$22.6 million as at December 31, 2019. The main items underlying this decrease are as follows:

(in thousands of dollars)

Sources:	
Changes in non-cash working capital items	18,043
Cash generated from operations	8,700
	26,743
Uses:	
Repayment of long-term debt, net of issuance	(15,267)
Income taxes paid	(3,363)
Acquisition of property, plant and equipment, net of proceeds from disposal	(3,189)
Interest paid	(2,985)
Repayment of lease liabilities	(2,511)
	(27,315)

Working Capital

Working capital totalled \$82.8 million at the end of the first quarter of 2020, for a current ratio of 1.89:1 when compared to \$98.0 million or a ratio of 1.85:1 as at December 31, 2019. The decrease in working capital was due to the seasonal nature of our operations.

Long-Term Debt

Total net indebtedness amounted to \$149.1 million as at March 28, 2020, down by \$6.2 million from \$155.3 million as at December 31, 2019. This decrease was mainly attributable to positive cash flows from operating activities, which was more than sufficient to cover the usual investing and financing activities. The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled in Note 5 of the notes to Q1 2020 financial statements.

We have since increased slightly our drawings on our main credit facility. Since the beginning of the pandemic and with the financial crisis it created, we made sure that our cash balance of immediately available funds remains above \$20.0 million, as a precautionary measure. As discussed in the Company's 2019 Annual Report, we renegotiated our banking facilities in the fourth quarter of 2019 to increase it to \$300.0 million. This facility is committed and supported by six major Canadian banks and financial institutions. They have assured us that our facility is secure and that funds will be available if the need arises.

Equity Attributable to Owners of the Company

As at March 28, 2020, equity attributable to owners of the Company amounted to \$278.9 million, down by \$1.5 million from the December 31, 2019 closing balance of \$280.4 million. Adding total net indebtedness yields a capitalization of \$428.0 million, which computes to a net indebtedness/capitalization ratio of 34.8% when compared to 35.6% as at December 31, 2019. The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled in Note 5 of the notes to Q1 2020 financial statements.

As at May 6, 2020, 7,378,222 Class A shares and 5,525,169 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 6 of the notes to Q1 2020 financial statements for further details regarding the Company's share capital.

Significant Joint Venture

As disclosed in Note 14 of the notes to 2019 audited consolidated financial statements, the Company holds various investments in joint ventures. The Company has only one significant joint venture, namely Termont Terminal Inc., whose activities are aligned with the Company's core business.

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

(in thousands of dollars)

	As at March 28, 2020 \$	As at December 31, 2019 \$
Statement of financial position		
Total assets	92,903	88,978
Total liabilities	(40,261)	(37,603)
	For the three months ended March 28, 2020 \$	March 30, 2019 \$
Statement of earnings		
Revenue	980	1,041
Share of profit of an equity accounted investment	829	791
Profit for the period	1,267	1,392

Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	March 28, 2020 \$	December 31, 2019 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	123.2	156.2	(33.0)	(21.1)	The decrease reflects the lower level of our seasonal operations and the sustained collection effort in the environmental services segment in the first quarter of 2020 when compared to the fourth quarter of 2019.
Contract assets	4.2	10.6	(6.4)	(60.1)	The decrease reflects the lower level of our seasonal operations.
Current income tax assets	10.8	6.0	4.8	79.6	The increase is due to the income tax recovery related to the loss of the period and the 2020 tax instalments made.
Property, plant and equipment	188.4	184.3	4.1	2.2	This increase stems mainly from the revaluation of property, plant and equipment denominated in foreign currency in the amount of \$6.5 million and the capital expenditures of \$4.4 million, which exceeded the depreciation expense of \$6.9 million.
Right-of-use assets	113.0	89.6	23.4	26.2	This increase stems mainly from the addition of \$21.3 million and the revaluation of right-of-use assets denominated in foreign currency in the amount of \$5.7 million, which exceeded the depreciation expense of \$3.1 million.
Trade and other payables	66.2	86.2	(20.0)	(23.2)	The decrease reflects the lower level of activity in all business segments in the first quarter of 2020 when compared to the fourth quarter of 2019.
Current portion of lease liabilities	11.9	9.8	2.1	21.2	This increase stems mainly from the additions of \$21.3 million and the revaluation of lease liabilities denominated in foreign currency in the amount of \$6.0 million, which exceeded the repayment of lease liabilities of \$2.5 million.
Non-current lease liabilities	103.5	81.5	22.0	27.0	
Current portion of long-term debt	4.2	9.4	(5.2)	(55.5)	This variation stems from the \$15.3 million repayment of long-term debt, net of issuance, partially offset by revaluation of long-term debt denominated in foreign currency in the amount of \$5.7 million.
Long-term debt	164.0	168.5	(4.5)	(2.7)	
Share capital	45.0	40.2	4.8	11.9	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	4.9	9.8	(4.9)	(50.0)	

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the first quarter of 2020.

Application of New Accounting Standards and Amendments

The following amendments have been published and adopted:

- Amendments to Hedge Accounting Requirements - IBOR Reform and its Effects on Financial Reporting (Phase 1);
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8).

Please refer to Note 2 of the notes to Q1 2020 financial statements for further details.

Report on Disclosure Controls

Pursuant to the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", the President and Chief Executive Officer and the 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 comprises members of the Company's senior executives including the two previously mentioned executives.

They have reviewed this management's discussion and analysis and the Q1 2020 financial statements and related notes (the "Interim Filings"). Based on their knowledge, the Interim Filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the Interim Filings. Based on their knowledge, the Q1 2020 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.

Despite the COVID-19 outbreak and the necessity of physical distancing, there has been no change in the Company's ICFR that occurred during the first quarter of 2020 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

As has been mentioned previously, many of our services are considered essential services and have been working through the crisis, albeit with some additional costs related to distancing and sanitation protocols. This included all our cargo-handling activities and our Niedner plant, which manufactures firehoses as well as water infrastructure liners. Our other services, namely the rehabilitation of drinking water infrastructure, site remediation and soils and materials management have been delayed, but are largely expected to start up momentarily in Québec and many states in America. FER-PAL, in Ontario, was given the green light to start rehabilitating infrastructure and thus started operations in mid-April.

There is no doubt that COVID-19 will have an impact on LOGISTEC's activities in 2020. In cargo handling, our volumes will be impacted by both the temporary closure of businesses and, in particular, the European and North American continents. In our container business, we expect reduced volumes in the second quarter, and volatility in export and import volumes in the second half of 2020. We will also be impacted in our bulk and break-bulk cargo business given the temporary closure and reduced activity of some mines and steel factories, all related to COVID-19 and the shutdown of the vehicle manufacturing sector. Fortunately, our network of ports is well diversified, with some sectors that continue to do well, and others that are less dramatically affected from the industries they serve.

In the environmental business, the late start to the season due to our societal desire to gain control of this pandemic, will no doubt also have an effect on our ability to generate revenue in the second quarter and will impact our ability to complete our desired book of business in 2020. That being said, we have an exciting year ahead with a strong book of business, and we are anxious to get started.

We have mitigated and will continue to mitigate our slowdown through the use of government programs and cost cutting efforts. We have the necessary balance sheet to get us through this and are already preparing the after-COVID-19 plan. It is in times of crisis and change that opportunities are created, and we are actively working at defining what this could look like for both our businesses. In cargo handling, we may foresee lower trade overall, but there will no doubt be more opportunities to expand our port network. In our environmental business, our experts have been working hard at developing technologies to safeguard drinking water. Our suite of technologies includes a new generation of Aqua-Pipe, lead removal, and we are adding to this some technologies to deal with per- and polyfluoroalkyl substances ("PFAS"), the "forever chemicals", more and more present in drinking water. All are best-in-class solutions for the top drinking water challenges in North America and we are investing to reach new markets in 2020, and for years to come.

As a closing remark, protecting the health and safety of our people on the docks, in the terminals and on worksites is our top priority. Our health, safety & environment and operations teams are working closely with the key agencies and public health organizations and are adhering to their guidelines and measures to ensure everyone's safety. We want to highlight the dedication of all our talents that embrace with resilience and agility these challenges daily. Thanks to them, LOGISTEC continues to provide reliable services to all our customers across all business segments.

Q1 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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

For the purpose of informing shareholders and potential investors about the Company's prospects, sections of this document may contain forward-looking statements, within the meaning of securities legislation, about the Company's activities, performance and financial position and, in particular, hopes for the success of the Company's efforts in the development and growth of its business. These forward-looking statements express, as of the date of this document, the estimates, predictions, projections, expectations or opinions of the Company about future events or results. Although the Company believes that the expectations produced by these forward-looking statements are founded on valid and reasonable bases and assumptions, these forward-looking statements are inherently subject to important uncertainties and contingencies, many of which are beyond the Company's control, such that the Company's performance may differ significantly from the predicted performance expressed or presented in such forward-looking statements.

The important risks and uncertainties that may cause the actual results and future events to differ significantly from the expectations currently expressed are examined under "Business Risks" in the Company's annual report and include (but are not limited to) the performances of domestic and international economies and their effect on shipping volumes, weather conditions, labour relations, pricing and competitors' marketing activities. The reader of this document is thus cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to update or revise these forward-looking statements, except as required by law.

(signed) Jean-Claude Dugas
Jean-Claude Dugas, CPA, CA
Chief Financial Officer

May 6, 2020

Q1 2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Earnings

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

	Notes	For the three months ended March 28, 2020 \$	March 30, 2019 \$
Revenue	7	109,431	114,748
Employee benefits expense		(56,877)	(58,377)
Equipment and supplies expense		(32,039)	(34,364)
Operating expense		(11,274)	(9,455)
Other expenses		(6,444)	(10,676)
Depreciation and amortization expense		(10,776)	(10,834)
Share of (loss) profit of equity accounted investments		(151)	562
Other gains (losses)		4,827	(1,270)
Operating loss		(3,303)	(9,666)
Finance expense		(3,136)	(2,890)
Finance income		130	338
Loss before income taxes		(6,309)	(12,218)
Income taxes		1,079	3,287
Loss for the period		(5,230)	(8,931)
Profit (loss) attributable to:			
Owners of the Company		(5,421)	(8,890)
Non-controlling interests		191	(41)
Loss for the period		(5,230)	(8,931)
Basic and diluted loss per Class A Common Share ⁽¹⁾		(0.41)	(0.67)
Basic and diluted loss per Class B Subordinate Voting Share ⁽²⁾		(0.45)	(0.74)
Weighted average number of Class A shares outstanding, basic and diluted		7,382,055	7,392,722
Weighted average number of Class B shares outstanding, basic and diluted		5,437,724	5,315,890

⁽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.

Condensed Consolidated Interim Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the three months ended	
	March 28, 2020 \$	March 30, 2019 \$
Loss for the period	(5,230)	(8,931)
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	9,852	(2,323)
Unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations	(5,340)	1,778
Losses on derivatives financial instruments designated as cash flow hedges	—	(146)
Income taxes relating to derivatives financial instruments designated as cash flow hedges	—	39
Total items that are or may be reclassified to the consolidated statements of earnings	4,512	(652)
Items that will not be reclassified to the consolidated statements of earnings		
Remeasurement gains (losses) on benefit obligation	3,717	(33)
Return on retirement plan assets	(1,402)	(352)
Income taxes (recovery) on remeasurement losses on benefit obligation and return on retirement plan assets	(613)	103
Total items that will not be reclassified to the consolidated statements of earnings	1,702	(282)
Other comprehensive income (loss) for the period, net of income taxes	6,214	(934)
Total comprehensive income (loss) for the period	984	(9,865)
Total comprehensive income (loss) attributable to:		
Owners of the Company	735	(9,814)
Non-controlling interests	249	(51)
Total comprehensive income (loss) for the period	984	(9,865)

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 March 28, 2020 \$	As at December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		19,096	22,608
Trade and other receivables		123,232	156,228
Contract assets		4,222	10,593
Current income tax assets		10,827	6,028
Inventories		12,286	12,569
Prepaid expenses and other		6,081	5,129
		175,744	213,155
Equity accounted investments		41,424	42,349
Property, plant and equipment		188,376	184,304
Right-of-use assets		113,029	89,581
Goodwill		143,973	140,617
Intangible assets		43,147	40,735
Non-current assets		2,422	2,417
Non-current financial assets		7,513	8,829
Deferred income tax assets		12,365	12,751
Total assets		727,993	734,738
Liabilities			
Current liabilities			
Trade and other payables		66,231	86,217
Contract liabilities		5,387	5,356
Current income tax liabilities		4,026	3,131
Dividends payable		1,259	1,245
Current portion of lease liabilities		11,902	9,820
Current portion of long-term debt		4,182	9,390
		92,987	115,159
Lease liabilities		103,460	81,495
Long-term debt		164,028	168,510
Deferred income tax liabilities		21,855	21,156
Post-employment benefit obligations		16,437	18,383
Contract liabilities		2,833	2,933
Non-current liabilities		46,613	46,088
Total liabilities		448,213	453,724
Equity			
Share capital	6	45,007	40,222
Share capital to be issued	6	4,906	9,811
Retained earnings		214,824	220,641
Accumulated other comprehensive income	8	14,151	9,697
Equity attributable to owners of the Company		278,888	280,371
Non-controlling interest		892	643
Total equity		279,780	281,014
Total liabilities and equity		727,993	734,738

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					Non-controlling interests \$	Total equity \$
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income (Note 8) \$	Retained earnings \$	Total \$		
Balance as at January 1, 2020		40,222	9,811	9,697	220,641	280,371	643	281,014
(Loss) profit for the period		–	–	–	(5,421)	(5,421)	191	(5,230)
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		–	–	9,794	–	9,794	58	9,852
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations		–	–	(5,340)	–	(5,340)	–	(5,340)
Remeasurement gains on benefit obligation and return on retirement plan assets, net of income taxes		–	–	–	1,702	1,702	–	1,702
Total comprehensive income (loss) for the period		–	–	4,454	(3,719)	735	249	984
Remeasurement of written put option liabilities		–	–	–	(270)	(270)	–	(270)
Repurchase of Class A shares		(2)	–	–	(117)	(119)	–	(119)
Repurchase of Class B shares	6	(118)	–	–	(452)	(570)	–	(570)
Issuance of Class B shares capital to a subsidiary shareholder		4,905	(4,905)	–	–	–	–	–
Dividends on Class A shares	6	–	–	–	(690)	(690)	–	(690)
Dividends on Class B shares	6	–	–	–	(569)	(569)	–	(569)
Balance as at March 28, 2020		45,007	4,906	14,151	214,824	278,888	892	279,780

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						Non-controlling interests \$	Total equity \$
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income (Note 8) \$	Retained earnings \$	Total \$			
Balance as at January 1, 2019		35,016	14,717	12,061	200,404	262,198	2,191	264,389	
Loss for the period		—	—	—	(8,890)	(8,890)	(41)	(8,931)	
Other comprehensive income (loss)									
Currency translation differences arising on translation of foreign operations		—	—	(2,313)	—	(2,313)	(10)	(2,323)	
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	1,778	—	1,778	—	1,778	
Remeasurement losses on benefit obligation and return on retirement plan assets, net of income taxes		—	—	—	(282)	(282)	—	(282)	
Cash flow hedges, net of income taxes		—	—	(107)	—	(107)	—	(107)	
Total comprehensive loss for the period		—	—	(642)	(9,172)	(9,814)	(51)	(9,865)	
Remeasurement of written put option liabilities	6	—	—	—	(86)	(86)	—	(86)	
Repurchase of Class B shares		(66)	—	—	(438)	(504)	—	(504)	
Issuance of Class B share capital to a subsidiary shareholder		4,906	(4,906)	—	—	—	—	—	
Dividends on Class A shares	6	—	—	—	(671)	(671)	—	(671)	
Dividends on Class B shares	6	—	—	—	(540)	(540)	—	(540)	
Balance as at March 30, 2019		39,856	9,811	11,419	189,497	250,583	2,140	252,723	

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the three months ended March 28, 2020 \$	March 30, 2019 \$
Operating activities			
Loss for the period		(5,230)	(8,931)
Items not affecting cash and cash equivalents		13,930	10,382
Cash generated from operations		8,700	1,451
Dividends received from equity accounted investments		750	245
Contributions to defined benefit retirement plans		(218)	(232)
Settlement of provisions		(50)	(2)
Changes in non-cash working capital items		18,043	13,700
Income taxes paid		(3,363)	(5,607)
		23,862	9,555
Financing activities			
Net change in short-term bank loans		—	932
Issuance of long-term debt, net of transaction cost		141	16,269
Repayment of long-term debt		(15,408)	(15,582)
Repayment of lease liabilities		(2,511)	(2,538)
Interest paid		(2,985)	(2,857)
Repurchase of Class A shares	6	(119)	—
Repurchase of Class B shares	6	(570)	(504)
Dividends paid on Class A shares		(690)	(671)
Dividends paid on Class B shares		(555)	(526)
		(22,697)	(5,477)
Investing activities			
Acquisition of property, plant and equipment		(3,232)	(9,419)
Acquisition of intangible assets		(69)	(27)
Acquisition of other non-current assets		—	(271)
Proceeds from disposal of property, plant and equipment		43	123
Repayment of other non-current financial assets		54	52
Repayment of other non-current liabilities		(69)	(86)
Proceeds from disposal of other non-current assets		26	63
Interest received		65	282
Cash paid to non-controlling interest		—	(5,386)
		(3,182)	(14,669)
Net change in cash and cash equivalents		(2,017)	(10,591)
Cash and cash equivalents, beginning of period		22,608	15,393
Effect of exchange rate on balances held in foreign currencies of foreign operations		(1,495)	764
Cash and cash equivalents, end of period		19,096	5,566
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		645	2,627

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(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 in terms 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 rehabilitation of underground water mains, soils and 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, Québec H2Y 1P5, Canada.

The Company’s largest shareholder is Sumanic Investments Inc.

The accompanying Q1 2020 financial statements of the Company have been prepared by and are the responsibility of management. The Q1 2020 financial statements were approved by the Company’s Board of Directors on May 6, 2020.

2. Basis of Preparation

The condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard (“IAS”) 34 *Interim Financial Reporting*, using the same accounting policies as outlined in Note 2 of the notes to 2019 consolidated financial statements, except as described below.

In the application of the Company’s significant accounting policies, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The estimates and underlying assumptions are reviewed on an ongoing basis. Actual results may differ from these estimates. The measurement of certain assets and liabilities in the preparation of these Q1 2020 financial statements includes significant assumptions made by management, which have been set out in Note 3 of the notes to 2019 consolidated financial statements with the exception of what is discussed in Note 3 below.

The Q1 2020 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 2019 annual report.

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

Application of New Accounting Standards and Amendments

On January 1, 2020, the Company adopted the following new amendments:

- Amendments to Hedge Accounting Requirements - IBOR Reform and its Effects on Financial Reporting (Phase 1);
- Amendments to References to Conceptual Framework in IFRS Standards;
- Definition of a Business (Amendments to IFRS 3);
- Definition of Material (Amendments to IAS 1 and IAS 8).

The Company completed its assessment of the impact of these amendments and the adoption does not have a material impact on the Q1 2020 financial statements.

3. Critical Accounting Judgments and Key Sources of Estimation Uncertainty

COVID-19 Measures

During March 2020, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is constantly evolving, and the measures put in place have numerous economic repercussions on the global and national levels. These measures, which include travel bans, solitary confinement or quarantine, whether voluntary or not, and social distancing, have caused significant disruption in the United States and Canada, where the Company operates.

LOGISTEC has rolled out its business continuity plan for its operations that are deemed essential services by the government authorities in Canada and the United States. More precisely, the Company's marine operations are considered essential services and, as such, our terminal operations across our North American network remain open and functional. In addition, our manufacturing of woven hoses, which is essential in providing communities with drinking water and fighting forest fires, remain operational.

On the environmental side, we are, as every year, affected by the seasonality of our operations and most activities cannot be performed in the winter season. This includes site remediation and rehabilitation of water mains. COVID-19 has nonetheless affected some of these activities, causing delays in certain projects. However, as we perform crucial services to maintain and upgrade critical infrastructure, we expect to move forward with a number of them in the weeks to come.

In light of the COVID-19 measures, management has reviewed their judgments, estimates and assumptions, which are fully described in the 2019 consolidated financial statements, about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As at March 28, 2020, management has not found any triggering events that could impair its long-lived assets, including goodwill, that could increase its expected credit losses of its trade receivables, or that could limit its ability to draw on its credit facilities.

The Company is currently assessing whether it is eligible to grants, financial support and other stimulus programs offered by governments and no receivable is recorded as at March 28, 2020.

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

4. 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 involve 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.

5. Financial Risk Management

Capital Management

The Company monitors the ratio of net indebtedness/capitalization on a quarterly basis. As at March 28, 2020, the ratio was calculated as follows:

	As at March 28, 2020 \$	As at December 31, 2019 \$
Long-term debt, including the current portion	168,210	177,900
Total indebtedness	168,210	177,900
Less:		
Cash and cash equivalents	19,096	22,608
Total net indebtedness	149,114	155,292
Equity attributable to owners of the Company	278,888	280,371
Capitalization	428,002	435,663
Ratio of net indebtedness/capitalization	34.8%	35.6%

As at March 28, 2020, the Company was in compliance with all of its obligations under the terms of its banking agreements.

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

Financial Risk Management

By the nature of the activities carried out and as a result of holding financial instruments, the Company is exposed to credit risk, liquidity risk and market risk, especially interest rate risk and foreign exchange risk.

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 some 2,200 customers. For the three months ended March 28, 2020, the 20 largest customers accounted for 44.1% (36.6% in 2019) of consolidated revenue.

Fair Value of Financial Instruments

As at March 28, 2020 and December 31, 2019, the estimated fair values of cash and cash equivalents, trade and other receivables, short-term bank loans, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at March 28, 2020 and December 31, 2019, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was \$3,372 higher than its carrying value as at March 28, 2020 (\$921 higher as at December 31, 2019) as a result of a change in financial conditions of similar instruments available to the Company. The fair value of long-term debt is determined using the discounted future cash flows method and management's estimates for market interest rates for identical or similar issuances.

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.

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

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 March 28, 2020, no financial instruments were recorded at fair value or transferred between levels 1, 2 and 3.

Sensitivity analysis

On March 28, 2020, all other things being equal, a 10.0% increase of the pre-established financial performance threshold of acquired businesses related to the written put option would have resulted in a decrease of \$2,923 in retained earnings for the period ended March 28, 2020, and an increase of the same amount in total liabilities. A 10.0% decrease of the pre-established financial performance threshold would have had the opposite estimated impact.

6. Share Capital

During the first quarter, pursuant to the Company's normal course issuer bid, 3,900 (nil in 2019) Class A shares and 17,400 (11,500 in 2019) Class B shares were repurchased and cancelled for cash consideration of \$119 (nil in 2019) and \$570 (\$504 in 2019), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$117 (nil in 2019) and \$452 (\$438 in 2019), respectively, was charged to retained earnings.

As at March 28, 2020, the outstanding balance of the non-interest-bearing loans granted under the Employee Stock Purchase Plan ("ESPP") and repayable over two years has a carrying value of \$219 (\$328 as at December 31, 2019).

Following the 2016 agreement with SANEXEN, as at March 24, 2020, LOGISTEC issued 148,568 Class B shares at \$33.02 per share, which reduced the share capital to be issued from \$9,811 as at December 31, 2019 to \$4,906 as at March 28, 2020.

The issued and outstanding shares were as follows:

	As at March 28, 2020 \$	As at December 31, 2019 \$
7,379,722 Class A shares (7,383,622 as at December 31, 2019)	4,877	4,879
5,528,069 Class B shares (5,396,901 as at December 31, 2019)	40,130	35,343
	45,007	40,222

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

Dividends

Details of dividends declared per share are as follows:

	For the three months ended March 28, 2020 \$	March 30, 2019 \$
Class A shares	0.094	0.091
Class B shares	0.103	0.100

Executive Stock Option Plan

The Company has an Executive Stock Option Plan under which 60,658 options to subscribe for the Company's Class B shares have been granted to certain senior executives. The exercise price of the options is \$24.86 and is equal to the average of the daily high and low trading prices for the five days, consecutive or not, preceding the date of grant. The options granted vest over a period of four years at the rate of 25% per year, starting at the grant date. The fair value of the options was estimated at \$5.77 at the grant date using the Black Scholes option pricing model, taking into account the terms and conditions on which the options were granted. The contractual term of each option granted is seven years. There are no cash settlement alternatives. The Company accounts for the Executive Stock Option Plan as an equity-settled plan.

7. Revenue

Revenue is detailed as follows:

	For the three months ended March 28, 2020 \$	March 30, 2019 \$
Revenue from cargo handling services	89,740	89,137
Revenue from services relating to the rehabilitation of underground water mains	2,465	4,855
Revenue from site remediation and soils and material management	13,706	8,992
Revenue from sale of goods	3,520	11,764
	109,431	114,748

8. Accumulated Other Comprehensive Income, Net of Taxes

	As at March 28, 2020 \$	As at March 30, 2019 \$
Gains on financial instruments designated as cash flow hedges	8	28
Currency translation differences arising on translation of foreign operations	20,207	13,990
Unrealized losses on translating debt designated as hedging item of the net investment in foreign operations	(6,064)	(2,599)
	14,151	11,419

NOTES TO Q1-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months ended March 28, 2020, and March 30, 2019
(in thousands of Canadian dollars)
(unaudited)

9. Segmented Information

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

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

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

Industry Segments

The financial information by industry segment is as follows:

	Marine services \$	Environmental services \$	Total \$
For the three months ended March 28, 2020			
Revenue	90,341	19,090	109,431
Profit (loss) before income taxes	6,393	(12,702)	(6,309)
As at March 28, 2020			
Total assets	493,215	234,778	727,993
Total liabilities	342,853	105,360	448,213
For the three months ended March 30, 2019			
Revenue	91,126	23,622	114,748
Loss before income taxes	(957)	(11,261)	(12,218)
As at December 31, 2019			
Total assets	463,823	270,915	734,738
Total liabilities	323,674	130,050	453,724

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 March 28, 2020	39,899	69,532	109,431
For the three months ended March 30, 2019	50,322	64,426	114,748
Non-current assets ⁽¹⁾			
As at March 28, 2020	273,452	258,919	532,371
As at December 31, 2019	259,185	240,818	500,003

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

LOGISTEC Corporation
360 Saint-Jacques Street
Suite 1500
Montréal (QC) H2Y 1P5
www.logistec.com

