

Interim Financial Report for the Period Ended June 27, 2020

LOGISTEC
Q2 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	123.6
September	168.3	184.5	195.3	
December	145.5	168.7	173.7	
Year-to-date	475.7	584.9	639.9	233.0

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	19.9
September	29.0	33.2	36.0	
December	30.4	19.3	30.7	
Year-to-date	74.7	64.2	89.6	27.4

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	4.6
September	11.0	22.3	17.4	
December	13.2	3.4	11.8	
Year-to-date	27.4	18.1	26.2	(0.8)

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	0.35
September	0.83	1.69	1.33	
December	1.01	0.26	0.90	
Year-to-date	2.11	1.38	2.00	(0.06)

⁽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 measures 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 second quarter of 2020:

- Consolidated revenue reached \$123.6 million, down \$32.6 million or 20.9%;
- Adjusted EBITDA ⁽¹⁾ closed at \$19.9 million, down \$1.8 million;
- Total diluted earnings per share of \$0.35, down \$0.10;
- Acquisition of two additional terminals at the Port of Houston in Texas and the Port of Pascagoula in Mississippi for a total purchase price of \$16.5 million;
- \$1.7 million investment in cargo handling equipment at the Port of Corner Brook in Newfoundland and Labrador.

Highlights from the six-month period ended June 27, 2020:

- Consolidated revenue reached \$233.0 million, down \$37.9 million or 14.0%;
- Adjusted EBITDA ⁽¹⁾ closed at \$27.4 million, up \$4.5 million;
- Total basic loss per share closed at \$0.06.

During the second quarter of 2020, consolidated revenue totalled \$123.6 million, a decrease of \$32.6 million or 20.9% over the same period in 2019. Revenue from the marine services segment was lower at \$81.4 million compared to \$94.5 million in the corresponding period 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; however, we noted a lower volume of trade activities as a result of the closure of economies around the world. Revenue from the environmental services segment amounted to \$42.2 million, a decrease of \$19.5 million or 31.6% over the second quarter of 2019. COVID-19 led to 10 weeks of delay in starting up our environmental projects, which proved very costly to our operations. Since the end of May 2020, we have resumed all businesses in this segment, and we are now operating under strict distancing and sanitation protocols.

The adjusted EBITDA ⁽¹⁾ for the quarter closed at \$19.9 million, a decrease of \$1.8 million or 8.3% over the comparative period. The reduction is mainly attributable to lower revenue following the temporary halt measures on some of our lines of service imposed by government authorities, partly offset by a \$11.0 million wage subsidy from the Canada Emergency Wage Subsidy program.

Overall, LOGISTEC Corporation reported a profit attributable to owners of the Company of \$4.6 million in the second quarter of 2020, down \$1.3 million from the \$5.9 million recorded in the corresponding period last year. This translated into total diluted earnings per share of \$0.35, of which \$0.34 was attributable to Class A shares and \$0.37 to Class B shares.

Despite the challenges associated with COVID-19, we have kept our focus on growth opportunities, both organically and through acquisitions, with four additional terminals added this quarter. The acquisition of Care terminal at the Port of Houston and the Port of Pascagoula has further expanded our footprint and anchored Gulf Stream Marine, Inc. as the terminal operator in three gulf coast states. Our cargo handling team also started to operate at the port of Kitimat, British Columbia, the largest private port in Canada. Finally, the investment in the intermodal terminal in Corner Brook, Newfoundland and Labrador is an excellent example of how we have kept our focus on our plan and we were able to see this investment, which was started before the pandemic arrived, through to its completion.

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

Outlook

The outlook for the remainder of the year is expected to be reasonably good, given the challenges associated with COVID-19. In our marine services segment, we anticipate volumes to remain somewhat depressed due to the economic slowdown that followed the measures put in place by governments to suppress the virus. Furthermore, our outlook for cargo handling may also be impacted by challenging labour negotiations at the Port of Montréal. We have been without an agreement since early 2019 and discussions have proven difficult in the last weeks, causing work stoppages. Should these situations stabilize, volumes are likely to gradually come back to normal levels in a foreseeable future. Our environmental services segment will also be impacted to a certain degree as some projects, particularly in the USA, are being postponed into the new year. Having said this, we still have a strong order book to complete before the end of the year, and unless the pandemic interferes with our activities, we should have a busy second half of 2020.

(signed) James C. Cherry

James C. Cherry, FCPA, FCA
Chairman of the Board

(signed) Madeleine Paquin

Madeleine Paquin, C.M.
President and Chief Executive Officer

August 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 and six-month periods ended June 27, 2020, and June 29, 2019. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements ("Q2 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 Q2 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 36 ports and 63 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 at 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 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 remained open and functional. In addition, our manufacturing of woven hoses, which is essential in providing communities with drinking water and fighting forest fires, remained operational.

On the environmental services 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 significant delays in our projects. However, since the end of May 2020, we have resumed all businesses in this segment, and we are now operating under strict distancing and sanitation protocols.

As at June 27, 2020, the Company believed that it qualified to receive the Canada Emergency Wage Subsidy and that there was a reasonable assurance that the amount would be received from the Canadian federal government in connection with the COVID-19 pandemic. The Company recognized a \$11.0 million wage subsidy receivable against the salary expense qualified for that subsidy under employee benefits expense in the condensed consolidated interim statements of earnings for the three-month and six-month periods ended June 27, 2020.

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 June 27, 2020, management has not found any triggering events that could impair its long-lived assets, including goodwill, that could increase the allowance for doubtful account on its trade receivables, or that could limit its ability to draw on its credit facilities.

Selected Quarterly Financial Information

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

	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year-to-date \$
2020					
Revenue	109,431	123,595			233,026
Adjusted EBITDA ⁽¹⁾	7,473	19,930			27,403
Profit (loss) attributable to owners of the Company	(5,421)	4,590			(831)
Basic earnings (loss) per Class A Common Share ⁽²⁾	(0.41)	0.35			(0.06)
Basic earnings (loss) per Class B Subordinate Voting Share ⁽³⁾	(0.45)	0.38			(0.07)
Total basic earnings (loss) per share	(0.42)	0.36			(0.06)
Diluted earnings (loss) per Class A share	(0.41)	0.34			(0.06)
Diluted earnings (loss) per Class B share	(0.45)	0.37			(0.07)
Total diluted earnings (loss) per share	(0.42)	0.35			(0.06)
	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 measures section below.

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

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

Non-IFRS Measures

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 Q2 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)	4,615			(615)
PLUS:					
Depreciation and amortization expense	10,776	11,223			21,999
Net finance expense	3,006	2,676			5,682
Income taxes	(1,079)	1,416			337
Adjusted EBITDA ⁽¹⁾	7,473	19,930			27,403
	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.

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(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	3,801			7,475
Depreciation and amortization expense ⁽²⁾	(2,980)	(3,186)			(6,166)
Finance expense ⁽³⁾	(1,163)	(1,215)			(2,378)
Loss before income taxes	(469)	(600)			(1,069)
	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.

Business Combinations

On June 26, 2020, through an asset acquisition, Gulf Stream Marine, Inc. ("GSM") acquired Care terminal at the Port of Houston in Texas and committed to purchase an additional terminal at the Port of Pascagoula in Mississippi for a total purchase price of US\$12.0 million (CA\$16.5 million), subject to certain adjustments. The acquisition of the second terminal closed on July 15, 2020.

These two strategically located marine terminals complement LOGISTEC's growing network throughout the U.S. Gulf, which is now operating in 12 terminals in three gulf coast states. The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the necessary information. We are currently evaluating the property, plant and equipment, lease arrangements along with the intangible assets as at June 27, 2020.

Please refer to Note 5 of the notes to Q2 2020 financial statements for further details.

Results

Revenue

Consolidated revenue totalled \$123.6 million for the second quarter of 2020, down \$32.6 million or 20.9% from \$156.2 million for the same period in 2019. Consolidated revenue was positively affected by \$2.6 million due to a stronger U.S. dollar against the Canadian dollar in the second quarter of 2020 than in the second quarter of 2019. In the second quarter of 2020, revenue in the marine services segment amounted to \$81.4 million, lower than in the second quarter of 2019 by \$13.1 million. Revenue from the environmental services segment was \$42.2 million, down from \$61.7 million in the second quarter of 2019.

For the six-month period ended June 27, 2020, consolidated revenue totalled \$233.0 million, compared with \$270.9 million for the same period in 2019, a decrease of \$37.9 million. Consolidated revenue has been positively affected by \$4.1 million year-to-date, due to a strengthening U.S. dollar against the Canadian dollar in the first half of 2020. Revenue in the marine services segment totalled \$171.8 million for the first half of 2020, down by \$13.8 million from \$185.6 million for the same period last year. The environmental services segment delivered revenue totalling \$61.2 million, a decrease of \$24.1 million over revenue of \$85.3 million for the same six-month period in 2019.

These decreases are primarily attributable to COVID-19 that has affected trade volumes and thus revenues throughout our port terminals in the marine services segment. It has also caused delays in our environmental services segment due to the temporary halt measures on some of our lines of service imposed by government authorities.

Employee Benefits Expense

In the second quarter of 2020, employee benefits expense decreased by \$23.9 million or 30.3% to \$54.8 million, from the \$78.7 million recorded for the same quarter in 2019. For the first half of 2020, the employee benefits expense reached \$111.7 million, a decrease of \$25.4 million or 18.5% over the \$137.1 million recorded for the same period last year.

These decreases stemmed mainly from three factors: the lower revenue, as a portion of the employee benefits expense related to our field operations are variable in nature, the \$11.0 million wage subsidy the Company claimed under the Canada Emergency Wage Subsidy and a \$2.9 million reduction of its long-term incentive plan provision for executives, considering the economic slowdown due to COVID-19. Please refer to Note 6 to the notes to Q2 2020 financial statements for further details on the government assistance.

Equipment and Supplies Expense

Equipment and supplies expense amounted to \$32.1 million in the second quarter of 2020, a decrease of \$7.2 million compared with 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 26.0% for the second quarter of 2020, compared with 25.1% for the second quarter of 2019.

For the first half of 2020, equipment and supplies expense amounted to \$64.1 million, a decrease of \$9.5 million or 12.9% over the first half of 2019. This decrease is in line with the revenue decrease, as the overall ratio of equipment and supplies expense to consolidated revenue was 27.5% for the first half of 2020 compared with 27.2% for the same period in 2019.

Operating Expense

Operating expense stood at \$20.6 million for the first half of 2020, up \$1.0 million from the comparative period of 2019. This increase is in line with the revenue increase in the U.S. Gulf Coast region, as incremental volume in wind cargo resulted in a higher wharfage charge.

Other Expenses

For the six months of 2020 other expenses stood at \$12.5 million, down \$4.2 million or 25.1% compared to the first half 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 \$5.3 million, from a \$2.5 million loss in the first half of 2019 to a \$2.8 million gain in the first six months of 2020. This variance is mainly related to unrealized exchange gains and losses on translating net working capital denominated in U.S. dollars, given the weakened Canadian dollar.

Profit for the Period and Earnings per Share

Overall, the Company reported a profit attributable to owners of the Company of \$4.6 million in the second quarter of 2020, down \$1.3 million from the \$5.9 million recorded in the corresponding period last year. This translated into total diluted earnings per share of \$0.35, of which \$0.34 was attributable to Class A shares and \$0.37 to Class B shares.

Profit before income taxes from the marine services segment amounted to \$5.6 million in the second quarter of 2020, down \$2.9 million from the \$8.5 million profit reported for the same quarter of 2019. This decrease stems mainly from lower cargo volumes which is primarily attributable to COVID-19, partially offset by a \$4.1 million wage subsidy from the Canada Emergency Wage Subsidy program.

Profit before income taxes from the environmental services segment amounted to \$0.5 million in the second quarter of 2020, \$0.8 million more than the \$0.3 million loss reported for the same quarter of 2019. This increase is mainly attributable to the \$6.8 million wage subsidy from the Canada Emergency Wage Subsidy program, partly offset by lower revenue following the temporary halt measures on some of our lines of service imposed by government authorities.

For the first six months of 2020, the Company reported a loss of \$0.6 million, of which a profit of \$0.2 million was attributable to a non-controlling interest, amounting to a \$0.8 million loss attributable to owners of the Company. This translated into a total basic and diluted loss per share of \$0.06, of which \$0.06 per share was attributable to Class A shares and \$0.07 per share was attributable to Class B shares.

For the first half of 2020, profit before income taxes from the marine services segment amounted to \$12.0 million, up from \$4.4 million of profit in the same period of 2019. As mentioned above, this increase stems from three factors: the \$4.1 million wage subsidy, 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. These increases were partially offset by lower cargo volumes.

For the first half of 2020, the loss before income taxes from the environmental services segment amounted to \$12.2 million, a negative variance when compared to the \$11.5 million loss in the same period of 2019. As mentioned above, the incremental loss is mainly attributable to lower revenue following the temporary halt measures on some of our lines of service imposed by government authorities, which was partly offset by a \$6.8 million wage subsidy.

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

Dividends

The Company's Board of Directors determines the level of dividend payments. Although LOGISTEC does not have a formal dividend policy, the practice to date has been to maintain regular quarterly dividends with modest increases over the years.

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(unaudited)

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	0.10285	1.2
March 7, 2020	April 3, 2020	April 17, 2020	0.09350	0.10285	1.2
May 6, 2020	June 19, 2020	July 3, 2020	0.09350	0.10285	1.3
August 6, 2020	September 25, 2020	October 9, 2020	0.09350	0.10285	1.3

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 second quarter of 2020. Please also refer to Note 7 of the notes to Q2 2020 financial statements for an update on financial risk management information.

Capital Resources

Total assets amounted to \$756.9 million as at June 27, 2020, up \$22.2 million over the December 31, 2019, closing balance of \$734.7 million. The increase is mainly due to the additional \$20.3 million in right-of-use assets and the business combination partially offset by the collection of trade and other receivables as explained below.

Cash and cash equivalents totalled \$18.4 million at the end of the second quarter of 2020, down \$4.2 million from \$22.6 million as at December 31, 2019. The main items underlying this decrease are as follows:

(in thousands of dollars)

Sources:	
Cash generated from operations	26,030
Changes in non-cash working capital items	13,677
	39,707
Uses:	
Business combinations	(16,457)
Acquisition of property, plant and equipment, net of proceeds from disposal	(9,557)
Repayment of lease liabilities	(6,797)
Interest paid	(5,184)
Income taxes paid	(4,799)
	(42,794)

Working Capital

Working capital totalled \$84.0 million at the end of the second quarter of 2020, for a current ratio of 1.73:1 when compared with \$98.0 million or a ratio of 1.85:1 as at December 31, 2019. The decrease was mainly due to the collection of the trade and other receivables, which was partially used in the acquisition of two marine terminals in the U.S. Gulf for a consideration of \$16.5 million.

Long-Term Debt

Total net indebtedness amounted to \$163.6 million as at June 27, 2020, up by \$8.3 million from \$155.3 million as at December 31, 2019. As mentioned above, the increase stems mainly from the reduction of cash and cash equivalents, and the revaluation of long-term debt denominated in foreign currency, which had an impact of \$3.7 million. The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled in Note 7 of the notes to Q2 2020 financial statements.

Since the beginning of the pandemic and the resulting financial crisis, we have made sure that our cash balance of immediately available funds remained above \$20.0 million, as a precautionary measure. As discussed in the Company's 2019 Annual Report, we renegotiated our banking facility 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 June 27, 2020, equity attributable to owners of the Company amounted to \$278.0 million, down by \$2.4 million from the December 31, 2019 closing balance of \$280.4 million. Adding total net indebtedness yields a capitalization of \$441.7 million, which computes to a net indebtedness/capitalization ratio of 37.0% when compared with 35.6% as at December 31, 2019. The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled in Note 7 of the notes to Q2 2020 financial statements.

As at August 6, 2020, 7,377,722 Class A shares and 5,545,669 Class B shares were issued and outstanding. Each Class A share is convertible at any time by its holder into one Class B share. Please refer to Note 8 of the notes to Q2 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 June 27, 2020 \$		As at December 31, 2019 \$	
Statement of financial position				
Total assets			90,989	88,978
Total liabilities			39,881	37,603
	For the three months ended		For the six months ended	
	June 27, 2020 \$	June 29, 2019 \$	June 27, 2020 \$	June 29, 2019 \$
Statement of earnings				
Revenue	1,003	997	1,983	2,027
Share of profit of an equity accounted investment	2,392	1,505	3,221	2,297
Profit for the period	2,878	2,086	4,145	3,478

Other Items in the Consolidated Statements of Financial Position

Financial position as at (in millions of dollars)	June 27, 2020 \$	December 31, 2019 \$	Var. \$	Var. %	Explanation of variation
Trade and other receivables	120.7	156.2	(35.5)	(22.8)	The decrease reflects the lower level of our seasonal operations and the sustained collection effort in the environmental services segment in the second quarter of 2020 compared with the fourth quarter of 2019.
Contract assets	23.9	10.6	13.3	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 second quarter of 2020.
Current income tax assets	11.5	6.0	5.5	90.4	The increase is due to the lower income tax expense, given the loss of the period and the 2020 tax instalments made.
Property, plant and equipment	194.0	184.3	9.7	5.3	This increase stems mainly from the capital expenditures of \$10.2 million, the acquisition of two terminals for \$9.0 million and the revaluation of property, plant and equipment denominated in foreign currency in the amount of \$4.3 million, which exceeded the depreciation expense of \$13.8 million.
Right-of-use assets	109.9	89.6	20.3	22.7	This increase stems mainly from the addition of \$23.8 million and the revaluation of right-of-use assets denominated in foreign currency in the amount of \$3.4 million, which exceeded the depreciation expense of \$7.2 million.
Goodwill	149.1	140.6	8.5	6.0	The majority of the increase stems from the acquisition of two terminals by GSM, as discussed in the business combinations section of this MD&A.
Trade and other payables	74.0	86.2	(12.2)	(14.2)	The variation is primarily explained by the seasonality of operations.
Contract liabilities	14.8	5.4	9.4	n.m.	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 second quarter of 2020.
Current portion of lease liabilities	11.7	9.8	1.9	19.6	This increase stems mainly from the addition of \$23.6 million and the revaluation of lease liabilities denominated in foreign currency in the amount of \$3.5 million, partly offset by the repayment of lease liabilities in the amount of \$6.8 million.
Non-current lease liabilities	99.9	81.5	18.4	22.5	

n.m.: not meaningful

Q2 2020 MANAGEMENT'S DISCUSSION AND ANALYSIS

(unaudited)

Financial position as at (in millions of dollars)	June 27, 2020 \$	December 31, 2019 \$	Var. \$	Var. %	Explanation of variation
Current portion of long-term debt	9.1	9.4	(0.3)	(3.5)	This variation stems mainly from the revaluation of long-term debt denominated in foreign currency in the amount of \$3.7 million.
Long-term debt	173.0	168.5	4.5	2.7	
Share capital	45.7	40.2	5.5	13.5	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 second 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 Q2 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 Q2 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 Q2 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 second quarter of 2020 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

Outlook

In the Outlook section of our Q1 2020 Interim Filings, we mentioned that many of our services were considered essential services and have been operating despite the pandemic, albeit at a higher cost due to additional health requirements. These include our cargo handling services as well as our Coaticook plant that manufactures firehoses and the lining used in the rehabilitation of underground water mains.

When confinement measures were enforced by the authorities, our site remediation activities were impacted as well as the installation of our water infrastructure technologies, as the latter is usually performed by workers from the construction industry, the operation of which was suspended in Québec.

Furthermore, our cargo handling services have also slowed down, as volumes started to decline in many of our installations, as the manufacturers or cargo owners were also impacted by the confinement.

The impacts of this slowdown were discussed earlier in this report, and included the reduction of volumes and revenue levels, and resulting negative impact on our profitability. The impact was also considerable in our environmental services segment as a large portion of our activities were halted and the beginning of the working season was delayed by some 10 weeks.

The burden on our bottom line was partly mitigated as we benefited from the Canadian Emergency Wage Subsidy from the Canadian federal government. These subsidies, though they helped our results, provided us with a strong incentive to maintain our labour force, ensuring a more fluid turn-around when the confinement was finally lifted, albeit with extensive safety protocols.

With the confinement now lifted, we are now fully operational. However, the pandemic has created a slowdown in the economy and this is reflected through lower volumes being handled at our port installations. Furthermore, our outlook for cargo handling may also be impacted by challenging labour negotiations at the Port of Montréal. We have been without an agreement since early 2019 and discussions have proven difficult in the last weeks, causing work stoppages. On the environmental side, many privately sponsored site remediation projects have also been postponed and will likely not be completed in the current year. The Canadian government has announced the continuation of the subsidy program, but the eligibility rules have changed, and our eligibility will have to be clarified. Looking ahead, there are still many uncertainties, and as long as the pandemic persists, the path forward will remain uncertain. And if ever there is a second wave of the pandemic forcing closures once again, the effects on the economy could be disastrous.

Nevertheless, we are resilient and are working through the pandemic with strict safety protocols that ensure the health of our employees. As shown by the acquisitions of the Care terminal and Pascagoula concessions in the Gulf area, we are maintaining our growth plan and continue to watch for business opportunities. In the environmental services segment, our order book is strong with some \$200.0 million of backlog. Our expertise, our diversity, our resiliency and our solid balance sheet will help us see this through. Our results are and will continue to be negatively impacted, but we are confident and working relentlessly to maintain a decent return and maintain a sound financial position, for the long-term benefit of all stakeholders.

We are very grateful to our employees who are facing these difficult working conditions daily and whose dedication is ensuring the continued success of LOGISTEC.

Q2 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

August 6, 2020

Q2 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)

		For the three months ended		For the six months ended	
	Notes	June 27, 2020 \$	June 29, 2019 \$	June 27, 2020 \$	June 29, 2019 \$
Revenue	9	123,595	156,175	233,026	270,923
Employee benefits expense		(54,839)	(78,715)	(111,716)	(137,092)
Equipment and supplies expense		(32,099)	(39,254)	(64,138)	(73,618)
Operating expense		(9,329)	(10,133)	(20,603)	(19,588)
Other expenses		(6,047)	(6,001)	(12,491)	(16,677)
Depreciation and amortization expense		(11,223)	(10,728)	(21,999)	(21,562)
Share of profit of equity accounted investments		695	930	544	1,492
Other (losses) gains		(2,046)	(1,258)	2,781	(2,528)
Operating profit		8,707	11,016	5,404	1,350
Finance expense		(2,835)	(2,884)	(5,971)	(5,641)
Finance income		159	80	289	285
Profit (loss) before income taxes		6,031	8,212	(278)	(4,006)
Income taxes		(1,416)	(2,106)	(337)	1,181
Profit (loss) for the period		4,615	6,106	(615)	(2,825)
Profit (loss) attributable to:					
Owners of the Company		4,590	5,927	(831)	(2,963)
Non-controlling interest		25	179	216	138
Profit (loss) for the period		4,615	6,106	(615)	(2,825)
Basic earnings (loss) per Class A Common Share ⁽¹⁾		0.35	0.44	(0.06)	(0.22)
Basic earnings (loss) per Class B Subordinate Voting Share ⁽²⁾		0.38	0.49	(0.07)	(0.25)
Diluted earnings (loss) per Class A share		0.34	0.43	(0.06)	(0.22)
Diluted earnings (loss) per Class B share		0.37	0.48	(0.07)	(0.25)
Weighted average number of Class A shares outstanding, basic and diluted		7,380,389	7,389,155	7,380,389	7,390,939
Weighted average number of Class B shares outstanding, basic		5,485,163	5,409,868	5,485,163	5,362,879
Weighted average number of Class B shares outstanding, diluted		5,693,288	5,717,038	5,693,288	5,719,571

⁽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.

Q2-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Comprehensive Income

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 27, 2020 \$	June 29, 2019 \$	June 27, 2020 \$	June 29, 2019 \$
Profit (loss) for the period	4,615	6,106	(615)	(2,825)
Other comprehensive (loss) income				
Items that are or may be reclassified to the consolidated statements of earnings				
Currency translation differences arising on translation of foreign operations	(3,379)	(2,627)	6,473	(4,950)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations	1,793	1,380	(3,547)	3,158
Loss on derivative financial instruments designated as cash flow hedges	—	(39)	—	(185)
Income taxes relating to derivative financial instruments designated as cash flow hedges	—	11	—	50
Total items that are or may be reclassified to the consolidated statements of earnings	(1,586)	(1,275)	2,926	(1,927)
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement loss on benefit obligation	(5,005)	(1,047)	(1,288)	(1,080)
Return on retirement plan assets	1,235	(1,363)	(167)	(1,715)
Income taxes on remeasurement gain (loss) on benefit obligation and return on retirement plan assets	998	649	385	752
Total items that will not be reclassified to the consolidated statements of earnings	(2,772)	(1,761)	(1,070)	(2,043)
Share of other comprehensive (loss) income of equity accounted investments, net of income taxes				
Items that are or may be reclassified to the consolidated statements of earnings	(19)	—	(19)	—
Items that will not be reclassified to the consolidated statements of earnings	5	—	5	—
Total share of other comprehensive loss of equity accounted investments, net of income taxes	(14)	—	(14)	—
Other comprehensive (loss) income for the period, net of income taxes	(4,372)	(3,036)	1,842	(3,970)
Total comprehensive income (loss) for the period	243	3,070	1,227	(6,795)
Total comprehensive income (loss) attributable to:				
Owners of the Company	241	2,902	976	(6,912)
Non-controlling interest	2	168	251	117
Total comprehensive income (loss) for the period	243	3,070	1,227	(6,795)

See accompanying notes to the condensed consolidated interim financial statements.

Condensed Consolidated Interim Statements of Financial Position

(in thousands of Canadian dollars)

	Notes	As at June 27, 2020 \$	As at December 31, 2019 \$
Assets			
Current assets			
Cash and cash equivalents		18,449	22,608
Trade and other receivables		120,663	156,228
Contract assets		23,887	10,593
Current income tax assets		11,475	6,028
Inventories		14,357	12,569
Prepaid expenses and other		10,863	5,129
		199,694	213,155
Equity accounted investments		39,244	42,349
Property, plant and equipment		193,993	184,304
Right-of-use assets		109,946	89,581
Goodwill		149,109	140,617
Intangible assets		40,940	40,735
Non-current assets		2,549	2,417
Non-current financial assets		7,373	8,829
Deferred income tax assets		14,005	12,751
Total assets		756,853	734,738
Liabilities			
Current liabilities			
Trade and other payables		73,987	86,217
Contract liabilities		14,789	5,356
Current income tax liabilities		4,811	3,131
Dividends payable		1,258	1,245
Current portion of lease liabilities		11,748	9,820
Current portion of long-term debt		9,062	9,390
		115,655	115,159
Lease liabilities		99,853	81,495
Long-term debt		173,013	168,510
Deferred income tax liabilities		21,952	21,156
Post-employment benefit obligations		20,306	18,383
Contract liabilities		2,733	2,933
Non-current liabilities		44,402	46,088
Total liabilities		477,914	453,724
Equity			
Share capital	8	45,663	40,222
Share capital to be issued	8	4,906	9,811
Retained earnings		214,902	220,641
Accumulated other comprehensive income	10	12,574	9,697
Equity attributable to owners of the Company		278,045	280,371
Non-controlling interest		894	643
Total equity		278,939	281,014
Total liabilities and equity		756,853	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 interest \$	Total equity \$
		Share capital \$	Share capital to be issued \$	Accumulated other comprehensive income (Note 10) \$	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		—	—	—	(831)	(831)	216	(615)
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		—	—	6,438	—	6,438	35	6,473
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations		—	—	(3,547)	—	(3,547)	—	(3,547)
Remeasurement loss on benefit obligation and return on retirement plan assets, net of income taxes		—	—	—	(1,070)	(1,070)	—	(1,070)
Share of other comprehensive (loss) of equity accounted investments, net of income taxes		—	—	(14)	—	(14)	—	(14)
Total comprehensive income (loss) for the period		—	—	2,877	(1,901)	976	251	1,227
Remeasurement of written put option liabilities		—	—	—	(543)	(543)	—	(543)
Repurchase of Class A shares	8	(3)	—	—	(140)	(143)	—	(143)
Issuance and repurchase of Class B shares	8	539	—	—	(563)	(24)	—	(24)
Issuance of Class B shares capital to a subsidiary shareholder	8	4,905	(4,905)	—	—	—	—	—
Class B shares to be issued under the Executive Stock Option Plan		—	—	—	45	45	—	45
Other dividend		—	—	—	(121)	(121)	—	(121)
Dividends on Class A shares	8	—	—	—	(1,380)	(1,380)	—	(1,380)
Dividends on Class B shares	8	—	—	—	(1,136)	(1,136)	—	(1,136)
Balance as at June 27, 2020		45,663	4,906	12,574	214,902	278,045	894	278,939

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 (Note 10) \$	Retained earnings \$	Total \$	Non-controlling interest \$	Total equity \$
Balance as at January 1, 2019		35,016	14,717	12,061	200,404	262,198	2,191	264,389
Loss (profit) for the period		—	—	—	(2,963)	(2,963)	138	(2,825)
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		—	—	(4,929)	—	(4,929)	(21)	(4,950)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	3,158	—	3,158	—	3,158
Remeasurement loss on benefit obligation and return on retirement plan assets, net of income taxes		—	—	—	(2,043)	(2,043)	—	(2,043)
Cash flow hedges, net of income taxes		—	—	(135)	—	(135)	—	(135)
Total comprehensive (loss) income for the period		—	—	(1,906)	(5,006)	(6,912)	117	(6,795)
Remeasurement of written put option liabilities		—	—	—	(390)	(390)	—	(390)
Repurchase of Class A shares	8	(4)	—	—	(274)	(278)	—	(278)
Issuance and repurchase of Class B shares	8	433	—	—	(739)	(306)	—	(306)
Issuance of Class B share capital to a subsidiary shareholder	8	4,906	(4,906)	—	—	—	—	—
Dividends on Class A shares	8	—	—	—	(1,341)	(1,341)	—	(1,341)
Dividends on Class B shares	8	—	—	—	(1,080)	(1,080)	—	(1,080)
Balance as at June 29, 2019		40,351	9,811	10,155	191,574	251,891	2,308	254,199

See accompanying notes to the condensed consolidated interim financial statements.

Q2-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

(unaudited)

Condensed Consolidated Interim Statements of Cash Flows

(in thousands of Canadian dollars)

	Notes	For the six months ended June 27, 2020 \$	June 29, 2019 \$
Operating activities			
Loss for the period		(615)	(2,825)
Items not affecting cash and cash equivalents		26,645	30,577
Cash generated from operations		26,030	27,752
Dividends received from equity accounted investments		3,600	1,520
Contributions to defined benefit retirement plans		(471)	(502)
Settlement of provisions		(243)	(65)
Changes in non-cash working capital items		13,677	(11,137)
Income taxes paid		(4,799)	(7,868)
		37,794	9,700
Financing activities			
Net change in short-term bank loans		—	(13,577)
Issuance of long-term debt, net of transaction cost		36,655	62,298
Repayment of long-term debt		(36,123)	(26,992)
Repayment of lease liabilities		(6,797)	(4,830)
Interest paid		(5,184)	(5,349)
Issuance of Class B shares		190	258
Repurchase of Class A shares	8	(143)	(278)
Repurchase of Class B shares	8	(718)	(862)
Dividends paid on Class A shares		(1,380)	(1,341)
Dividends paid on Class B shares		(1,124)	(1,067)
		(14,624)	8,260
Investing activities			
Acquisition of property, plant and equipment		(9,742)	(21,886)
Acquisition of intangible assets		(84)	(39)
Proceeds from disposal of property, plant and equipment		185	297
Business combinations		(16,457)	—
Repayment of due to shareholders		(121)	(5,386)
Interest received		114	163
Repayment of other non-current financial assets		110	104
Repayment of other non-current liabilities		—	(190)
Acquisition of other non-current assets		(327)	(271)
Proceeds from disposal of other non-current assets		49	90
		(26,273)	(27,118)
Net change in cash and cash equivalents		(3,103)	(9,158)
Cash and cash equivalents, beginning of period		22,608	15,393
Effect of exchange rate on balances held in foreign currencies of foreign operations		(1,056)	1,181
Cash and cash equivalents, end of period		18,449	7,416
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		835	2,627
Issuance of Class B shares under the Employee Stock Purchase Plan for non-interest-bearing loans	8	504	298

See accompanying notes to the condensed consolidated interim financial statements.

NOTES TO Q2-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and six months ended June 27, 2020, and June 29, 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 36 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 Q2 2020 financial statements of the Company have been prepared by and are the responsibility of management. The Q2 2020 financial statements were approved by the Company’s Board of Directors on August 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 Q2 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 Q2 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 Q2-2020 CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

as at and for the three months and six months ended June 27, 2020, and June 29, 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 concluded that the adoption does not have a material impact on the Q2 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 at 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, remains operational.

On the environmental services 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 these activities, causing significant delays in our projects. Since the end of May 2020, we have resumed all businesses in this segment, and we are now operating under strict distancing and sanitation protocols.

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 June 27, 2020, management has not found any triggering events that could impair its long-lived assets, including goodwill, that could increase the allowance for doubtful account on its trade receivables, or that could limit its ability to draw on its credit facilities.

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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. Business Combinations

On June 26, 2020, through an asset acquisition, Gulf Stream Marine, Inc. ("GSM") acquired Care terminal at the Port of Houston in Texas and committed to purchase an additional terminal at the Port of Pascagoula in Mississippi for a total purchase price of US\$12,033 (CA\$16,457), subject to certain adjustments. The acquisition of the second terminal closed on July 15, 2020.

These two strategically located marine terminals complement LOGISTEC's growing network throughout the U.S. Gulf, which is now operating in 12 terminals in three gulf coast states. The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the necessary information. We are currently evaluating the property, plant and equipment, lease arrangements along with the intangible assets as at June 27, 2020.

	\$
Current assets	1,212
Property, plant and equipment	8,965
Goodwill (deductible for tax purposes)	6,330
Current liabilities	(50)
Cash purchase consideration	16,457

The acquisition transition costs for these assets, included under other expenses, amounted to \$88.

6. Government Assistance

As at June 27, 2020, the Company believed that it qualified to receive the Canada Emergency Wage Subsidy and that there was reasonable assurance that the amount would be received from the Canadian federal government in connection with the COVID-19 pandemic. The Company recognized a \$10,960 wage subsidy receivable against the salary expense qualified for that subsidy under employee benefits expense in the condensed consolidated interim statements of earnings for the three-month and six-month periods ended June 27, 2020.

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7. Financial Risk Management

Capital Management

The Company monitors the ratio of net indebtedness/capitalization on a quarterly basis. As at June 27, 2020, the ratio was calculated as follows:

	As at June 27, 2020 \$	As at December 31, 2019 \$
Long-term debt, including the current portion	182,075	177,900
Total indebtedness	182,075	177,900
Less:		
Cash and cash equivalents	18,449	22,608
Total net indebtedness	163,626	155,292
Equity attributable to owners of the Company	278,045	280,371
Capitalization	441,671	435,663
Ratio of net indebtedness/capitalization	37.0%	35.6%

As at June 27, 2020, the Company was in compliance with all of its obligations under the terms of its banking agreements.

Financial Risk Management

Due to 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 six months ended June 27, 2020, the 20 largest customers accounted for 40.6% (38.5% in 2019) of consolidated revenue.

Fair Value of Financial Instruments

As at June 27, 2020, and December 31, 2019, the estimated fair values of cash and cash equivalents, trade and other receivables, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at June 27, 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 \$3,950 higher than its carrying value as at June 27, 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

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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.

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

- Level 1: valuation based on quoted prices (unadjusted) observed in active markets for identical assets or liabilities;
- Level 2: valuation techniques based on inputs that are quoted prices of similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, inputs other than quoted prices used in a valuation model that are observable for the instrument being valued, and inputs that are derived mainly from or corroborated by observable market data using correlation or other forms of relationship;
- Level 3: valuation techniques based significantly on inputs that are not observable in the market.

For the period ended June 27, 2020, no financial instruments were recorded at fair value or transferred between levels 1, 2 and 3.

Sensitivity Analysis

On June 27, 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 June 27, 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.

8. Share Capital

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 4,700 (6,500 in 2019) Class A shares and 22,600 (20,300 in 2019) Class B shares were repurchased and cancelled for cash considerations of \$143 (\$278 in 2019) and \$718 (\$862 in 2019), respectively. Of this amount, the excess over stated capital of the repurchased shares of \$140 (\$274 in 2019) and \$563 (\$739 in 2019), respectively, was charged to retained earnings.

As of June 27, 2020, following the issuance of 24,300 (14,800 in 2019) Class B shares under the Employee Stock Purchase Plan ("ESPP"), there remains an unallocated balance of 169,400 Class B shares reserved for issuance pursuant to this ESPP. Those 24,300 (14,800 in 2019) Class B shares were issued in exchange for a cash consideration of \$190 (\$258 in 2019) and non-interest-bearing loans of \$504 (\$298 in 2019), repayable over two years. The carrying value of non-interest-bearing loans amounts to \$659 as at June 27, 2020 (\$328 as at December 31, 2019).

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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 June 27, 2020.

During the second quarter ended June 27, 2020, there were 700 Class A shares converted into Class B shares (nil in 2019).

The issued and outstanding shares were as follows:

	As at June 27, 2020 \$	As at December 31, 2019 \$
7,378,222 Class A shares (7,383,622 as at December 31, 2019)	4,876	4,879
5,547,869 Class B shares (5,396,901 as at December 31, 2019)	40,787	35,343
	45,663	40,222

Dividends

Details of dividends declared per share are as follows:

	For the six months ended June 27, 2020 \$	June 29, 2019 \$
Class A shares	0.19	0.18
Class B shares	0.21	0.20

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.

9. Revenue

Revenue is detailed as follows:

	For the three months ended		For the six months ended	
	June 27, 2020 \$	June 29, 2019 \$	June 27, 2020 \$	June 29, 2019 \$
Revenue from cargo handling services	81,401	94,486	171,141	183,623
Revenue from services relating to the rehabilitation of underground water mains	20,495	37,341	22,960	42,196
Revenue from site remediation and soils and material management services	11,412	14,208	25,118	23,200
Revenue from the sale of goods	10,287	10,140	13,807	21,904
	123,595	156,175	233,026	270,923

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10. Accumulated Other Comprehensive Income, Net of Taxes

	As at June 27, 2020 \$	As at June 29, 2019 \$
Losses on financial instruments designated as cash flow hedges	(8)	—
Currency translation differences arising on translation of foreign operations	16,853	11,374
Unrealized losses on translating debt designated as hedging item of the net investment in foreign operations	(4,271)	(1,219)
	12,574	10,155

11. Segmented Information

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

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

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 June 27, 2020			
Revenue	81,437	42,158	123,595
Profit before income taxes	5,558	473	6,031
For the six months ended June 27, 2020			
Revenue	171,778	61,248	233,026
Profit (loss) before income taxes	11,951	(12,229)	(278)
As at June 27, 2020			
Total assets	493,502	263,351	756,853
Total liabilities	344,671	133,243	477,914
For the three months ended June 29, 2019			
Revenue	94,507	61,668	156,175
Profit (loss) before income taxes	8,499	(287)	8,212
For the six months ended June 29, 2019			
Revenue	185,633	85,290	270,923
Profit (loss) before income taxes	7,542	(11,548)	(4,006)
As at December 31, 2019			
Total assets	463,823	270,915	734,738
Total liabilities	323,674	130,050	453,724

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Geographic Segments

The Company's revenue from external customers by country of origin and information about its non-current assets by location of assets are detailed below.

Revenue	Canada \$	USA \$	Total \$
For the three months ended June 27, 2020	59,223	64,372	123,595
For the three months ended June 29, 2019	70,825	85,350	156,175
For the six months ended June 27, 2020	99,122	133,904	233,026
For the six months ended June 29, 2019	121,147	149,776	270,923
Non-current assets ⁽¹⁾			
As at June 27, 2020	273,938	261,843	535,781
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.

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