

Interim Financial Report for the Period Ended June 26, 2021

LOGISTEC

Q2 2021

Revenue

(in millions of Canadian dollars)

	2018 ⁽¹⁾	2019	2020	2021
March	82.4	114.7	109.4	104.9
June	149.2	156.2	123.6	172.5
September	184.5	195.3	191.9	
December	168.7	173.7	179.8	
Year-to-date	584.9	639.9	604.7	277.4

Adjusted EBITDA ⁽²⁾

(in millions of Canadian dollars)

	2018 ⁽¹⁾	2019	2020	2021
March	(3.2)	1.2	7.5	6.2
June	14.9	21.7	19.9	27.3
September	33.2	36.0	41.7	
December	19.3	30.7	31.6	
Year-to-date	64.2	89.6	100.7	33.5

Profit (loss) attributable to owners of the Company

(in millions of Canadian dollars)

	2018 ⁽¹⁾	2019	2020	2021
March	(9.5)	(8.9)	(5.4)	(5.7)
June	1.9	5.9	4.6	10.2
September	22.3	17.4	20.4	
December	3.4	11.8	13.0	
Year-to-date	18.1	26.2	32.6	4.5

Total earnings (loss) per share ⁽³⁾

(in Canadian dollars)

	2018 ⁽¹⁾	2019	2020	2021
March	(0.75)	(0.70)	(0.42)	(0.44)
June	0.14	0.45	0.35	0.78
September	1.69	1.33	1.56	
December	0.26	0.90	0.99	
Year-to-date	1.38	2.00	2.49	0.34

⁽¹⁾ For all periods after January 1, 2019, figures reflect the application of IFRS 16, Leases ("IFRS 16"), for which the 2018 comparative figure has not been restated.

⁽²⁾ Adjusted EBITDA is a non-IFRS measure; please refer to the non-IFRS measures section on page 15.

⁽³⁾ For earnings (loss) per share per class of share, please refer to the selected quarterly financial information on page 7.



TO OUR SHAREHOLDERS

Highlights from the second quarter of 2021:

- Consolidated revenue totalled \$172.5 million, up \$48.9 million or 39.6%;
- Adjusted EBITDA ⁽¹⁾ closed at \$27.3 million, up \$7.4 million;
- Total diluted earnings per share of \$0.78, up \$0.43;
- Closed the acquisition of America Process Group for a total purchase price of \$50.0 million;
- Five additional terminals certified as part of the industry leading Green Marine program.

Highlights from the six-month period ended June 26, 2021:

- Consolidated revenue totalled \$277.4 million, up \$44.4 million or 19.1%;
- Adjusted EBITDA ⁽¹⁾ closed at \$33.5 million, up \$6.1 million;
- Total diluted earnings per share of \$0.34, up \$0.41.

Supported by a favourable current environment and strong demand we delivered positive results in both of our business segments in the second quarter of 2021. Consolidated revenue was \$172.5 million in the period, an increase of \$48.9 million or 39.6% over the same period in 2020.

Revenue from the marine services segment reached \$104.5 million in 2021, up \$23.1 million or 28.4% compared with the same period in 2020. The effect of the economic recovery has served LOGISTEC well and as a result, we have seen volumes in cargo handling return to pre-pandemic levels. In addition, the stabilization of work relations in the Port of Montréal is also having a positive impact on financial performance in our marine services segment.

Revenue from the environmental services segment was \$68.0 million, up \$25.8 million or 61.4% in the second quarter of 2021. We executed on our strong order book, driving higher revenue from services relating to the renewal of underground water mains, site remediation, and soils and materials management services.

Strategic Acquisition of American Process Group

We continue to grow both operationally and geographically. In June, we acquired American Process Group (“APG”) for a total purchase price of \$50.0 million, subject to adjustments. Based in Edmonton (AB), APG is a leader in dredging, dewatering, and residual management, expertise that is complementary to our skillsets, enabling our team to enhance our service offering and positioning us to take advantage of high growth markets in both Western Canada and the United States.

Fire in the Port of Brunswick

In early May, we experienced a significant fire in one of our warehouses at the Port of Brunswick in Georgia. We are grateful to the fire departments who quickly responded and controlled the incident to assure the safety of the community and are pleased to report that all safety protocols were followed and there were no injuries.

As always, the health and well-being of the community remains our priority. To that end, we have established open and transparent communication channels with the port neighborhood and the surrounding community to collect their comments and keep them informed of the situation. In addition, we are working with the Georgia Ports Authority on a plan to determine next steps, prior to our teams resuming wood pellet handling activities.

The impact of the fire on LOGISTEC’s overall business is minimal, given the strength of the Company’s diversified portfolio of businesses and geographies.

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measures section on page 15.

Green Marine Certification

The Green Marine program is an essential part of our ESG strategy and we are proud to report that our subsidiary, Gulf Stream Marine, Inc. located on the U.S. Gulf Coast has obtained Green Marine environmental certification for five terminals in Texas: Corpus Christi, Manchester, Brownville, Care and Freeport. This brings the number of Green Marine certified facilities in our portfolio to 18 terminals throughout Canada and the United States, the highest number of terminal ports in North America certified by Green Marine. Our teams are committed to reducing the marine environmental footprint and contributing to a sustainable future.

OUTLOOK

We look at the remainder of 2021 with optimism and we remain focused on continuing to drive profitable growth and delivering long-term, sustainable value to our stakeholders.

In our cargo handling business, activity is increasing at our 80 terminals in the 54 ports we serve for global industries and we are encouraged that the volumes are trending towards pre-pandemic levels. In addition, the underlying economy is growing, leading to expectations of continued growth in cargo traffic. As we look towards the next few quarters, we are seeing an up-tick in investment, particularly in wind turbines and major infrastructure projects, both which lead to a robust demand for steel.

In addition to growth driven by our acquisition of APG, performance from our environmental services segment is anticipated to remain strong through the remainder of the year. This year's early spring gave our team a head start in both our ALTRA Proven Solutions line of product as well as our more traditional environmental activities. Furthermore, our ALTRA PFAS Treatment continue to gain recognition as being an ideal solution for this serious environmental issue, boding well for future growth.

Our strategy remains unchanged: leverage our high-quality assets, strong geographic footprint and culture of innovation to drive future growth. Our experts are committed to finding solutions to support reliable and sustainable supply chains, and to protect and renew our environment and water resources. The path forward is bright.

(signed) Curtis J. Foltz
Curtis J. Foltz
Chairman of the Board

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

August 5, 2021

FORWARD LOOKING STATEMENTS

This management's discussion and analysis ("MD&A") along with the annual report, 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 impact of the COVID-19 pandemic on the Company's business and results of operations, the performance 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.

INTRODUCTION

This MD&A deals with LOGISTEC Corporation's operations, results and financial position for the three-month and six-month periods ended June 26, 2021, and June 27, 2020. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements ("Q2 2021 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 2020 audited consolidated financial statements, except for the new accounting standards and amendments described in Note 2 of the Q2 2021 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

Consisting of 54 ports and 80 terminals across North America, LOGISTEC's marine services segment provides specialized cargo handling and other services to a wide variety of marine and industrial customers. LOGISTEC's cargo handling services business is one of the largest service providers in Canada and a growing player in the United States. Cargoes handled typically consist of products such as forest products, metals, dry bulk, fruit, grain and bagged cargoes, containers, general and project cargoes. Other marine services include marine transportation and marine agencies. The Company is consistently pursuing opportunities to deliver value to its customers and enhance long term shareholder value.

Environmental Services

The Company, through its subsidiaries SANEXEN Environmental Services Inc. ("SANEXEN"), FER-PAL Construction Ltd. ("FER-PAL"), American Process Group, ("APG"), and NIEDNER Inc. ("NIEDNER"), as well as through its brand, ALTRA Proven Solutions ("ALTRA"), operates in the environmental sector. We deliver creative and customized solutions to industrial, municipal and governmental clients with respect to renewal of underground water mains, site remediation, dredging and dewatering, soils and materials management, risk assessment, and manufacturing of woven hoses.

OUTLOOK FROM THE CHIEF FINANCIAL OFFICER

We are proud of our second quarter results. We are also encouraged by the current developments related to the pandemic. The United States are progressively deconfining, vaccination coverage in Canada is increasing, and the trend is going in the right direction.

In the marine services segment, volumes are increasing, and there appears to be a strong underlying economic recovery and growth. Indeed, the Baltic Dry Index was at a five-year high at the end of June 2021. This is a very positive sign as this index is considered by many as a benchmark for dry bulk shipping stocks as well as an indicator of the general shipping market.

Volumes of commodities we handle are generally increasing throughout our network and particularly in the U.S. Gulf Coast and Montréal (QC). The labour situation in the port of Montréal was resolved and though some cargoes were redirected towards competitive ports, the volumes are returning and holding strong.

Unfortunately, at the beginning of the quarter, we had a major fire at our wood pellet storage facility in Brunswick (GA). Nobody was injured and there was no damage to the surrounding community. We are still assessing the situation and we have proper insurance coverage for such incidents. However, this site will not be fully operational for some time. It will impact our results, but the strength of our business model is based on the diversity of our operations, and the expected good performance of the rest of our network should mitigate the financial impact of this event.

In the environmental services segment, the outlook is also positive. Although the season for ALTRA Proven Solutions has been impacted by labour issues at the City of Montréal, our order book is strong for the balance of the year. Furthermore, our ALTRA PFAS Treatment are increasingly popular and recognized as being "the" solution for this serious environmental issue, which bodes well for future business.

Finally, the highlight of the quarter was the acquisition of APG as of June 3, 2021. This addition to the LOGISTEC family will be a great complement and enhance the portfolio of services we offer in this sector. With its offices in Edmonton (AB), this acquisition gives us a foothold and a solid base to expand in Western Canada and in the USA.

One challenge we are facing is the increasing scarcity of labour. Recruiting is increasingly difficult, however LOGISTEC has several appealing features. We are focused on a compelling business plan, with a long history of profitability and financial stability, and offering competitive working conditions. Finally, knowing that we have endured the COVID-19 pandemic without reducing our personnel while maintaining financial stability is very reassuring for our people.

Speaking of our people, we are very grateful for their dedication and hard work, especially over the last year. Most had to work in new environments, with new working protocols, sometimes putting their health at risk to come to work.

The path forward is brighter. Headwinds are turning. Despite the remaining challenges, and new ones to come, we are confident that 2021 will yield solid financial results, for the benefit of all our stakeholders.

OUR RESPONSE TO COVID-19

Since March 2020, the COVID-19 pandemic has prompted governments and businesses to take unprecedented measures. The situation is constantly evolving, and the measures put in place have numerous economic repercussions at 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.

In 2021, LOGISTEC continues to operate under its business continuity plan. To date, all our operations were deemed essential services by the government authorities in Canada and the United States. As such, the Company's marine operations, including our terminal operations across our North American network, remained open and functional. Similarly, the Company's environmental operations, including renewal of underground water mains, site remediation, soils and materials management, and manufacturing of woven hoses, remained operational. Nonetheless, the economic slowdown due to COVID-19, as well as the strict distancing and sanitation protocols, have increased the operating costs in our marine and environmental services segments.

As at June 26, 2021, the Company qualified for the Canada Emergency Wage Subsidy ("CEWS") and 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 wage subsidy of \$2.9 million (\$11.0 million in the comparable period of 2020) against the salary expense which 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 26, 2021.

In light of the COVID-19 measures, management has reviewed their judgments, estimates and assumptions, which are fully described in Note 3 of the notes to 2020 audited consolidated financial statements, about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As at June 26, 2021, 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.

BUSINESS COMBINATIONS

2021 BUSINESS COMBINATION

AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN acquired 100% ownership of APG for a purchase price of \$50.0 million, subject to adjustments. APG is an Edmonton-based environmental industry leader, specializing in dredging, dewatering and residuals management. This strategic acquisition positions us in Western Canada and the United States, markets with strong potential. In addition, APG's complementary expertise allows us to enhance our service offering to our current and future clients.

Please refer to Note 5 of the notes to Q2 2021 financial statements for further details.

2020 BUSINESS COMBINATIONS

CASTALOOP

On December 14, 2020, the Company acquired 100% ownership of Gestion Castalooop Inc. and its subsidiaries ("Castalooop") for a purchase price of \$3.5 million, subject to certain adjustments. On May 19, 2021, the Company settled the post-closing working capital adjustments for an additional cash consideration of \$0.9 million. Castalooop provides customized cargo handling services to clients along the Great Lakes and St. Lawrence Seaway as well as along the St. Lawrence River and U.S. East Coast. This acquisition solidifies LOGISTEC's position as a leading provider of innovative cargo handling services at ports throughout North America.

Please refer to Note 5 of the notes to Q2 2021 financial statements for further details.

CARE AND PASCAGOULA TERMINALS

On June 26, 2020, Gulf Stream Marine, Inc. acquired the Care terminal at the Port of Houston in Texas, and on July 15, 2020, acquired 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. 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.

SELECTED QUARTERLY FINANCIAL INFORMATION

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

	Q1	Q2	Q3	Q4	Year-to-date
	\$	\$	\$	\$	\$
2021					
Revenue	104,850	172,593			277,443
Adjusted EBITDA ⁽¹⁾	6,247	27,234			33,481
Profit (loss) attributable to owners of the Company	(5,724)	10,241			4,517
Basic earnings (loss) per Class A Common Share ⁽²⁾	(0.42)	0.75			0.33
Basic earnings (loss) per Class B Subordinate Voting Share ⁽³⁾	(0.47)	0.84			0.37
Total basic earnings (loss) per share	(0.44)	0.79			0.35
Diluted earnings (loss) per Class A share	(0.42)	0.75			0.33
Diluted earnings (loss) per Class B share	(0.47)	0.83			0.36
Total diluted earnings (loss) per share	(0.44)	0.78			0.34
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2020					
Revenue	109,431	123,595	191,847	179,828	604,701
Adjusted EBITDA ⁽¹⁾	7,473	19,930	41,720	31,535	100,658
Profit (loss) attributable to owners of the Company	(5,421)	4,590	20,465	12,980	32,614
Basic earnings (loss) per Class A share	(0.41)	0.35	1.52	0.97	2.43
Basic earnings (loss) per Class B share	(0.45)	0.38	1.68	1.06	2.67
Total basic earnings (loss) per share	(0.42)	0.36	1.58	1.01	2.53
Diluted earnings (loss) per Class A share	(0.41)	0.34	1.50	0.95	2.39
Diluted earnings (loss) per Class B share	(0.45)	0.37	1.65	1.05	2.63
Total diluted earnings (loss) per share	(0.42)	0.35	1.56	0.99	2.49

⁽¹⁾ Adjusted EBITDA is a non-IFRS measure; please refer to the non-IFRS measures section on page 15.

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

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

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 most 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 than the other quarters. The third and fourth quarters are usually the most active.

CONSOLIDATED FINANCIAL REVIEW

<i>(in thousands of dollars, except per share amounts)</i>	For the three months ended		For the six months ended	
	June 26, 2021 \$	June 27, 2020 \$	June 26, 2021 \$	June 27, 2020 \$
Revenue	172,593	123,595	277,443	233,026
Employee benefits expense	(79,618)	(54,839)	(137,596)	(111,716)
Equipment and supplies expense	(47,397)	(32,099)	(73,121)	(64,138)
Operating expense	(10,524)	(9,329)	(20,146)	(20,603)
Other expenses	(7,877)	(6,047)	(13,698)	(12,491)
Depreciation and amortization expense	(11,883)	(11,223)	(23,244)	(21,999)
Share of profit of equity accounted investments	936	695	2,087	544
Other (losses) gains	(879)	(2,046)	(1,488)	2,781
Operating profit	15,351	8,707	10,237	5,404
Finance expense	(2,708)	(2,835)	(5,257)	(5,971)
Finance income	186	159	302	289
Profit (loss) before income taxes	12,829	6,031	5,282	(278)
Income taxes	(2,542)	(1,416)	(616)	(337)
Profit (loss) for the period	10,287	4,615	4,666	(615)
Profit (loss) attributable to:				
Owners of the Company	10,241	4,590	4,517	(831)
Non-controlling interests	46	25	149	216
Profit (loss) for the period	10,287	4,615	4,666	(615)
Basic earnings (loss) per Class A share	0.75	0.35	0.33	(0.06)
Basic earnings (loss) per Class B share	0.84	0.38	0.37	(0.07)
Diluted earnings (loss) per Class A share	0.75	0.34	0.33	(0.06)
Diluted earnings (loss) per Class B share	0.83	0.37	0.36	(0.07)

SECOND QUARTER

Consolidated revenue totalled \$172.5 million for the second quarter of 2021, up \$48.9 million or 39.6% from \$123.6 million for the same period in 2020. Consolidated revenue was negatively affected by \$10.9 million due to a stronger Canadian dollar against the U.S. dollar in the second quarter of 2021. Please refer to the segmented results section for the revenue variance explanation of each segment.

In the second quarter of 2021, employee benefits expense increased by \$24.8 million to \$79.6 million from the \$54.8 million recorded for the same quarter in 2020. This increase stems mainly from three factors: higher revenue, as a portion of the employee benefits expense related to our field operations are variable in nature; lower wage subsidy from the Canada Emergency Wage Subsidy recognized in 2021; and the \$2.9 million reduction of the long-term incentive plan provision for executives recognized in 2020.

Equipment and supplies expense amounted to \$47.4 million in the second quarter of 2021, an increase of \$15.3 million compared with the same period last year. The overall ratio of equipment and supplies expense to consolidated revenue increased to 27.5% for the second quarter of 2021, compared with 26.0% for the second quarter of 2020. The increase is primarily attributable to the revenue mix in the environmental services segment.

Overall, the Company reported a profit attributable to owners of the Company of \$10.2 million in the second quarter of 2021, up \$5.6 million from the \$4.6 million recorded in the corresponding period last year. This translated into total diluted earnings per share of \$0.78, of which \$0.75 per share was attributable to Class A shares and \$0.83 per share was attributable to Class B shares.

FIRST HALF

For the six-month period ended June 26, 2021, consolidated revenue totalled \$277.4 million, compared with \$233.0 million for the same period in 2020, an increase of \$44.4 million. Consolidated revenue has been negatively affected by \$15.0 million year-to-date, due to a strengthening Canadian dollar against the U.S. dollar in the first half of 2021 compared with 2020. Please refer to the segmented results section for the revenue variance explanation of each segment.

For the first six months of 2021, the employee benefits expense reached \$137.6 million, an increase of \$25.9 million or 23.2% over the \$111.7 million recorded for the same period last year. This increase stems mainly from three factors: higher revenue, as a portion of the employee benefits expense related to our field operations are variable in nature, lower wage subsidy from the Canada Emergency Wage Subsidy recognized in 2021 and the \$2.9 million reduction of the long-term incentive plan provision for executives recognized in 2020.

For the first half of 2021, equipment and supplies expense amounted to \$73.1 million, an increase of \$9.0 million or 14.0% over the first half of 2020. This increase is mainly revenue driven as the overall ratio of equipment and supplies expense to consolidated revenue was stable at 26.4% for the first half of 2021 compared with 27.5% for the same period in 2020.

Share of profit of equity accounted investments reached \$2.1 million, an increase of \$1.5 million over the same period last year. This increase stems mainly from the strong performance of our equity accounted investments in TERMONT Terminal Inc., whose subsidiary specializes in handling containers.

Other gains and losses varied by \$4.3 million, from a \$2.8 million gain in the first half of 2020 to a \$1.5 million loss in the first six months of 2021. This variance is mainly related to unrealized exchange gains and losses on translating net working capital denominated in U.S. dollars, given the stronger Canadian dollar.

For the first six months of 2021, the Company reported a profit for the period of \$4.7 million, of which \$0.2 million was attributable to a non-controlling interest, resulting in a \$4.5 million profit attributable to owners of the Company. This translated into a total diluted earnings per share of \$0.34, of which \$0.33 per share was attributable to Class A shares and \$0.36 per share was attributable to Class B shares.

All other items of the condensed consolidated interim statements of earnings varied according to normal business parameters and were comparable to 2020 levels.

SEGMENTED RESULTS

	Three-month period ended June 26, 2021			Three-month period ended June 27, 2020		
	Marine services \$	Environmental services \$	Total \$	Marine services \$	Environmental services \$	Total \$
Revenue	104,532	68,061	172,593	81,437	42,158	123,595
Profit before income taxes	11,635	1,194	12,829	5,558	473	6,031

	Six-month period ended June 26, 2021			Six-month period ended June 27, 2020		
	Marine services \$	Environmental services \$	Total \$	Marine services \$	Environmental services \$	Total \$
Revenue	186,972	90,471	277,443	171,778	61,248	233,026
Profit (loss) before income taxes	14,892	(9,610)	5,282	11,951	(12,229)	(278)

MARINE SERVICES

SECOND QUARTER

Revenue from the marine services segment reached \$104.5 million in 2021, up \$23.1 million or 28.4% when compared with \$81.4 million in 2020. With the rollout of the vaccination program in North America and the economy adjusting to the new normal, we have seen volumes in cargo handling returning to pre-pandemic levels. In addition, the stabilization of work relations in the Port of Montréal also had a positive effect.

Profit before income taxes from the marine services segment amounted to \$11.6 million in the second quarter of 2021, up \$6.0 million from the \$5.6 million reported for the same quarter of 2020. This increase stems mainly from a higher level of activity as explained above and these results include a wage subsidy of \$1.2 million recognized under employee benefits expense in the second quarter of 2021 compared with \$4.1 million recognized in the comparative period of 2020.

FIRST HALF

Revenue in the marine services segment totalled \$187.0 million for the first half of 2021, up by \$15.2 million from \$171.8 million for the same period last year. The increase stems mainly from a general volume increase in our general cargo terminals, which saw more activity in the first half of 2021 than in the same period of 2020.

For the first half of 2021, profit before income taxes from the marine services segment amounted to \$14.9 million, up from \$12.0 million in the same period of 2020. These results reflect a higher level of activity and a higher share of profit of equity accounted investments than in the same period of 2020. These increases were partially offset by the unrealized exchange loss incurred in 2021 on translating net working capital denominated in U.S. dollars compared to a gain incurred in the comparative period of 2020.

ENVIRONMENTAL SERVICES

SECOND QUARTER

Revenue from the environmental services segment was \$68.0 million, up by \$25.9 million or 61.4% in the second quarter of 2021. Although somewhat disrupted by union issues at the City of Montréal, we began executing on our strong order book; which translated into higher revenue from services relating to the renewal of underground water mains, and revenues from site remediation and soils and material management services. It is important to note that a portion of these operations in the province of Québec were stopped last year, as they were not deemed essential services by the government authorities at that time.

Profit before income taxes from the environmental services segment amounted to \$1.2 million in the second quarter of 2021, \$0.7 million higher than the \$0.5 million profit reported for the same quarter of 2020. These results include a wage subsidy of \$1.7 million recognized under employee benefits expense in the second quarter of 2021 compared with \$6.8 million recognized in the comparative period of 2020. The increased profit was mainly revenue-driven, partly offset by higher employee benefits and equipment and supplies expense as explained above.

FIRST HALF

The environmental services segment delivered revenue totalling \$90.5 million, an increase of \$29.3 million over revenue of \$61.2 million for the same six-month period in 2020. The increase for the first half of 2021 is mainly driven by the performance of the last three-month period as explained above.

For the first half of 2021, the loss before income taxes from the environmental services segment amounted to \$9.6 million, a positive variance when compared to the \$12.2 million loss in the same period of 2020. As mentioned above, the reduced loss is mainly attributable to higher revenue, partly offset by higher employee benefits expense.

FIRE INCIDENT AT THE PORT OF BRUNSWICK (GA)

On May 2, 2021, a fire destroyed a leased warehouse, a portion of a conveyor and certain terminal equipment assets at our bulk facilities in Brunswick (GA).

The Company has insurance coverage in place covering, among other things, property and equipment damage and general liability up to specified amounts, subject to limited deductibles. The Company has notified its insurers of the incident and the anticipated proceeds from the insurance coverage is expected to be sufficient to cover the cost of the assets destroyed, as well as other costs incurred as a direct result of the fire.

As at June 26, 2021, the Company received confirmation of an advance from the property insurance carriers on its initial claim in the amount of US\$5.0 million (CA\$6.1 million) related to the incident. The Company also recognized an impairment loss of US\$5.3 million (CA\$6.5 million) for the destroyed assets that was impacted by the fire. Both the insurance recovery and the impairment loss related to the assets destroyed were recognized under other (losses) gains in the condensed consolidated interim statements of earnings for the three-month and six-month periods ended June 26, 2021.

Pursuant to the lease agreement with the Georgia Ports Authority, the Company is required to rebuild the warehouse that was destroyed by the fire. As at the date of these condensed consolidated interim financial statements, discussions are ongoing with the Georgia Ports Authority and other parties to determine if the warehouse will be rebuilt and if so, the size and the type of the warehouse that will be constructed. In accordance with the lease agreement, this warehouse was insured for US\$21.9 million (CA\$26.9 million). As at the date of this MD&A, the Company has not begun reconstruction of the warehouse and is able to operate with reduced capacity at this facility. The Company will record the impact of final discussions related to the warehouse, including any required obligations for rebuilding of the warehouse and a corresponding insurance recovery, in the period when all information will be available.

This reflects management's best estimates based on the information available as at the date of these MD&A and are subject to change as new developments occur in the future in connection with the Company's reconstruction of the warehouse and finalization of the insurance claim.

DIVIDENDS

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

On August 5, 2021, the Company's Board of Directors elected to increase the dividend payment by 5%.

The following table describes the 2021 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 10, 2020	January 4, 2021	January 18, 2021	0.09350	0.10285	1.3
March 16, 2021	April 1, 2021	April 15, 2021	0.09350	0.10285	1.3
May 4, 2021	June 21, 2021	July 5, 2021	0.09350	0.10285	1.3
August 5, 2021	September 24, 2021	October 8, 2021	0.09818	0.10799	1.3

The Board of Directors has maintained the dividend payment for now and will reassess the decision at the upcoming Board meetings, depending on the evolution of the economic situation.

LIQUIDITY AND CAPITAL RESOURCES

CAPITAL MANAGEMENT

The Company's financial strategy and primary objectives when managing capital are described in Note 12 of the notes to the 2020 audited consolidated financial statements and were applied consistently in the second quarter of 2021. Please also refer to Note 7 of the notes to Q2 2021 financial statements for an update on financial risk management information.

CAPITAL RESOURCES

Total assets amounted to \$845.0 million as at June 26, 2021, up \$45.5 million from \$799.5 million as at December 31, 2020. The increase is mainly due to the additional goodwill, intangible assets and property, plant and equipment following the business combination with APG.

Cash and cash equivalents totalled \$32.4 million at the end of the second quarter of 2021, down \$14.4 million from \$46.8 million as at December 31, 2020. The main items underlying this increase are as follows:

(in thousands of dollars)

Sources:	
Issuance of long-term debt, net of transaction cost	40,870
Cash generated from operations	33,541
Changes in non-cash working capital items	6,563
	80,974
Uses:	
Business combination	(50,000)
Acquisition of property, plant and equipment, net of proceeds from disposal	(19,204)
Income taxes paid	(6,607)
Repayment of lease liabilities	(6,584)
Interest paid	(6,253)
Repayment of long-term debt, net of issuance	(2,667)
Dividends paid on Class A and Class B shares	(2,525)
Repayment of other non-current liabilities	(2,432)
	(96,272)

WORKING CAPITAL

As at June 26, 2021, current assets and current liabilities totalled \$226.6 million and \$135.5 million, respectively, computing into working capital of \$91.1 million for a current ratio 1.67:1, comparable to the amount of \$91.6 million and ratio of 1.69:1 as at December 31, 2020.

LONG-TERM DEBT

Total net indebtedness ⁽¹⁾ amounted to \$170.3 million as at June 26, 2021, up \$49.4 million from \$120.9 million as at December 31, 2020. The increase stems mainly from the additional debt incurred to finance the acquisition of APG.

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at June 26, 2021, equity attributable to owners of the Company amounted to \$303.2 million, up \$2.4 million from \$300.8 million as at December 31, 2020. Adding total net indebtedness ⁽¹⁾ yields a capitalization of \$473.5 million, which computes to a net indebtedness/capitalization ratio of 36.0% compared with 28.7% as at December 31, 2020.

As at August 5, 2021, 7,377,022 Class A shares and 5,673,336 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 2021 financial statements for further details regarding the Company's share capital.

⁽¹⁾ The net indebtedness/capitalization ratio is a non-IFRS measure and is reconciled in Note 7 of the notes to Q2 2021 financial statements.

SIGNIFICANT JOINT VENTURE

As disclosed in Note 16 of the notes to the 2020 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 marine services segment.

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 26, 2021 \$	As at December 31, 2020 \$		
Statement of financial position				
Total assets	105,013	95,316		
Total liabilities	43,583	39,742		
	For the three months ended	For the six months ended		
	June 26, 2021 \$	June 27, 2020 \$	June 26, 2021 \$	June 27, 2020 \$
Statement of earnings				
Revenue	1,107	1,003	2,238	1,983
Share of profit of an equity accounted investment	2,301	2,392	4,695	3,221
Profit for the period	2,866	2,878	5,855	4,145

OTHER ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Financial position as at (in millions of dollars)	June 26, 2021 \$	December 31, 2020 \$	Var. \$	Var. %	Explanation of variation
Contract assets	20.1	7.6	12.5	n.m.	Contract assets represent the gross unbilled amount that will be collected from customers for contract work performed in our environment 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 2021.
Inventories	17.3	12.9	4.4	33.8%	The increase is mainly related to the ALTRA Proven Solutions product that will be installed in the second half of 2021 by our environmental services segment.
Property, plant and equipment	196.1	185.7	10.4	5.6%	The increase stems mainly from the fixed assets acquired as part of business combinations. Other regular CAPEX was offset by the depreciation expense.
Goodwill	177.0	149.3	27.7	18.6%	The majority of the increase stems from the acquisition of APG, as discussed in the business combinations section of this MD&A.

Financial position as at <i>(in millions of dollars)</i>	June 26, 2021 \$	December 31, 2020 \$	Var. \$	Var. %	Explanation of variation
Intangible assets	43.4	38.4	5.0	12.8%	The majority of the increase stems from the acquisition of APG. As a result of that transaction, LOGISTEC recorded intangible assets amounting to \$8.3 million. This was partly offset by the amortization expense.
Contract liabilities	10.9	8.9	2.0	21.7%	Contract liabilities represent advance consideration received from customer, recognized when contract work is 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 2021.
Current income tax liabilities	5.8	8.7	(2.9)	(33.4%)	The decrease is due to tax installments made in 2021.
Current portion of lease liabilities	14.9	18.3	(3.4)	(18.6%)	The increase stems mainly from the addition of \$13.3 million partly offset by the repayment of lease liabilities in the amount of \$6.6 million, and the revaluation of lease liabilities denominated in foreign currency in the amount of \$3.7 million.
Non-current lease liabilities	124.8	116.9	7.9	6.7%	
Long-term debt	199.2	164.0	35.2	21.5%	The increase stems mainly from the new debt incurred for an amount of \$40.0 million in connection with the acquisition of APG, partly offset by the remeasurement of long-term debt denominated in foreign currency, which had an impact of \$3.2 million.
Deferred income tax liabilities	23.9	21.4	2.5	11.6%	The increase stems mainly from taxable temporary differences upon the recognition of intangible assets and property, plant and equipment acquired from the business combination of APG.
Post-employment benefit obligations	18.0	22.1	(4.1)	(18.2%)	The decrease stems mainly from the remeasurement of the post-employment benefit obligations based on the prevailing discount rate of 3.25% as at June 26, 2021, compared with 2.50% as at December 31, 2020.
Share capital	50.4	45.6	4.8	10.6%	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	(4.9)	(100.0%)	

n.m.: not meaningful

All other items included in the condensed consolidated interim statements of financial position varied according to normal business parameters in the second quarter of 2021.

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 2021 financial statements. The definition of adjusted EBITDA excludes the Company's impairment charge. 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
	\$	\$	\$	\$	\$
2021					
Profit (loss) for the period	(5,621)	10,287			4,666
PLUS:					
Depreciation and amortization expense	11,361	11,883			23,244
Net finance expense	2,433	2,522			4,955
Income taxes	(1,926)	2,542			616
Adjusted EBITDA ⁽¹⁾	6,247	27,234			33,481
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2020					
Profit (loss) for the period	(5,230)	4,615	20,464	12,939	32,788
PLUS:					
Depreciation and amortization expense	10,776	11,223	11,602	11,789	45,390
Net finance expense	3,006	2,676	2,914	3,222	11,818
Income taxes	(1,079)	1,416	6,740	3,585	10,662
Adjusted EBITDA ⁽¹⁾	7,473	19,930	41,720	31,535	100,658
2019					
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	1,168	21,744	36,040	30,659	89,611
2018 ⁽¹⁾					
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

⁽¹⁾ For all periods after January 1, 2019, figures reflect the application of IFRS 16, Leases ("IFRS 16"), for which the 2018 comparative figure has not been restated.

REPORT ON DISCLOSURE CONTROLS

Pursuant to the requirements of National Instrument 52-109 "Certification of Disclosure in Issuers' Annual and Interim Filings", the President and Chief Executive Officer and the Chief Financial Officer are responsible for the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"). They are assisted in these tasks by a Certification Steering Committee, which is comprised of members of the Company's senior executives including the two previously mentioned executives.

They have reviewed this management's discussion and analysis and the Q2 2021 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 2021 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.

The management's evaluation of the design and the effectiveness of the Company's internal control over financial reporting excludes controls, conventions and procedures regarding APG, acquired on June 3, 2021. The Company has a period of one year from the acquisition date to conduct this analysis and to implement internal controls deemed necessary. Please refer to the business combinations section for further financial information.

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 2021 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

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

August 5, 2021

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		For the six months ended	
		June 26, 2021 \$	June 27, 2020 \$	June 26, 2021 \$	June 27, 2020 \$
Revenue	9	172,593	123,595	277,443	233,026
Employee benefits expense		(79,618)	(54,839)	(137,596)	(111,716)
Equipment and supplies expense		(47,397)	(32,099)	(73,121)	(64,138)
Operating expense		(10,524)	(9,329)	(20,146)	(20,603)
Other expenses		(7,877)	(6,047)	(13,698)	(12,491)
Depreciation and amortization expense		(11,883)	(11,223)	(23,244)	(21,999)
Share of profit of equity accounted investments		936	695	2,087	544
Other (losses) gains		(879)	(2,046)	(1,488)	2,781
Operating profit		15,351	8,707	10,237	5,404
Finance expense		(2,708)	(2,835)	(5,257)	(5,971)
Finance income		186	159	302	289
Profit (loss) before income taxes		12,829	6,031	5,282	(278)
Income taxes		(2,542)	(1,416)	(616)	(337)
Profit (loss) for the period		10,287	4,615	4,666	(615)
Profit (loss) attributable to:					
Owners of the Company		10,241	4,590	4,517	(831)
Non-controlling interest		46	25	149	216
Profit (loss) for the period		10,287	4,615	4,666	(615)
Basic earnings (loss) per Class A Common Share ⁽¹⁾		0.75	0.35	0.33	(0.06)
Basic earnings (loss) per Class B Subordinate Voting Share ⁽²⁾		0.84	0.38	0.37	(0.07)
Diluted earnings (loss) per Class A share		0.75	0.34	0.33	(0.06)
Diluted earnings (loss) per Class B share		0.83	0.37	0.36	(0.07)
Weighted average number of Class A shares outstanding, basic and diluted		7,377,022	7,380,389	7,377,022	7,380,389
Weighted average number of Class B shares outstanding, basic		5,625,162	5,485,163	5,590,708	5,485,163
Weighted average number of Class B shares outstanding, diluted		5,734,027	5,693,288	5,737,044	5,693,288

⁽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		For the six months ended	
	June 26, 2021 \$	June 27, 2020 \$	June 26, 2021 \$	June 27, 2020 \$
Profit (loss) for the period	10,287	4,615	4,666	(615)
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	(4,542)	(3,379)	(6,007)	6,473
Unrealized gain (loss) on translating debt designated as hedging item of the net investment in foreign operations	3,546	1,793	4,488	(3,547)
Income taxes relating to unrealized gain on translating debt designated as hedging item of the net investment in foreign operations	(235)	—	(360)	—
Gain on derivatives designated as cash flow hedges	26	—	90	—
Income taxes relating to derivatives designated as cash flow hedges	(7)	—	(24)	—
Total items that are or may be reclassified to the consolidated statements of earnings	(1,212)	(1,586)	(1,813)	2,926
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement (losses) gains on benefit obligation	—	(5,005)	4,174	(1,288)
Return on retirement plan assets	622	1,235	93	(167)
Income taxes on remeasurement (losses) gains on benefit obligation and return on retirement plan assets	(165)	998	(1,131)	385
Total items that will not be reclassified to the consolidated statements of earnings	457	(2,772)	3,136	(1,070)
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	(755)	(4,372)	1,323	1,842
Total comprehensive income for the period	9,532	243	5,989	1,227
Total comprehensive income attributable to:				
Owners of the Company	9,506	241	5,871	976
Non-controlling interest	26	2	118	251
Total comprehensive income for the period	9,532	243	5,989	1,227

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 26, 2021 \$	As at December 31, 2020 \$
Assets			
Current assets			
Cash and cash equivalents		32,397	46,778
Trade and other receivables		135,261	138,649
Contract assets		20,097	7,617
Current income tax assets		11,919	9,171
Inventories		17,316	12,946
Prepaid expenses and other		9,621	9,056
		226,611	224,217
Equity accounted investments		46,354	45,061
Property, plant and equipment		196,130	185,686
Right-of-use assets		135,268	132,779
Goodwill	5	177,045	149,311
Intangible assets		43,355	38,422
Non-current assets		2,177	2,381
Non-current financial assets		6,985	9,210
Deferred income tax assets		11,049	12,385
Total assets		844,974	799,452
Liabilities			
Current liabilities			
Trade and other payables		99,191	91,694
Contract liabilities		10,879	8,941
Current income tax liabilities		5,803	8,719
Dividends payable		1,273	1,259
Current portion of lease liabilities		14,863	18,251
Current portion of long-term debt		3,472	3,748
		135,481	132,612
Lease liabilities		124,806	116,901
Long-term debt		199,192	163,962
Deferred income tax liabilities		23,901	21,418
Post-employment benefit obligations		18,042	22,055
Contract liabilities		2,333	2,533
Non-current liabilities		37,108	38,400
Total liabilities		540,863	497,881
Equity			
Share capital	8	50,398	45,575
Share capital to be issued	8	—	4,906
Retained earnings		246,645	242,358
Accumulated other comprehensive income	10	6,161	7,943
Equity attributable to owners of the Company		303,204	300,782
Non-controlling interest		907	789
Total equity		304,111	301,571
Total liabilities and equity		844,974	799,452

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 10)	Retained earnings	Total		
		\$	\$	\$	\$	\$	\$	\$
Balance as at January 1, 2021		45,575	4,906	7,943	242,358	300,782	789	301,571
Profit for the period		—	—	—	4,517	4,517	149	4,666
Other comprehensive (loss) income								
Currency translation differences arising on translation of foreign operations		—	—	(5,976)	—	(5,976)	(31)	(6,007)
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations		—	—	4,128	—	4,128	—	4,128
Remeasurement gains on benefit obligation and return on retirement plan assets, net of income taxes		—	—	—	3,136	3,136	—	3,136
Cash flow hedges, net of income taxes		—	—	66	—	66	—	66
Total comprehensive income for the period		—	—	(1,782)	7,653	5,871	118	5,989
Remeasurement of written put option liabilities		—	—	—	(593)	(593)	—	(593)
Repurchase of Class B shares	8	(83)	—	—	(338)	(421)	—	(421)
Issuance of Class B shares capital to a subsidiary shareholder	8	4,906	(4,906)	—	—	—	—	—
Class B shares to be issued under the Executive Stock Option Plan		—	—	—	105	105	—	105
Dividends on Class A shares	8	—	—	—	(1,380)	(1,380)	—	(1,380)
Dividends on Class B shares	8	—	—	—	(1,160)	(1,160)	—	(1,160)
Balance as at June 26, 2021		50,398	—	6,161	246,645	303,204	907	304,111

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 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 gains 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)
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 CASH FLOWS

(in thousands of Canadian dollars)

	Notes	For the six months ended	
		June 26, 2021 \$	June 27, 2020 \$
Operating activities			
Income (loss) for the period		4,666	(615)
Items not affecting cash and cash equivalents		28,875	26,645
Cash generated from operations		33,541	26,030
Dividends received from equity accounted investments		615	3,600
Contributions to defined benefit retirement plans		(428)	(471)
Settlement of provisions		(271)	(243)
Changes in non-cash working capital items		6,563	13,677
Income taxes paid		(6,607)	(4,799)
		33,413	37,794
Financing activities			
Issuance of long-term debt, net of transaction cost		40,870	36,655
Repayment of long-term debt		(2,667)	(36,123)
Repayment of other non-current liabilities		(2,432)	—
Repayment of lease liabilities		(6,584)	(6,797)
Interest paid		(6,253)	(5,184)
Issuance of Class B shares		—	190
Repurchase of Class A shares	8	—	(143)
Repurchase of Class B shares	8	(421)	(718)
Dividends paid on Class A shares		(1,380)	(1,380)
Dividends paid on Class B shares		(1,145)	(1,124)
		19,988	(14,624)
Investing activities			
Acquisition of property, plant and equipment		(19,520)	(9,742)
Acquisition of intangible assets		(16)	(84)
Proceeds from disposal of property, plant and equipment		316	185
Business combinations	5	(50,000)	(16,457)
Repayment of due to shareholders		—	(121)
Interest received		512	114
Repayment of other non-current financial assets		698	110
Acquisition of other non-current assets		(104)	(327)
Proceeds from disposal of other non-current assets		44	49
		(68,070)	(26,273)
Net change in cash and cash equivalents		(14,669)	(3,103)
Cash and cash equivalents, beginning of period		46,778	22,608
Effect of exchange rate on balances held in foreign currencies of foreign operations		288	(1,056)
Cash and cash equivalents, end of period		32,397	18,449
Additional information			
Acquisition of property, plant and equipment included in trade and other payables		3,384	835
Issuance of Class B shares under the Employee Stock Purchase Plan for non-interest-bearing loans	9	—	504

See accompanying notes to the condensed consolidated interim financial statements.

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 54 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”), FER-PAL Construction Ltd. (“FER-PAL”), American Process Group (“APG”), and NIEDNER Inc. (“NIEDNER”) operates in the environmental services segment where it provides services for the renewal of underground water mains, dredging and dewatering, 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 600 de la Gauchetière Street West, 14th Floor, Montréal, Québec H3B 4L2, Canada.

The Company’s largest shareholder is Sumanic Investments Inc.

The accompanying Q2 2021 financial statements of the Company have been prepared by and are the responsibility of management. The Q2 2021 financial statements were approved by the Company’s Board of Directors on August 5, 2021.

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 2020 audited 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 2021 financial statements includes significant assumptions made by management, which have been set out in Note 3 of the notes to 2020 audited consolidated financial statements.

The Q2 2021 financial statements do not include all of the information required for annual financial statements and should therefore be read in conjunction with the audited consolidated financial statements included in the Company’s 2020 annual report.

Application of New Accounting Standards and Amendments

In April 2021, the IFRS Interpretations Committee published an agenda decision clarifying how to recognize certain configuration and customization expenditures related to cloud computing. For the three-month and six-month periods ended June 26, 2021, the Company capitalized \$1,303 and \$1,936, respectively, in implementation costs of a new cloud computing arrangement. The Company is currently collecting additional information in order to evaluate the impact of this agenda decision and to apply the new policy in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*, including the relevant disclosures, which may result in some of the capitalized amounts to be accounted for as expenses incurred. Accordingly, the Company expects to implement any changes arising from this agenda decision in the annual financial statements for the year ending December 31, 2021.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

COVID-19 Measures

Since March 2020, the COVID-19 pandemic has prompted governments and businesses to take unprecedented measures. The situation is constantly evolving, and the measures put in place have numerous economic repercussions at 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.

In 2021, LOGISTEC continues to operate under its business continuity plan. To date, all our operations were deemed essential services by the government authorities in Canada and the United States. As such, the Company's marine operations, including our terminal operations across our North American network, remained open and functional. Similarly, the Company's environmental operations, including renewal of underground water mains, site remediation, soils and materials management, and manufacturing of woven hoses, remained operational. Nonetheless, the economic slowdown due to COVID-19, as well as the strict distancing and sanitation protocols have increased the operating costs in our marine and environmental services segments.

In light of the COVID-19 measures, management has reviewed their judgments, estimates and assumptions, which are fully described in Note 3 of the notes to 2020 audited consolidated financial statements, about the carrying amounts of assets and liabilities that are not readily apparent from other sources. As at June 26, 2021, 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.

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 most 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 than the other quarters. The third and fourth quarters are usually the most active.

5. BUSINESS COMBINATIONS

2021 BUSINESS COMBINATION

AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN acquired 100% ownership of APG for a purchase price of \$50,000, subject to adjustments. APG is an Edmonton-based environmental industry leader, specializing in dredging, dewatering and residuals management. This strategic acquisition positions us in Western Canada and the United States, markets with strong potential. In addition, APG's complementary expertise allows us to enhance our service offering to our current and future clients.

The purchase price has been allocated on a preliminary basis and will be finalized as soon as the Company has obtained all the information it considers necessary. As at June 26, 2021, we are currently evaluating the fair values of property, plant and equipment, intangible assets and working capital.

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as at and for the three months ended June 26, 2021, and June 27, 2020

(in thousands of Canadian dollars)

(unaudited)

At the acquisition date, the preliminary fair values of the underlying identifiable assets acquired and liabilities assumed were as follows:

	American Process Group \$
Current assets	6,845
Property, plant and equipment	11,629
Right of use assets	1,429
Goodwill	29,255
Intangible assets	8,250
Non-current financial assets	61
Current liabilities	(2,765)
Lease liabilities	(1,429)
Deferred income tax liabilities	(3,275)
Purchase price consideration	50,000

The acquisition transaction costs for these assets, included under other expenses, amounted to \$358.

Impact of the business combination on the results of the Company

The Company's results for the three-month period ended June 26, 2021, include \$2,118 in revenue, and a loss before income taxes of \$119 generated by the business combination. If the business combination had been completed on January 1, 2021, in the Company's best estimate, revenue and profit before income taxes for the six-month period would have been \$15,775 and \$629, respectively.

In determining these estimated amounts, the Company assumes that the fair value adjustments that arose on the acquisition dates would have been the same, had the acquisitions occurred on January 1, 2021.

Goodwill

Goodwill mainly arose in the acquisition as a result of synergies attributable to the expected future growth potential from the expanded locations and intangible assets not qualifying for separate recognition.

2020 BUSINESS COMBINATIONS

CASTALOOP

On December 14, 2020, the Company acquired 100% ownership of Gestion Castalooop Inc. and its subsidiaries ("Castalooop") for a purchase price of \$3,500, subject to certain adjustments. On May 19, 2021, the Company settled the post-closing working capital adjustments for an additional cash consideration of \$890. On June 26, 2021, the Company finalized estimates of the fair value of assets acquired and liability assumed. Consequently, the comparative figures of the consolidated statements of financial position have been changed accordingly.

Castalooop provides customized cargo handling services to clients along the Great Lakes and St. Lawrence Seaway as well as along the St. Lawrence River and U.S. East Coast. This acquisition solidifies LOGISTEC's position as a leading provider of innovative cargo handling services at ports throughout North America.

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

	Castalooop \$
Cash and cash equivalent	1,280
Current assets	789
Property, plant and equipment	505
Non-current financial assets	50
Right of use assets	111
Goodwill	2,963
Current liabilities	(1,197)
Lease liabilities	(111)
Purchase price consideration	4,390

The fair value of receivables acquired of \$738, which includes a negligible amount deemed uncollectible as at the acquisition date, is included in the current assets. The purchase price allocation is final.

CARE AND PASCAGOULA TERMINALS

On June 26, 2020, Gulf Stream Marine, Inc. acquired the Care terminal at the Port of Houston, in Texas, and on July 15, 2020, acquired 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. 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.

6. GOVERNMENT ASSISTANCE

As at June 26, 2021, the Company qualified for Canada Emergency Wage Subsidy and 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 wage subsidy of \$2,851 (\$10,960 in the comparable period of 2020) against the salary expense which 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 26, 2021.

7. FINANCIAL RISK MANAGEMENT

Capital Management

The Company monitors the ratio of net indebtedness/capitalization on a quarterly basis. As at June 26, 2021, the ratio was calculated as follows:

	As at June 26, 2021 \$	As at December 31, 2020 \$
Long-term debt, including the current portion	202,664	167,710
Less:		
Cash and cash equivalents	32,397	46,778
Total net indebtedness	170,267	120,932
Equity attributable to owners of the Company	303,204	300,782
Capitalization	473,471	421,714
Ratio of net indebtedness/capitalization	36.0%	28.7%

As at June 26, 2021, 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 26, 2021, the 20 largest customers accounted for 39.6% (40.6% in 2020) of consolidated revenue.

Fair Value of Financial Instruments

As at June 26, 2021 and December 31, 2020, 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 26, 2021 and December 31, 2020, based on the Company's estimated interest rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was \$1,988 higher than its carrying value as at June 26, 2021 (\$3,349 higher as at December 31, 2020) 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.

For the period ended June 26, 2021, no financial instruments were recorded at fair value and transferred between levels 1, 2 and 3.

Sensitivity analysis

On June 26, 2021, 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 \$3,196 in retained earnings for the period ended June 26, 2021, 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, nil (4,700 in 2020) Class A shares and 11,100 (22,600 in 2020) Class B shares were repurchased and cancelled for cash consideration of nil (\$143 in 2020) and \$421 (\$718 in 2020), respectively. Of this amount, the excess over the stated capital of the repurchased shares of nil (\$140 in 2020) and \$338 (\$563 in 2020), respectively, was charged to retained earnings.

As of June 27, 2020, following the issuance of 24,300 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 Class B shares were issued in exchange for a cash consideration of \$190 and non-interest-bearing loans of \$504, repayable over two years. The carrying value of non-interest-bearing loans amounts to \$245 as at June 26, 2021 (\$443 as at December 31, 2020).

Following the 2016 agreement with SANEXEN, during the six-month period ended June 26, 2021, LOGISTEC issued 148,567 Class B shares at \$33.02 per share, which reduced the share capital to be issued from \$4,906 as at December 31, 2020 to nil as at June 26, 2021.

The issued and outstanding shares were as follows:

	As at June 26, 2021 \$	As at December 31, 2020 \$
7,377,022 Class A shares (7,377,022 as at December 31, 2020)	4,875	4,875
5,673,336 Class B shares (5,535,869 as at December 31, 2020)	45,523	40,700
	50,398	45,575

Dividends

Details of dividends declared per share are as follows:

	For the six months ended	
	June 26, 2021	June 27, 2020
	\$	\$
Class A shares	0.19	0.19
Class B shares	0.21	0.21

Executive Stock Option Plan

The Company has an Executive Stock Option Plan under which 60,933 options to subscribe for the Company's Class B shares have been granted to certain senior executives in 2021 (60,658 in 2020). The exercise price of the options is \$44.79 (\$24.86 for the 2020 grant) 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 \$13.99 (\$5.77 for the 2020 grant) 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 ten years. There are no cash settlement alternatives.

The Company accounts for the Executive Stock Option Plan as an equity-settled plan. The expenses recorded in the condensed consolidated interim statements of earnings for the three-month and six-month periods ended June 26, 2021, were respectively \$60 (\$45 in 2020) and \$105 (\$45 in 2020).

9. REVENUE

Revenue is detailed as follows:

	For the three months ended		For the six months ended	
	June 26, 2021	June 27, 2020	June 26, 2021	June 27, 2020
	\$	\$	\$	\$
Revenue from cargo handling services	104,437	81,401	186,500	171,141
Revenue from services relating to the renewal of underground water mains	38,261	20,495	41,432	22,960
Revenue from site remediation and soils and materials management services	22,290	11,412	35,863	25,118
Revenue from sale of goods	7,605	10,287	13,648	13,807
	172,593	123,595	277,443	233,026

10. ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES

	As at June 26, 2021	As at June 27, 2020
	\$	\$
Losses on derivatives designated as cash flow hedges	(40)	(8)
Currency translation differences arising on translation of foreign operations	3,014	16,853
Unrealized gains (losses) on translating debt designated as hedging item of the net investment in foreign operations	3,187	(4,271)
	6,161	12,574

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:

	Three-month period ended June 26, 2021			Three-month period ended June 27, 2020		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	104,532	68,061	172,593	81,437	42,158	123,595
Profit before income taxes	11,635	1,194	12,829	5,558	473	6,031

	Six-month period ended June 26, 2021			Six-month period ended June 27, 2020		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	186,972	90,471	277,443	171,778	61,248	233,026
Profit (loss) before income taxes	14,892	(9,610)	5,282	11,951	(12,229)	(278)

	As at June 26, 2021			As at December 31, 2020		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Total assets	529,137	315,837	844,974	525,833	273,619	799,452
Total liabilities	368,395	172,468	540,863	374,346	123,535	497,881

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.

	Three-month period ended June 26, 2021			Three-month period ended June 27, 2020		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	106,238	66,355	172,593	59,223	64,372	123,595

	Six-month period ended June 26, 2021			Six-month period ended June 27, 2020		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	148,743	128,700	277,443	99,122	133,904	233,026

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as at and for the three months ended June 26, 2021, and June 27, 2020

(in thousands of Canadian dollars)

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	As at June 26, 2021			As at December 31, 2020		
	Canada \$	USA \$	Total \$	Canada \$	USA \$	Total \$
Non-current assets ⁽¹⁾	335,357	264,972	600,329	281,235	272,405	553,640

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

12. FIRE INCIDENT AT THE PORT OF BRUNSWICK (GA)

On May 2, 2021, a fire destroyed a leased warehouse, a portion of a conveyor and certain terminal equipment assets at our bulk facilities in Brunswick (GA).

The Company has insurance coverage in place covering, among other things, property and equipment damage and general liability up to specified amounts, subject to limited deductibles. The Company has notified its insurers of the incident and the anticipated proceeds from the insurance coverage is expected to be sufficient to cover the cost of the assets destroyed, as well as other costs incurred as a direct result of the fire.

As at June 26, 2021, the Company received confirmation of an advance from the property insurance carriers on its initial claim in the amount of US\$5,000 (CA\$6,147) related to the incident. The Company also recognized an impairment loss of US\$5,250 (CA\$6,454) for the destroyed assets that was impacted by the fire. Both the insurance recovery and the impairment loss related to the assets destroyed were recognized under other (losses) gains in the condensed consolidated interim statements of earnings for the three-month and six-month periods ended June 26, 2021.

Pursuant to the lease agreement with Georgia Ports Authority, the Company is required to rebuild the warehouse that was destroyed by the fire. As at the date of these condensed consolidated interim financial statements, discussions are ongoing with the Georgia Ports Authority and other parties to determine if the warehouse will be rebuilt and if so, the size and the type of the warehouse that will be constructed. In accordance with the lease agreement, this warehouse was insured for US\$21,900 (CA\$26,900). As at the date of these financial statements, the Company has not begun reconstruction of the warehouse and is able to operate with reduced capacity at this facility. The Company will record the impact of final discussions related to the warehouse, including any required obligations for rebuilding of the warehouse and a corresponding insurance recovery, in the period when all information will be available.

This reflects management's best estimates based on the information available as at the date of these condensed consolidated interim financial statements and are subject to change as new developments occur in the future in connection with the Company's reconstruction of the warehouse and finalization of the insurance claim.

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