

# Interim Financial Report for the **LOGISTEC** Period Ended June 25, 2022

## Q2 2022

### Revenue

<i>(in millions of Canadian dollars)</i>	2019	2020	2021	2022
March	114.7	109.4	104.9	<b>141.4</b>
June	156.2	123.6	172.5	<b>219.0</b>
September	195.3	191.9	236.2	
December	173.7	179.8	230.1	
Year-to-date	639.9	604.7	743.7	<b>360.4</b>

### Adjusted EBITDA <sup>(1)</sup>

<i>(in millions of Canadian dollars)</i>	2019	2020	2021	2022
March	1.2	7.5	6.2	<b>7.8</b>
June	21.7	19.9	27.3	<b>34.2</b>
September	36.0	41.7	49.7	
December	30.7	31.6	37.6	
Year-to-date	89.6	100.7	120.8	<b>42.0</b>

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

<i>(in millions of Canadian dollars)</i>	2019	2020	2021	2022
March	(8.9)	(5.4)	(5.7)	<b>(6.0)</b>
June	5.9	4.6	10.2	<b>13.0</b>
September	17.4	20.4	26.8	
December	11.8	13.0	14.1	
Year-to-date	26.2	32.6	45.4	<b>7.0</b>

### Total diluted earnings (loss) per share <sup>(2)</sup>

<i>(in Canadian dollars)</i>	2019	2020	2021	2022
March	(0.70)	(0.42)	(0.44)	<b>(0.46)</b>
June	0.45	0.35	0.78	<b>1.00</b>
September	1.33	1.56	2.04	
December	0.90	0.99	1.09	
Year-to-date	2.00	2.49	3.46	<b>0.54</b>

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

<sup>(2)</sup> For earnings (loss) per share per class of share, please refer to the selected quarterly financial information on page 6.



# TO OUR SHAREHOLDERS

Highlights from the second quarter of 2022:

- Consolidated revenue totalled \$219.0 million, up \$46.5 million or 26.9%.
- Adjusted EBITDA <sup>(1)</sup> closed at \$34.2 million, up \$6.9 million.
- Total diluted earnings per share of \$1.00, up \$0.22.
- Environmental services' backlog stood at \$168.0 million.

Highlights from the first half of 2022:

- Consolidated revenue totalled \$360.4 million, up \$83.0 million or 29.9%.
- Adjusted EBITDA <sup>(1)</sup> closed at \$42.0 million, up \$8.5 million.
- Total diluted earnings per share of \$0.54, up \$0.20.

## RESULTS OF THE PERIOD

We delivered very strong results for the second quarter of 2022. Consolidated revenue was \$219.0 million for the period, an increase of \$46.5 million or 26.9% over the same period in 2021. Our core markets are as robust as they have ever been, both in the U.S. and Canada. The diversification of LOGISTEC's activities, our scale, our reach, our deep expertise in the field and solid execution capabilities are leading to our success in essential and evolving supply chains and complex environmental projects.

### MARINE SERVICES

Revenue from the marine services segment reached \$138.8 million in the second quarter of 2022, up \$34.3 million or 32.8% compared with the same period in 2021. Our marine services segment continued to deliver excellent performance due to booming trade volumes in our core markets. We seized opportunities in this buoyant market to leverage our network and bring new solutions to today's supply chain challenges for the greater benefit of our customers.

Opportunities for growth also included the expansion of our operations into the heartland of the U.S., in Lemont (IL), a strategically located gateway to serve markets in the greater Chicago area. Our operations are already up and running at Lemont with the recent handling of steel pipes destined for the oil and gas market in southern U.S.

We strengthened our partnerships with strategic ports, signing productive long-term agreements across our network. We also made infrastructure improvements for our customers and communities through the purchase of new ecoefficient cranes. By investing in ecofriendly equipment, we are delivering on our ESG plan to reduce our carbon footprint and protect our environment for future generations.

### ENVIRONMENTAL SERVICES

Revenue from the environmental services segment was \$80.1 million, up \$12.1 million or 17.8% in the second quarter of 2022.

Although we were fortunate to start the season earlier with respect to our ALTRA water services in Toronto and Montréal, these benefits were somewhat offset by delays and project changes, particularly in American Process Group ("APG"), which led to lower than expected revenue and margins. However, we are now entering into our busy season and the overall book of business remains strong until the end of the year. Furthermore, we recently signed our first Construction, Renovation and Demolition ("CRD") contract, to revalorize residual materials, taking another important step as an environmental leader in deploying new circular economy solutions. The results of our per- and polyfluoroalkyl ("PFAS") pilots were excellent, as our proprietary solution was able to remove more than 99% of the PFAS compounds found in highly contaminated landfill sites.

During this quarter, our environmental team also received the prestigious "Distinction Award for Best Company and Organization" from Réseau Environnement, highlighting excellence in the development of technologies and recognizing the exceptional work of our team to preserve and renew natural resources.

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

# OUTLOOK

As we look forward, we are optimistic for the remainder of 2022. LOGISTEC is well positioned to face the headwinds, thanks to its financial strength, diversification, unique business model, wide-reaching North American network of terminals, and innovative environmental technologies.

Investments in infrastructure and upcoming ambitious ESG initiatives will provide strong growth opportunities over the coming years. Increased cargo handling activities are driven by strong demand, particularly in the U.S. Gulf Coast for the energy sector. Our environmental business is also off to a good start with a solid backlog of over \$168.0 million for the second half the year. We are confident that we will continue to deliver a strong financial performance.

*(signed) J. Mark Rodger*

J. Mark Rodger  
Chairman of the Board

August 4, 2022

*(signed) Madeleine Paquin*

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

# 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](http://www.sedar.com)) and some of these documents can also be consulted on LOGISTEC's website ([www.logistec.com](http://www.logistec.com)), in the investors section.*

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

*For the purpose of informing shareholders and potential investors about the Company's prospects, sections of this document may contain forward-looking statements, within the meaning of securities legislation, about the Company's activities, performance and financial position and, in particular, hopes for the success of the Company's efforts in the development and growth of its business. These forward-looking statements express, as of the date of this document, the estimates, predictions, projections, expectations, or opinions of the Company about future events or results. Although the Company believes that the expectations produced by these forward-looking statements are founded on valid and reasonable bases and assumptions, these forward-looking statements are inherently subject to important uncertainties and contingencies, many of which are beyond the Company's control, such that the Company's performance may differ significantly from the predicted performance expressed or presented in such forward-looking statements. The important risks and uncertainties that may cause the actual results and future events to differ significantly from the expectations currently expressed are examined under business risks in the Company's 2021 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 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.*

## INTRODUCTION

This MD&A deals with LOGISTEC Corporation's operations, results and financial position for the three-month and six-month periods ended June 25, 2022, and June 26, 2021. All financial information contained in this MD&A and the attached condensed consolidated interim financial statements ("Q2 2022 financial statements") have been prepared in accordance with International Financial Reporting Standards ("IFRS") using the same accounting policies as outlined in Note 2 of the notes to 2021 audited consolidated 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 53 ports and 79 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

LOGISTEC's environmental services segment delivers creative and customized solutions to industrial, municipal and governmental clients with respect to renewal of underground water mains, dredging, dewatering, contaminated soils and materials management, site remediation, risk assessment and manufacturing of fluid transportation products.

# OUTLOOK FROM THE CHIEF FINANCIAL OFFICER

Our marine services segment continues to outperform, particularly in the U.S. Gulf Coast where we are well positioned to serve the energy sector. Growth in general cargo volumes, driven by strong demand and global supply chain pressures, bodes well overall for our marine services business in 2022.

In our environmental services segment, results improved over the same quarter last year. As the backlog stands at more than \$168.0 million for projects planned for 2022, we remain confident about the remainder of the year.

From an economic point of view, organizations across North America are faced with significant inflationary pressures and have to deal with interest rate increases implemented to control inflation. In this context for the year 2022, our financial strength, our unique business model, the diversification of our activities and our network reach should allow us to face the headwinds and deliver strong financial results.

# BUSINESS COMBINATIONS

## 2021 BUSINESS COMBINATIONS

### AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN Environmental Services Inc. acquired 100% ownership of American Process Group ("APG") for a purchase price of \$50.0 million, subject to adjustments. On January 11, 2022, the Company settled the post-closing working capital adjustments for an additional cash consideration of \$3.0 million. APG is an Alberta-based environmental industry leader, specializing in dredging, dewatering and residuals management. This strategic acquisition positions us well in Western Canada and the United States, two markets with strong potential. In addition, APG's complementary expertise allows us to enhance our service offering to our current and future clients.

# SELECTED QUARTERLY INFORMATION

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

	Q1	Q2	Q3	Q4	Year-to-date
	\$	\$	\$	\$	\$
<b>2022</b>					
Revenue	141,442	218,972			360,414
Adjusted EBITDA <sup>(1)</sup>	7,801	34,222			42,023
Profit (loss) attributable to owners of the Company	(6,018)	13,024			7,006
Basic earnings (loss) per Class A Common Share <sup>(2)</sup>	(0.44)	0.96			0.52
Basic earnings (loss) per Class B Subordinate Voting Share <sup>(3)</sup>	(0.49)	1.06			0.57
Total basic earnings (loss) per share	(0.46)	1.00			0.54
Diluted earnings (loss) per Class A share	(0.44)	0.95			0.51
Diluted earnings (loss) per Class B share	(0.49)	1.06			0.57
Total diluted earnings (loss) per share	(0.46)	1.00			0.54
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
<b>2021</b>					
Revenue	104,850	172,593	236,171	230,089	743,703
Adjusted EBITDA <sup>(1)</sup>	6,247	27,234	49,687	37,653	120,821
Profit (loss) attributable to owners of the Company	(5,724)	10,241	26,739	14,108	45,364
Basic earnings (loss) per Class A share	(0.42)	0.75	1.98	1.03	3.34
Basic earnings (loss) per Class B share	(0.47)	0.84	2.17	1.14	3.68
Basic earnings (loss) per share	(0.44)	0.79	2.05	1.09	3.49
Diluted earnings (loss) per Class A share	(0.42)	0.75	1.95	1.03	3.31
Diluted earnings (loss) per Class B share	(0.47)	0.83	2.15	1.13	3.64
Total diluted earnings (loss) per share	(0.44)	0.78	2.04	1.09	3.46

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

<sup>(2)</sup> Class A Common Share ("Class A share").

<sup>(3)</sup> 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

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

	For the three months ended		For the six months ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
	\$	\$	\$	\$
Revenue	218,972	172,593	360,414	277,443
Employee benefits expense	(106,678)	(79,618)	(180,950)	(137,596)
Equipment and supplies expense	(60,477)	(47,397)	(100,999)	(73,121)
Operating expense	(15,263)	(10,524)	(27,355)	(20,146)
Other expenses	(8,725)	(7,877)	(15,980)	(13,698)
Depreciation and amortization expense	(14,037)	(11,883)	(26,834)	(23,244)
Share of profit of equity accounted investments	5,122	936	6,069	2,087
Other losses	(610)	(879)	(1,540)	(1,488)
Operating profit	18,304	15,351	12,825	10,237
Finance expense	(3,261)	(2,708)	(6,202)	(5,257)
Finance income	156	186	268	302
Profit before income taxes	15,199	12,829	6,891	5,282
Income taxes	(2,049)	(2,542)	361	(616)
<b>Profit for the period</b>	<b>13,150</b>	<b>10,287</b>	<b>7,252</b>	<b>4,666</b>
Profit attributable to:				
<b>Owners of the Company</b>	<b>13,024</b>	<b>10,241</b>	<b>7,006</b>	<b>4,517</b>
Non-controlling interest	126	46	246	149
<b>Profit for the period</b>	<b>13,150</b>	<b>10,287</b>	<b>7,252</b>	<b>4,666</b>
Basic earnings per Class A share	0.96	0.75	0.52	0.33
Basic earnings per Class B share	1.06	0.84	0.57	0.37
Diluted earnings per Class A share	0.95	0.75	0.51	0.33
Diluted earnings per Class B share	1.06	0.83	0.57	0.36

## SECOND QUARTER

Consolidated revenue totalled \$219.0 million for the second quarter of 2022, up \$46.5 million or 26.9% from \$172.5 million for the same period in 2021. Consolidated revenue was positively affected by a \$4.8 million foreign exchange effect due to a stronger U.S. dollar against the Canadian dollar in the second quarter of 2022. Please refer to the segmented results section for the revenue variance explanation of each segment.

In the second quarter of 2022, employee benefits expense increased by \$27.1 million or 34.0% to \$106.7 million from the \$79.6 million recorded for the same quarter in 2021. The increase stemmed mainly from higher revenue in both segments, as the ratio of employee benefits expense to revenue remained relatively stable once we exclude the \$2.9 million Canada Emergency Wage Subsidy recognized in 2021.

Equipment and supplies expense amounted to \$60.5 million in the second quarter of 2022, an increase of \$13.1 million compared with the same period last year. This increase was mainly revenue driven, as the overall ratio of equipment and supplies expense to consolidated revenue was stable at 27.6% in the second quarter of 2022 compared with 27.5% for the same period in 2021.

Operating expense amounted to \$15.3 million for the second quarter of 2022, up \$4.7 million from the comparative period. This increase was mainly revenue driven, as the overall ratio of operating expense to consolidated revenue was only slightly higher at 7.0% in the second quarter of 2022 compared with 6.1% for the same period in 2021.

Depreciation and amortization expense amounted to \$14.0 million in 2022, up \$2.2 million from \$11.9 million last year. The increase resulted from our business combination and property, plant and equipment investments made in 2021, for example, the amortization of intangible assets related to client relationships and backlog associated with the investment in APG.

Share of profit of equity accounted investments reached \$5.1 million, an increase of \$4.2 million over the same period last year. This increase stemmed mainly from the strong performance of our equity accounted investments in TERMONT Terminal Inc., whose subsidiary specializes in handling containers and in Transport Nanuk Inc., which specializes in transportation of cargoes to communities in the Canadian Arctic.

Overall, the Company reported a profit attributable to owners of the Company of \$13.0 million in the second quarter of 2022, an increase compared with the \$10.2 million profit recorded in the corresponding period last year. This translated into total diluted earnings per share of \$1.00, of which \$0.95 per share was attributable to Class A shares and \$1.06 per share to Class B shares.

## FIRST HALF

For the six-month period ended June 25, 2022, consolidated revenue totalled \$360.4 million, compared with \$277.4 million for the same period in 2021, an increase of \$83.0 million. Consolidated revenue was positively affected by a \$4.8 million foreign exchange effect due to a stronger U.S. dollar against the Canadian dollar in the first half of 2022. Please refer to the segmented results section for the revenue variance explanation of each segment.

For the first six months of 2022, the employee benefits expense reached \$181.0 million, an increase of \$43.4 million or 31.5% over the \$137.6 million recorded for the same period last year. The increase stemmed mainly from higher revenue in both segments, as the ratio of employee benefits expense to revenue remained relatively stable once we exclude the \$2.9 million Canada Emergency Wage Subsidy recognized in 2021.

For the first half of 2022, equipment and supplies expense amounted to \$101.0 million, an increase of \$27.9 million or 38.1% over the first half of 2021. The overall ratio of equipment and supplies expense to consolidated revenue increased to 28.0% in 2022, compared with 26.4% in 2021. The increase was primarily attributable to a higher cost of energy and trucking expenses in the marine services segment.

Operating expense amounted to \$27.4 million for the first half of 2022, up \$7.2 million from the comparative period. This increase was mainly revenue driven, as the overall ratio of operating expense to consolidated revenue was stable at 7.6% in 2022 compared with 7.3% for the same period in 2021.

Other expenses totalled \$16.0 million, an increase of \$2.3 million or 16.7% compared with the first half of 2021. This increase stemmed mainly from higher insurance premium, and incremental travel expenses since governments lifted some COVID-19 restrictions.

Depreciation and amortization expense reached \$26.8 million in 2022, up \$3.6 million from \$23.2 million last year. The increase resulted from our business combination and property, plant and equipment investments made in 2021, for example the amortization of intangible assets related to client relationships and backlog associated with the investment in APG.

Share of profit of equity accounted investments reached \$6.1 million, an increase of \$4.0 million over the same period last year. This increase stemmed mainly from the strong performance of our equity accounted investments in TERMONT Terminal Inc. and in Transport Nanuk Inc.

For the first six months of 2022, the Company reported a profit for the period of \$7.3 million, of which \$0.3 million was attributable to a non-controlling interest, resulting in a \$7.0 million profit attributable to owners of the Company. This translated into a total diluted earnings per share of \$0.54, of which \$0.51 per share was attributable to Class A shares and \$0.57 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 2021 levels.



# SEGMENTED RESULTS

<i>(in thousands of Canadian dollars)</i>	For the three months ended June 25, 2022			For the three months ended June 26, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	138,826	80,146	218,972	104,532	68,061	172,593
Profit before income taxes	13,059	2,140	15,199	11,635	1,194	12,829
	For the six months ended June 25, 2022			For the six months ended June 26, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	250,579	109,835	360,414	186,972	90,471	277,443
Profit (loss) before income taxes	18,738	(11,847)	6,891	14,892	(9,610)	5,282

## MARINE SERVICES

### SECOND QUARTER

Revenue from the marine services segment reached \$138.8 million in 2022, up \$34.3 million or 32.8% compared with \$104.5 million in 2021. The increase was mainly attributable to our activities in the U.S. Gulf Coast region, as the energy industry continued to fuel the growth of our operations, partly offset by reduced operations at the Port of Brunswick terminal, following the fire incident that occurred in May 2021.

Profit before income taxes from the marine services segment amounted to \$13.1 million in the second quarter of 2022, up \$1.5 million from the \$11.6 million reported for the same quarter of 2021. These results included a wage subsidy of \$1.2 million recognized under employee benefits expense in the second quarter of 2021. This increase was mainly attributable to higher revenue and share of profit of equity accounted investments, partly offset by incremental employee benefits as explained above.

### FIRST HALF

Revenue in the marine services segment totalled \$250.6 million for the first half of 2022, up by \$63.6 million from \$187.0 million for the same period last year. The increase stemmed mainly from the U.S. Gulf Coast region as explained above and a general volume increase in our general cargo terminals, which saw more activity in the first half of 2022 than in the same period of 2021.

For the first half of 2022, profit before income taxes from the marine services segment amounted to \$18.7 million, up from \$14.9 million in the same period of 2021. These results reflected a higher level of activity and a higher share of profit of equity accounted investments than in the same period of 2021.

## ENVIRONMENTAL SERVICES

### SECOND QUARTER

Revenue from the environmental services segment was \$80.1 million, up \$12.1 million or 17.8%, in the second quarter of 2022. This growth was mainly attributable to revenue from services relating to the renewal of underground water mains and the acquisition of APG in June 2021.

Profit before income taxes from the environmental services segment amounted to \$2.1 million in the second quarter of 2022, \$0.9 million more than the \$1.2 million profit reported for the same quarter of 2021. These results included a wage subsidy of \$1.7 million recognized under employee benefits expense in the second quarter of 2021. The increased profit was mainly revenue driven, partly offset by higher employee benefits expense as explained above.

## FIRST HALF

The environmental services segment generated revenue totalling \$109.8 million, an increase of \$19.4 million over revenue of \$90.5 million for the same six-month period in 2021. The increase for the first half of 2022 was mainly driven by the performance of the last three-month period as explained above.

For the first half of 2022, the environmental services segment reported an \$11.8 million loss before income taxes, a negative variance compared to the \$9.6 million loss in the same period of 2021. This higher loss was expected, given the acquisition of APG in June 2021, and reflects the seasonal nature of our operations.

# 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 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.

During the year ended December 31, 2021, the Company received an advance from the property insurance carriers on its initial claim in the amount of US\$5.0 million (\$6.1 million) related to the incident. The Company also recognized an impairment loss of US\$5.3 million (\$6.5 million) for the destroyed assets that were impacted by the fire. Both the insurance recovery and the impairment loss related to the assets destroyed were recognized under other gains (losses) in the consolidated statements of earnings for the year ended December 31, 2021.

Pursuant to the lease agreement with Georgia Ports Authority, the Company is required to rebuild the warehouse that was destroyed by the fire, unless agreed to otherwise. As at the date of these Q2 2022 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 warehouse to be constructed. In accordance with the lease agreement, this warehouse was insured for US\$21.9 million (\$28.3 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 this MD&A and is 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 4, 2022, the Company's Board of Directors elected to increase the dividend payment by 20.0%.

The following table shows the 2022 dividend payments schedule, which are all eligible dividends for Canada Revenue Agency purposes.

*(in millions of Canadian dollars, except per share amounts)*

Declaration date	Record date	Payment date	Per Class A share \$	Per Class B share \$	Total \$
December 9, 2021	January 4, 2022	January 18, 2022	0.09818	0.10799	1.3
March 18, 2022	March 31, 2022	April 14, 2022	0.09818	0.10799	1.3
May 5, 2022	June 23, 2022	July 8, 2022	0.09818	0.10799	1.3
August 4, 2022	September 23, 2022	October 7, 2022	0.11782	0.12959	1.6

# 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 2021 audited consolidated financial statements and were applied consistently in the second quarter of 2022. Please also refer to Note 5 of the notes to Q2 2022 financial statements for an update on financial risk management information.

## CAPITAL RESOURCES

Total assets amounted to \$941.3 million as at June 25, 2022, up \$42.3 million over the closing balance of \$899.0 million as at December 31, 2021. This increase stemmed from three factors: investments made in property, plant and equipment and right-of-use assets to support the growth in our operations, and higher contract assets that reflect the seasonality of our operations. These increases were partly offset by lower cash and cash equivalents as explained below.

Cash and cash equivalents totalled \$17.1 million at the end of the second quarter of 2022, down \$20.4 million from \$37.5 million as at December 31, 2021. The main items behind this decrease were as follows:

*(in thousands of Canadian dollars)*

<b>Sources:</b>	
Issuance of long-term debt, net of repayment and transaction costs	38,976
Cash generated from operations	35,204
Dividends received from equity accounted investments	5,675
	<b>79,855</b>
<b>Uses:</b>	
Acquisition of property, plant and equipment, net of proceeds from disposal	(26,809)
Changes in non-cash working capital items	(20,774)
Income taxes paid	(10,715)
Repurchase of Class B shares, net of issuance	(9,716)
Dividends paid to a non-controlling interest	(8,826)
Repayment of lease liabilities	(7,678)
Interest paid	(6,056)
Net change in short-term bank loans	(4,361)
Business combinations	(3,264)
Dividends paid on Class A and Class B shares	(2,676)
	<b>(100,875)</b>

## WORKING CAPITAL

As at June 25, 2022, current assets totalled \$269.2 million and current liabilities totalled \$163.8 million, computing to working capital of \$105.4 million and a current ratio of 1.64:1. This compares with working capital of \$81.8 million and a 1.45:1 ratio as at December 31, 2021. The increase in working capital was due to the seasonal nature of our operations.

## LONG-TERM DEBT

Total net indebtedness<sup>(1)</sup> amounted to \$223.6 million as at June 25, 2022, up \$57.2 million from \$166.4 million as at December 31, 2021. The use of this additional indebtedness is explained in the capital resources section above.

## LIABILITY DUE TO NON-CONTROLLING INTERESTS

For the six-month period ended June 25, 2022, the net remeasurement of the written put option liability was a reduction of \$0.1 million (\$0.6 million in 2021), which corresponds to the portion of a dividend of \$8.7 million (nil in 2021) paid to the non-controlling shareholders of the subsidiary less the remeasurement of the liability of \$8.6 million (\$0.6 million in 2021).

On March 31, 2022, the non-controlling interest shareholders exercised their put option. On July 29, 2022, the Company acquired an additional 16.3% investment in that subsidiary for a cash consideration of \$19.1 million.

<sup>(1)</sup> The net indebtedness is reconciled in Note 5 of the notes to Q2 2022 financial statements.

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Equity attributable to owners of the Company amounted to \$318.1 million as at June 25, 2022. Adding total net indebtedness <sup>(1)</sup> yields a capitalization of \$541.7 million, which computes to a net indebtedness/capitalization ratio <sup>(1)</sup> of 41.3%. This means that the Company has financial leverage available should the need arise.

As at August 4, 2022, 7,361,022 Class A shares and 5,462,491 Class B shares were issued and outstanding. Each Class A share is convertible at any time by its holder into one Class B share. Please refer to Note 6 of the notes to Q2 2022 financial statements for further details regarding the Company's share capital.

## EQUITY IN JOINT VENTURES

As disclosed in Note 16 of the notes to the 2021 audited consolidated financial statements, the Company holds various investments in joint ventures. The Company has one significant joint venture, TERMONT Terminal Inc., specializing in handling containers, which is 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 Canadian dollars)*

	<b>As at</b>		<b>As at</b>	
	<b>June 25,</b>		<b>December 31,</b>	
	<b>2022</b>		<b>2021</b>	
	<b>\$</b>		<b>\$</b>	
<b>Statement of financial position</b>				
Total assets	<b>105,768</b>		99,418	
Total liabilities	<b>44,877</b>		43,539	
	<b>For the three months ended</b>		<b>For the six months ended</b>	
	<b>June 25,</b>	June 26,	<b>June 25,</b>	June 26,
	<b>2022</b>	2021	<b>2022</b>	2021
	<b>\$</b>	<b>\$</b>	<b>\$</b>	
<b>Statement of earnings</b>				
Revenue	<b>1,691</b>	1,107	<b>2,887</b>	2,238
Share of profit of an equity accounted investment	<b>6,887</b>	2,301	<b>9,134</b>	4,695
Profit for the period	<b>7,877</b>	2,866	<b>10,765</b>	5,855

<sup>(1)</sup> The net indebtedness and the net indebtedness/capitalization ratio are reconciled in Note 5 of the notes to Q2 2022 financial statements.

# OTHER ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

<b>Financial position as at</b> <i>(in millions of Canadian dollars)</i>	<b>JUNE 25,</b> <b>2022</b> <b>\$</b>	<b>DEC 31,</b> <b>2021</b> <b>\$</b>	<b>Var.</b> <b>\$</b>	<b>Var.</b> <b>%</b>	<b>Explanation of variation</b>
Contract assets	28.3	7.5	20.8	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 2022.
Current income tax assets	12.9	7.6	5.3	70.0	The increase was due to the income tax recovery related to the seasonality of our operations.
Inventory	21.6	16.8	4.8	28.2	The increase was due to a higher level of inventory held in 2022 to hedge against supply chain disruption, compared with 2021.
Property, plant and equipment	223.2	207.3	15.9	7.7	The increase stemmed mainly from the capital expenditures of \$28.9 million and the revaluation of property, plant and equipment denominated in foreign currency in the amount of \$1.9 million, offset by the depreciation expense of \$14.6 million.
Right-of-use assets	157.6	135.0	22.6	16.7	This increase stemmed mainly from the addition of \$30.0 million and the revaluation of right-of-use assets denominated in foreign currency in the amount of \$2.4 million, which exceeded the depreciation expense of \$8.8 million.
Short-term bank loans	4.2	8.6	(4.4)	(51.1)	Refer to the liquidity and capital resources section of this MD&A.
Contract liabilities	12.8	14.8	(2.0)	(13.3)	Contract liabilities represent advance consideration received from customers, recognized when contract work is performed, in our environmental services segment. The timing in the issuance of invoices led to lower deferred revenue at the end of the second quarter of 2022.
Current income tax liabilities	4.4	10.4	(6.0)	(57.7)	The decrease was mainly due to the 2022 tax instalments made and 2021 tax payments.
Current portion of lease liabilities	16.9	15.8	1.1	7.1	The increase stemmed mainly from the addition of \$30.0 million and the remeasurement of lease liabilities denominated in foreign currency in the amount of \$2.5 million, partly offset by the repayment of lease liabilities in the amount of \$7.7 million.
Non-current lease liabilities	148.3	125.2	23.1	18.4	

<b>Financial position as at</b> <i>(in millions of Canadian dollars)</i>	<b>JUNE 25,</b> <b>2022</b> <b>\$</b>	<b>DEC 31,</b> <b>2021</b> <b>\$</b>	<b>Var.</b> <b>\$</b>	<b>Var.</b> <b>%</b>	Explanation of variation
Post-employment benefit obligations	10.3	16.2	(5.9)	(36.2)	The decrease stemmed mainly from the remeasurement of the post-employment benefit obligations based on the prevailing discount rate of 5.0% as at June 25, 2022, compared with 3.0% as at December 31, 2021, partly offset by the negative return on plan assets.

*n.m.: not meaningful*

Other items in the consolidated statements of financial position varied according to normal business parameters.

## NON-IFRS MEASURE

In this MD&A, the Company uses a measure that is not in accordance with IFRS. Adjusted earnings before interest expense, income taxes, depreciation and amortization expense ("adjusted EBITDA") is not defined by IFRS and cannot be formally presented in financial statements. The definition of adjusted EBITDA excludes the configuration and customization costs related to the implementation of an Enterprise Resource Planning ("ERP") system and the Company's impairment charge. The definition of adjusted EBITDA used by the Company may differ from those used by other companies. Even though adjusted EBITDA is a non-IFRS measure, it is used by managers, analysts, investors, and other financial stakeholders to analyze and assess the Company's performance and management from a financial and operational standpoint.

The following table provides a reconciliation of profit for the year to adjusted EBITDA:

*(in thousands of Canadian dollars)*

	Q1	Q2	Q3	Q4	Year-to-date
	\$	\$	\$	\$	\$
<b>2022</b>					
Profit (loss) for the period	(5,898)	13,150			7,252
PLUS:					
Depreciation and amortization expense	12,797	14,037			26,834
Net finance expense	2,829	3,105			5,934
Income taxes	(2,410)	2,049			(361)
Configuration and customization costs in a cloud computing arrangement	483	1,881			2,364
Adjusted EBITDA	7,801	34,222			42,023
	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
<b>2021</b>					
Profit (loss) for the period	(5,621)	10,287	26,757	14,201	45,624
PLUS:					
Depreciation and amortization expense	11,361	11,883	12,564	13,292	49,100
Net finance expense	2,433	2,522	2,551	3,056	10,562
Income taxes	(1,926)	2,542	7,815	2,040	10,471
Configuration and customization costs in a cloud computing arrangement	—	—	—	5,064	5,064
Adjusted EBITDA	6,247	27,234	49,687	37,653	120,821

	Q1	Q2	Q3	Q4	Year
	\$	\$	\$	\$	\$
2020					
Profit (loss) for the period	(5,230)	4,615	20,464	12,939	<b>32,788</b>
PLUS:					
Depreciation and amortization expense	10,776	11,223	11,602	11,789	<b>45,390</b>
Net finance expense	3,006	2,676	2,914	3,222	<b>11,818</b>
Income taxes	(1,079)	1,416	6,740	3,585	<b>10,662</b>
Adjusted EBITDA	7,473	19,930	41,720	31,535	<b>100,658</b>
2019					
Profit (loss) for the period	(8,931)	6,106	17,478	11,784	<b>26,437</b>
PLUS:					
Depreciation and amortization expense	10,834	10,728	10,497	10,063	<b>42,122</b>
Net finance expense	2,552	2,804	2,662	4,335	<b>12,353</b>
Income taxes	(3,287)	2,106	5,403	4,477	<b>8,699</b>
Adjusted EBITDA	1,168	21,744	36,040	30,659	<b>89,611</b>

## REPORT ON DISCLOSURE CONTROLS

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

They have reviewed this management's discussion and analysis and the Q2 2022 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 2022 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.

Despite the COVID-19 outbreak and the necessity of physical distancing, there has been no change in the Company's ICFR that occurred in the second quarter of 2022 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR.

(signed) Carl Delisle  
Carl Delisle, CPA  
Chief Financial Officer

August 4, 2022



# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF EARNINGS

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

	Notes	For the three months ended		For the six months ended	
		June 25, 2022 \$	June 26, 2021 \$	June 25, 2022 \$	June 26, 2021 \$
Revenue	7	218,972	172,593	360,414	277,443
Employee benefits expense		(106,678)	(79,618)	(180,950)	(137,596)
Equipment and supplies expense		(60,477)	(47,397)	(100,999)	(73,121)
Operating expense		(15,263)	(10,524)	(27,355)	(20,146)
Other expenses		(8,725)	(7,877)	(15,980)	(13,698)
Depreciation and amortization expense		(14,037)	(11,883)	(26,834)	(23,244)
Share of profit of equity accounted investments		5,122	936	6,069	2,087
Other losses		(610)	(879)	(1,540)	(1,488)
Operating profit		18,304	15,351	12,825	10,237
Finance expense		(3,261)	(2,708)	(6,202)	(5,257)
Finance income		156	186	268	302
Profit before income taxes		15,199	12,829	6,891	5,282
Income taxes		(2,049)	(2,542)	361	(616)
<b>Profit for the period</b>		<b>13,150</b>	<b>10,287</b>	<b>7,252</b>	<b>4,666</b>
Profit attributable to:					
<b>Owners of the Company</b>		<b>13,024</b>	<b>10,241</b>	<b>7,006</b>	<b>4,517</b>
Non-controlling interest		126	46	246	149
<b>Profit for the period</b>		<b>13,150</b>	<b>10,287</b>	<b>7,252</b>	<b>4,666</b>
Basic earnings per Class A Common Share <sup>(1)</sup>		0.96	0.75	0.52	0.33
Basic earnings per Class B Subordinate Voting Share <sup>(2)</sup>		1.06	0.84	0.57	0.37
Diluted earnings per Class A share		0.95	0.75	0.51	0.33
Diluted earnings per Class B share		1.06	0.83	0.57	0.36
Weighted average number of Class A Shares outstanding, basic and diluted		7,371,689	7,377,022	7,374,355	7,377,022
Weighted average number of Class B Shares outstanding, basic		5,522,156	5,625,162	5,601,413	5,590,708
Weighted average number of Class B Shares outstanding, diluted		5,614,501	5,734,027	5,677,914	5,737,044

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

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

See accompanying notes to the condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF COMPREHENSIVE INCOME

(in thousands of Canadian dollars)

	For the three months ended		For the six months ended	
	June 25, 2022 \$	June 26, 2021 \$	June 25, 2022 \$	June 26, 2021 \$
<b>Profit for the period</b>	<b>13,150</b>	10,287	<b>7,252</b>	4,666
Other comprehensive income (loss)				
Items that are or may be reclassified to the consolidated statements of earnings				
Currency translation differences arising on translation of foreign operations	<b>6,142</b>	(4,542)	<b>3,653</b>	(6,007)
Unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations	<b>(2,069)</b>	3,546	<b>(1,224)</b>	4,488
Income taxes relating to translation of debt designated as hedging item of the net investment in foreign operations	<b>274</b>	(235)	<b>162</b>	(360)
Gain on derivatives designated as cash flow hedges	<b>1,137</b>	26	<b>1,613</b>	90
Income taxes relating to derivatives designated as cash flow hedges	<b>(122)</b>	(7)	<b>(428)</b>	(24)
Total items that are or may be reclassified to the consolidated statements of earnings	<b>5,362</b>	(1,212)	<b>3,776</b>	(1,813)
Items that will not be reclassified to the consolidated statements of earnings				
Remeasurement gains on benefit obligation	<b>4,642</b>	—	<b>9,239</b>	4,174
Return on retirement plan assets	<b>(1,431)</b>	622	<b>(2,884)</b>	93
Income taxes on remeasurement of benefit obligation and return on retirement plan assets	<b>(850)</b>	(165)	<b>(1,684)</b>	(1,131)
Total items that will not be reclassified to the consolidated statements of earnings	<b>2,361</b>	457	<b>4,671</b>	3,136
Other comprehensive income (loss) for the period, net of income taxes	<b>7,723</b>	(755)	<b>8,447</b>	1,323
<b>Total comprehensive income for the period</b>	<b>20,873</b>	9,532	<b>15,699</b>	5,989
Total comprehensive income attributable to:				
Owners of the Company	<b>20,704</b>	9,506	<b>15,427</b>	5,871
Non-controlling interest	<b>169</b>	26	<b>272</b>	118
<b>Total comprehensive income for the period</b>	<b>20,873</b>	9,532	<b>15,699</b>	5,989

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 25, 2022 \$	As at December 31, 2021 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		17,069	37,530
Trade and other receivables		177,618	183,322
Contract assets		28,311	7,517
Current income tax assets		12,915	7,597
Inventories		21,584	16,830
Prepaid expenses and other		11,697	10,437
		<b>269,194</b>	<b>263,233</b>
Equity accounted investments		46,705	46,311
Property, plant and equipment		223,206	207,321
Right-of-use assets		157,555	135,049
Goodwill		184,096	182,706
Intangible assets		38,645	41,043
Non-current assets		2,428	2,448
Non-current financial assets		6,332	5,902
Deferred income tax assets		13,119	14,958
<b>Total assets</b>		<b>941,280</b>	<b>898,971</b>
<b>Liabilities</b>			
Current liabilities			
Short-term bank loans		4,202	8,600
Trade and other payables		118,712	127,044
Contract liabilities		12,837	14,801
Current income tax liabilities		4,413	10,442
Dividends payable		1,313	1,338
Current portion of lease liabilities		16,890	15,775
Current portion of long-term debt		5,404	3,427
		<b>163,771</b>	<b>181,427</b>
Lease liabilities		148,327	125,249
Long-term debt		231,090	191,927
Deferred income tax liabilities		24,929	25,684
Post-employment benefit obligations		10,341	16,212
Contract liabilities		1,933	2,133
Non-current liabilities		41,497	40,730
<b>Total liabilities</b>		<b>621,888</b>	<b>583,362</b>
<b>Equity</b>			
Share capital	6	49,505	50,889
Retained earnings		255,766	254,621
Accumulated other comprehensive income	8	12,801	9,051
Equity attributable to owners of the Company		<b>318,072</b>	<b>314,561</b>
Non-controlling interest		1,320	1,048
<b>Total equity</b>		<b>319,392</b>	<b>315,609</b>
<b>Total liabilities and equity</b>		<b>941,280</b>	<b>898,971</b>

See accompanying notes to the condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

		Attributable to owners of the Company					
		Share capital issued	Retained earnings	Accumulated other comprehensive income (Note 8)	Total	Non-controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2022</b>	Notes	<b>50,889</b>	<b>254,621</b>	<b>9,051</b>	<b>314,561</b>	<b>1,048</b>	<b>315,609</b>
Profit for the period		–	7,006	–	7,006	246	7,252
Other comprehensive income (loss)							
Currency translation differences arising on translation of foreign operations		–	–	3,627	3,627	26	3,653
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations, net of income taxes		–	–	(1,062)	(1,062)	–	(1,062)
Remeasurement gains on benefit obligation and return on retirement plan assets, net of income taxes		–	4,671	–	4,671	–	4,671
Cash flow hedges, net of income taxes		–	–	1,185	1,185	–	1,185
Total comprehensive income for the period		–	11,677	3,750	15,427	272	15,699
Net remeasurement of written put option liability	8	–	(124)	–	(124)	–	(124)
Issuance and repurchase of Class B shares	6	(1,384)	(7,872)	–	(9,256)	–	(9,256)
Class B shares to be issued under the Executive Stock Option Plan	6	–	241	–	241	–	241
Other dividend	8	–	(127)	–	(127)	–	(127)
Dividends on Class A shares	6	–	(1,447)	–	(1,447)	–	(1,447)
Dividends on Class B shares	6	–	(1,203)	–	(1,203)	–	(1,203)
<b>Balance as at June 25, 2022</b>		<b>49,505</b>	<b>255,766</b>	<b>12,801</b>	<b>318,072</b>	<b>1,320</b>	<b>319,392</b>

See accompanying notes to the condensed consolidated interim financial statements.

# CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

(in thousands of Canadian dollars)

		Attributable to owners of the Company						
		Share capital issued	Share capital to be issued	Retained earnings	Accumulated other comprehensive income (Note 8)	Total	Non-controlling interest	Total equity
		\$	\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2021</b>		<b>45,575</b>	<b>4,906</b>	<b>242,358</b>	<b>7,943</b>	<b>300,782</b>	<b>789</b>	<b>301,571</b>
Profit for the year		–	–	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, net of income taxes		–	–	–	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 (loss) for the period		–	–	7,653	(1,782)	5,871	118	5,989
Remeasurement of written put option liability	8	–	–	(593)	–	(593)	–	(593)
Repurchase of Class B shares	6	(83)	–	(338)	–	(421)	–	(421)
Issuance of Class B share capital to a subsidiary shareholder	6	4,906	(4,906)	–	–	–	–	–
Class B shares to be issued under the Executive Stock Option Plan		–	–	105	–	105	–	105
Dividends on Class A shares	6	–	–	(1,380)	–	(1,380)	–	(1,380)
Dividends on Class B shares	6	–	–	(1,160)	–	(1,160)	–	(1,160)
<b>Balance as at June 26, 2021</b>		<b>50,398</b>	<b>–</b>	<b>246,645</b>	<b>6,161</b>	<b>303,204</b>	<b>907</b>	<b>304,111</b>

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 25, 2022 \$	June 26, 2021 \$
<b>Operating activities</b>			
Income for the period		7,252	4,666
Items not affecting cash and cash equivalents		27,952	28,875
Cash generated from operations		35,204	33,541
Dividends received from equity accounted investments		5,675	615
Contributions to defined benefit retirement plans		(393)	(428)
Settlement of provisions		(351)	(271)
Changes in non-cash working capital items		(20,774)	6,563
Income taxes paid		(10,715)	(6,607)
		8,646	33,413
<b>Financing activities</b>			
Net change in short-term bank loans		(4,361)	–
Issuance of long-term debt, net of transaction costs		76,343	40,870
Repayment of long-term debt		(37,367)	(2,667)
Repayment of other non-current liabilities		–	(2,432)
Repayment of lease liabilities		(7,678)	(6,584)
Interest paid		(6,056)	(6,253)
Issuance of Class B shares	6	221	–
Repurchase of Class B shares	6	(9,937)	(421)
Dividends paid on Class A shares		(1,449)	(1,380)
Dividends paid on Class B shares		(1,227)	(1,145)
		8,489	19,988
<b>Investing activities</b>			
Dividends paid to a non-controlling interest	8	(8,826)	–
Acquisition of property, plant and equipment		(27,607)	(19,520)
Proceeds from disposal of property, plant and equipment		798	316
Business combinations		(3,264)	(50,000)
Acquisition of intangible assets		(211)	(16)
Interest received		78	512
Cash receipts from other non-current financial assets		705	698
Acquisition of other non-current assets		(362)	(104)
Proceeds from disposal of other non-current assets		282	44
		(38,407)	(68,070)
Net change in cash and cash equivalents		(21,272)	(14,669)
Cash and cash equivalents, beginning of year		37,530	46,778
Effect of exchange rate on balances held in foreign currencies of foreign operations		811	288
<b>Cash and cash equivalents, end of period</b>		<b>17,069</b>	<b>32,397</b>
<b>Additional information</b>			
Acquisition of property, plant and equipment included in trade and other payables		2,906	3,384
Issuance of Class B shares under the Employee Stock Purchase Plan for non-interest-bearing loans		460	–

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 53 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 operates in the environmental services segment where it provides services for the renewal of underground water mains, dredging, dewatering, contaminated soils and materials management, site remediation, risk assessment and manufacturing of fluid transportation products.

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, 14<sup>th</sup> Floor, Montréal, Québec H3B 4L2, Canada.

The Company's largest shareholder is Sumanic Investments Inc.

The accompanying condensed consolidated interim financial statements ("Q2 2022 financial statements") of the Company have been prepared by and are the responsibility of management. The Q2 2022 financial statements were approved by the Company's Board of Directors on August 4, 2022.

# 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 2021 audited consolidated financial statements.

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 2022 financial statements includes significant assumptions made by management, which have been set out in Note 3 of the notes to 2021 audited consolidated financial statements.

The Q2 2022 financial statements do not include all of the information required for annual financial statements and should therefore be read in conjunction with the 2021 audited consolidated financial statements included in the Company's 2021 annual report.

# 3. SEASONAL NATURE OF OPERATIONS

Marine services are affected by weather conditions and are therefore of a seasonal nature. During the winter months, the St. Lawrence Seaway is closed. There is no activity on the Great Lakes, activity is lower 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.

## 4. BUSINESS COMBINATIONS

### 2021 BUSINESS COMBINATIONS

#### AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN Environmental Services Inc. ("SANEXEN") acquired 100% ownership of American Process Group ("APG") for a purchase price of \$50,000, subject to adjustments. On January 11, 2022, the Company settled the post-closing working capital adjustments for an additional cash consideration of \$2,964. APG is an Alberta-based environmental industry leader, specializing in dredging, dewatering and residuals management. This strategic acquisition positions the Company well in Western Canada and the United States, two markets with strong potential. In addition, APG's complementary expertise allows us to enhance our service offering to our current and future clients in our environmental services segment.

## 5. FINANCIAL RISK MANAGEMENT

### CAPITAL MANAGEMENT

The Company monitors the ratio of net indebtedness/capitalization on a quarterly basis. As at June 25, 2022, the ratio was calculated as follows:

	As at June 25, 2022 \$	As at December 31, 2021 \$
Short-term bank loans	4,202	8,600
Long-term debt, including the current portion	236,494	195,354
Less:		
Cash and cash equivalents	(17,069)	(37,530)
Total net indebtedness	223,627	166,424
Equity attributable to owners of the Company	318,072	314,561
Capitalization	541,699	480,985
Ratio of net indebtedness/capitalization	41.3%	34.6%

As at June 25, 2022, 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 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 25, 2022, the 20 largest customers accounted for 38.1% (39.6% in 2021) of consolidated revenue.



## FAIR VALUE OF FINANCIAL INSTRUMENTS

As at June 25, 2022, and December 31, 2021, the estimated fair values of cash and cash equivalents, trade and other receivables, short-term bank loans, trade and other payables, and dividends payable approximated their respective carrying values due to their short-term nature.

The estimated fair value of long-term notes receivable, included in non-current financial assets, was not significantly different from their carrying value as at June 25, 2022, and December 31, 2021, 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 \$2,218 lower than its carrying value as at June 25, 2022 (\$288 higher as at December 31, 2021), 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 25, 2022, no financial instruments were recorded at fair value or transferred between levels 1, 2 and 3.

## SENSITIVITY ANALYSIS

On June 25, 2022, 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 \$3,670 in retained earnings for the period ended June 25, 2022, and an increase of the same amount in total liabilities. A 10.0% decrease of the pre-established financial performance threshold would have had the opposite estimated impact.

# 6. SHARE CAPITAL

Issued and outstanding <sup>(1)</sup>	As at June 25, 2022 \$	As at December 31, 2021, \$
7,361,022 Class A shares (7,377,022 as at December 31, 2021)	4,864	4,875
5,463,391 Class B shares (5,683,036 as at December 31, 2021)	44,641	46,014
	<b>49,505</b>	<b>50,889</b>

<sup>(1)</sup> All issued and outstanding shares are fully paid.

During the second quarter ended June 25, 2022, there were 16,000 Class A shares converted into Class B shares (nil in 2021).

## EXECUTIVE STOCK OPTION PLAN

The Company accounts for the Executive Stock Option Plan as an equity-settled plan. The expenses recorded in the condensed consolidated financial statements of earnings for the three-month and six-month periods ended June 25, 2022, were respectively \$111 (\$60 in 2021) and \$241 (\$105 in 2021).

The number of stock options and the weighted average exercise price are summarized as follows:

Stock options	Number of options	Weighted average exercise price \$
<b>Outstanding at January 1, 2021</b>	<b>60,658</b>	24.86
Granted during the year	60,933	44.79
Forfeited during the year	(2,680)	44.79
<b>Outstanding at December 31, 2021</b>	<b>118,911</b>	<b>34.62</b>
Granted during the period	72,801	40.11
<b>Outstanding at June 25, 2022</b>	<b>191,712</b>	<b>36.71</b>
Exercisable at June 25, 2022	44,892	31.33

The table below shows the assumptions used to determine the Black-Scholes values for 2022 and 2021 grants.

	2022	2021
Strike price (\$)	40.11	44.79
Dividend yield (%)	1.18	0.94
Expected volatility (%)	25.84	25.96
Interest rate (%)	2.98	1.39
Expected life (years)	10	10
Fair value (\$)	13.77	13.99

## EMPLOYEE STOCK PURCHASE PLAN

As of June 25, 2022, following the issuance of 19,450 Class B shares under the Employee Stock Purchase Plan ("ESPP"), there remains an unallocated balance of 137,250 Class B shares reserved for issuance pursuant to this ESPP. Those 19,450 Class B shares were issued in exchange for a cash consideration of \$221 and non-interest-bearing loans of \$460, repayable over two years. The carrying value of non-interest-bearing loans amounted to \$724 as at June 25, 2022 (\$500 as at December 31, 2021).

## NORMAL COURSE ISSUER BID

Since the beginning of the year, pursuant to the Company's normal course issuer bid, 255,095 (11,100 in 2021) Class B shares were repurchased and cancelled for a cash consideration of \$9,937 (\$421 in 2021). Of this amount, the excess over the stated capital of the repurchased shares of \$7,872 (\$338 in 2021) was charged to retained earnings.

## SHARE CAPITAL TO BE ISSUED

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.

## DIVIDENDS

Details of dividends declared per share are as follows:

	For the six months ended	
	June 25, 2022	June 26, 2021
	\$	\$
Class A shares	0.20	0.19
Class B shares	0.22	0.21

## 7. REVENUE

	For the three months ended		For the six months ended	
	June 25, 2022	June 26, 2021	June 25, 2022	June 26, 2021
	\$	\$	\$	\$
Revenue from cargo handling services	138,747	104,437	249,812	186,500
Revenue from services relating to the renewal of underground water mains	46,090	38,261	53,734	41,432
Revenue from site remediation and contaminated soils and materials management services	26,350	22,290	43,163	35,863
Revenue from the sale of goods	7,785	7,605	13,705	13,648
	<b>218,972</b>	<b>172,593</b>	<b>360,414</b>	<b>277,443</b>

## 8. STATEMENTS OF CHANGE IN EQUITY

### ACCUMULATED OTHER COMPREHENSIVE INCOME

	As at June 25, 2022	As at June 26, 2021
	\$	\$
Gain (loss) on financial instruments designated as cash flow hedges	939	(40)
Currency translation differences arising on translation of foreign operations	11,692	3,014
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations	170	3,187
	<b>12,801</b>	<b>6,161</b>

### LIABILITY DUE TO NON-CONTROLLING INTERESTS

Following the business combination of a subsidiary in 2017, the Company granted the non-controlling interest shareholders a put option, exercisable at any time after July 6, 2021, allowing them to sell all the remaining shares to LOGISTEC in three equal tranches over three fiscal years for a cash consideration using a predetermined purchase price formula according to the subsidiary's performance.

As at June 25, 2022, the written put option liability amounted to \$55,789 (\$64,366 as at December 31, 2021), of which \$19,085 (\$27,895 as at December 31, 2021) was included in trade and other payables while the remaining balance of \$36,704 (\$36,471 as at December 31, 2021) was included in non-current liabilities in the condensed consolidated interim statements of financial position.

For the six-month period ended June 25, 2022, the net remeasurement of the written put option liability was a reduction of \$124 (\$593 in 2021), which corresponds to the portion of a dividend of \$8,699 (nil in 2021) paid to the non-controlling shareholders of the subsidiary less the remeasurement of the liability of \$8,575 (\$593 in 2021).

On March 31, 2022, the non-controlling interest shareholders exercised their put option. On July 29, 2022, the Company settled the liability included in trade and other payables, which resulted in an additional 16.3% investment in that subsidiary at that date.

## 9. SEGMENTED INFORMATION

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

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

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

### INDUSTRY SEGMENTS

The financial information by industry segment is as follows:

	For the three months ended June 25, 2022			For the three months ended June 26, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	138,826	80,146	218,972	104,532	68,061	172,593
Profit before income taxes	13,059	2,140	15,199	11,635	1,194	12,829

  

	For the six months ended June 25, 2022			For the six months ended June 26, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	250,579	109,835	360,414	186,972	90,471	277,443
Profit (loss) before income taxes	18,738	(11,847)	6,891	14,892	(9,610)	5,282

  

	As at June 25, 2022			As at December 31, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Total assets	602,887	338,393	941,280	538,261	360,710	898,971
Total liabilities	430,016	191,872	621,888	376,841	206,521	583,362

## 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:

	For the three months ended June 25, 2022			For the three months ended June 26, 2021		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	111,131	107,841	218,972	106,238	66,355	172,593

  

	For the six months ended June 25, 2022			For the six months ended June 26, 2021		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Revenue	170,092	190,322	360,414	148,743	128,700	277,443

  

	As at June 25, 2022			As at December 31, 2021		
	Canada	USA	Total	Canada	USA	Total
	\$	\$	\$	\$	\$	\$
Non-current assets <sup>(1)</sup>	321,314	331,321	652,635	346,673	268,205	614,878

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

## 10. 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 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.

During the year ended December 31, 2021, the Company received confirmation of an advance from the property insurance carriers on its initial claim in the amount of US\$5,000 (\$6,147) related to the incident. The Company also recognized an impairment loss of US\$5,250 (\$6,454) for the destroyed assets that were impacted by the fire. Both the insurance recovery and the impairment loss related to the assets destroyed were recognized under other gains (losses) in the consolidated statements of earnings for the year ended December 31, 2021.

Pursuant to the lease agreement with Georgia Ports Authority, the Company is required to rebuild the warehouse that was destroyed by the fire, unless agreed to otherwise. 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 warehouse to be constructed. In accordance with the lease agreement, this warehouse was insured for US\$21,900 (\$28,323). As at the date of these condensed consolidated interim 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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