

**BOLD  
VISION.**

2022 ANNUAL REPORT

**SUSTAINABLE  
GROWTH.**



**LOGISTEC**

Building a  
sustainable  
future by  
facilitating  
trade, handling  
our customers'  
goods safely,  
protecting our  
environment  
and our water  
resources for  
the next  
generations.

**SUSTAINABLE  
GROWTH.**





# OUR PURPOSE

LOGISTEC's strategy is guided by our mission and purpose: We pride ourselves on building and sharing our expertise in order to contribute to the success of our customers and our communities. Our people are dedicated to finding solutions that support reliable and sustainable supply chains and protect our environment and our water resources.





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# OUR BUSINESS AT A GLANCE

For more than 70 years, LOGISTEC has built a business by contributing to the success of our customers, our partners, our communities, our shareholders, and our people. Our two business segments, marine and environmental services, are diverse in scope and geography, and develop solutions that support reliable and sustainable supply chains, protect our environment and our water resources.



# 71 YEARS

OF GROWTH



# \$897.6M

2022 TOTAL REVENUE



# 3,426

PEOPLE



# \$142.1M

ADJUSTED EBITDA <sup>(1)</sup>

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 57.





**79**

TERMINALS



**6,500**

ENVIRONMENTAL PROJECTS  
COMPLETED



**3,319**

VESSELS HANDLED



**\$2B**

IN ENVIRONMENTAL PROJECTS

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OUR STRATEGY

# OUR STRATEGY

Anchored by a proven track record of long-term growth, LOGISTEC is driven by innovation to provide our stakeholders with a sustainable world for the next generations. Our strategic vision is clear: to be the provider of choice for safe, sustainable, and creative solutions in our marine and environmental services segments.



# DRIVING GROWTH AND STRONGER RETURNS



## CREATE SMART SOLUTIONS

Drive ALTRA's innovations to support cities and municipalities in their sustainability commitments.



## SUPPORT RESILIENT SUPPLY CHAINS

Leverage the strength of our network of marine terminals to support resilient supply chains and create capacity.



## SOLVE ENVIRONMENTAL CHALLENGES

Help our customers solve their most complex challenges and reduce environmental impacts.

# A UNIQUE PATH TO SUSTAINABLE GROWTH

We can look back on 2022, the year of our 70<sup>th</sup> anniversary, with a real sense of pride for our remarkable achievements and historic results in such a dynamic environment. In this post-pandemic era and as supply chains continued to feel the pressure, our marine services further strengthened their efforts to provide our customers with innovative and reliable services. Our teams' hard work at our terminals across our North American network enabled us to handle record volumes and to achieve outstanding results in our marine services segment. In our environmental services segment, despite some challenges in terms of financial performance, 2022 was a year of transition and transformation.

LOGISTEC's unique business model is comprised of our marine services and environmental services segments, and we are well positioned to capitalize on key economic imperatives: supply chain disruption, climate change, aging water infrastructure, and emerging contaminants.

Our strength and expertise will allow us to pursue our long-term growth while meeting these ever-increasing needs. In recent years, the global supply chain faced, and continues to face, unprecedented challenges, including congestion, labour shortages, rising shipping costs, and sourcing and procurement issues, to name a few. LOGISTEC provides

a full range of solutions to address these challenges: an extensive network of port terminals in North America, a depth of expertise in cargo handling, strong long-term partnerships, and innovative solutions like flying teams which can be dispatched to alleviate bottlenecks, in support of a fluid and resilient supply chain.

Today, we continue to witness the impacts of ongoing climate change. Extreme weather events such as an increasing number of severe storms are examples of what we are facing in our service territories. The impacts of climate change are major and as a business leader, it is up to us to lead, make constructive decisions and initiate change that will have a long-term effect. We are in the midst of an energy transition and are facing an increase in regulatory frameworks to foster environmental compliance, and the development of new circular economies. Our scientists and experts are hard at work remediating contaminated sites, rehabilitating soils and improving ecosystems in a sustainable manner.

Access to clean water is also a critical social issue. Even in modern cities, aging drinking water infrastructure is at risk. Our ALTRA 10X technology is a unique and resilient solution for renewing drinking water mains. ALTRA 10X eliminates water lost to leaks and breaks in pipes, is quick and efficient to install, and is the most environmentally friendly and

economical solution on the market. This innovative technology continues to help communities protect their drinking water and supports LOGISTEC's growth across North America.

In today's environment, as both our business segments evolve, adapt and grow, we are confident about LOGISTEC's future. We will leverage the strength of our network of marine terminals to support reliable and sustainable supply chains and help our customers solve their most complex environmental challenges.

We will continue to grow organically and build strong long-term partnerships. We will seek strategic acquisitions to expand our network and our operations, to generate solid returns for a sustainable future.

## STRONG FINANCIAL PERFORMANCE

In an economic context favourable to our activities, our consolidated revenue reached \$897.6 million, an increase of \$153.9 million or 20.7% over fiscal 2021. More importantly, we achieved record adjusted earnings before interest expense, income taxes, depreciation, and amortization expense ("Adjusted EBITDA<sup>(1)</sup>") of \$142.1 million and a profit attributable to owners of

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<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 57.



the Company of \$53.5 million, a first in our history. These earnings also led us to achieve another milestone: earnings per share ("EPS") above \$4.15 per share, with total diluted EPS computing at \$4.12 per share.

### **MARINE SERVICES - A DYNAMIC YEAR IN THE SUPPLY CHAIN**

2022 was a productive year for our marine services segment, which handled record volumes in response to disruptions in the supply chain. We surpassed our all-time high, with revenue of \$565.8 million in 2022, an increase of 32.5% over 2021.

Bulk, general cargo and container volumes increased significantly, which contributed to this outstanding performance. New services were introduced to alleviate pressure on the supply chain and to provide our customers with innovative solutions to address their challenges, including congestion, where we provided warehousing services or proposed alternative routes to get their products to destination as quickly as possible.

We expanded our operations into the heart of the United States, at Lemont (IL), a strategic gateway to the greater Chicago area markets and other Midwest states. We strengthened our partnerships with strategic ports, signing long-term agreements across our network. We also made infrastructure improvements for our customers and communities by purchasing new energy-efficient cranes. By investing in environmentally friendly

equipment, we are fulfilling our Environmental, Social and Governance ("ESG") commitment to reduce our carbon footprint and protect the environment.

### **ENVIRONMENTAL SERVICES - BUILDING RESILIENT COMMUNITIES**

LOGISTEC's environmental services segment produced revenue of \$331.8 million in 2022, up 4.7% from \$316.7 million in the prior year.

2022 was a year rich in recognition and prizes for our innovations, but more modest in terms of revenue and profit, due to several factors, including the postponement of some key projects and challenges in sourcing materials for our production facility. With the arrival of our new

president in the first quarter began a strategic realignment of our teams, improving our internal structure and transforming key services and solutions to best position them for future development and growth. We focused on continuous improvement that will have a positive impact on long-term productivity. We further strengthened our sales force and aligned our business lines for better efficiencies. Today, we are seeing the benefits of these efforts with the highest project backlog in our history.

We are leading the way towards remediating environments affected by past contamination, renewing water infrastructure to protect drinking water with our ALTRA liner technology, and developing customized solutions to treat





## CEO'S MESSAGE

and eliminate perfluoroalkyl and polyfluoroalkyl substances ("PFAS"), the "forever chemicals" present in the environment that adversely affect human life, flora, and fauna. Our recent acquisition of American Process Group ("APG") opened possibilities for us in Western Canada and the United States, giving us the opportunity to cross-sell our core services to new customers and markets.

### A PASSIONATE AND DEDICATED TEAM

Throughout the year, our people demonstrated their agility and creativity in developing tailored solutions for our customers in ever-changing markets. I would like to acknowledge the commitment, resilience and passion of our people who focus on our customer's needs while working efficiently and always putting safety first. We are creating value for our stakeholders and our communities, which is reflected in our strong performance.

In fact, LOGISTEC conducted an employee survey this year to measure the level of satisfaction of our people. With an exceptional engagement rate of 90%, our people, indicated that they are connected and committed to the Company and the culture that we have worked hard to build together.

We are continuing to invest in our technology to modernize our IT infrastructure and leverage data to guide our business decisions. In the coming year, we will be deploying our Enterprise Resource



Planning ("ERP") system, a major transformation project. We successfully launched the first phase in 2022. We plan to implement the second phase for our environmental segment by midyear, and the third phase for our marine segment and corporate services will follow. This major project will enable us to be a data-driven company and support our long-term growth.

### A SUCCESSFUL YEAR AND A PROMISING FUTURE

LOGISTEC had an incredible year of success and accomplishments, and we are optimistic about the future. We are well-positioned with financial strength, diversification, a unique business model, an extensive North American terminal network and innovative environmental technologies. Our competitive advantage allows us to anticipate where markets are going and to position ourselves for opportunities. Both of our business segments offer compelling solutions to today's challenges, which will contribute to our growth, for the benefit of our customers and communities.

On March 2, 2023, LOGISTEC announced the strategic acquisition of Federal Marine Terminals and the logistics division Fednav Direct. This transaction will allow LOGISTEC to strengthen its presence in Canada and the U.S. with the addition of 11 terminals and specialized expertise.

I am delighted that we are continuing to improve our sustainability record by developing more products that meet the United Nations ESG goals. As outlined in our Sustainable Development Report, 40% of the revenue we generated last year was clean revenue, in support of the worldwide goal to reduce CO<sub>2</sub> emissions by 40% by 2030.

I want to thank our customers and partners for their continuous support, collaboration, trust and loyalty. Together, we will contribute to a strong economic ecosystem, generate positive results and proactively protect the environment for a better future.

“The year of LOGISTEC’s 70<sup>th</sup> anniversary was a memorable one for its record results, outstanding performance and remarkable innovations. It takes a solid vision, clear business objectives, winning strategies, and a committed, efficient and innovative team to deliver extraordinary results.”

(SIGNED) **MADELEINE PAQUIN, C.M.** | **PRESIDENT AND CHIEF EXECUTIVE OFFICER**



# DELIVERING ON OUR FINANCIAL AMBITIONS



“We had set ambitious goals, and thanks to the ingenuity and dedication of our people, we are pleased to report record financial results exceeding our expectations.”

LOGISTEC delivered great results in 2022. We achieved the financial ambitions set out in our 2019-2022 strategic plan. Thanks to thought-out diversifications, organic growth and strategic acquisitions over the last few years, LOGISTEC has continued to build a more resilient platform while expanding our reach, scope and expertise to the benefit of our customers.

Our 2022 financial performance again sets record-breaking results exceeding our expectations on key financial metrics for the year. Our consolidated revenue reached \$897.6 million for the first time and our profit attributable to owners of the Company achieved an all-time high of \$53.5 million. Our EPS leapt above the \$4.00 mark, reaching a record total diluted EPS of \$4.12. These strong financial results also drove the adjusted EBITDA <sup>(1)</sup> to \$142.1 million, a 17.6% increase over 2021.

LOGISTEC is at its best when we collaborate to bring our unrivaled expertise, capabilities and innovation for our customers and our communities. This focus is at the heart of our ambitious plan, which guides our teams and businesses in achieving our strategic objectives and setting new standards of excellence.

Our engaged workforce is critical to our success. It has never been more important to support and empower it. We are grateful for its collective resilience, ingenuity and dedication. We celebrated numerous accomplishments this year that underscore the strength of our Company:

- LOGISTEC was in a strong financial position at the close of 2022, with a sound working capital ratio and indebtedness, and total assets approaching our \$1 billion milestone.
- Our solid marine services performance in 2022 set new quarterly and annual records for margins, achieved double-digit earnings growth while investments in our teams increased.

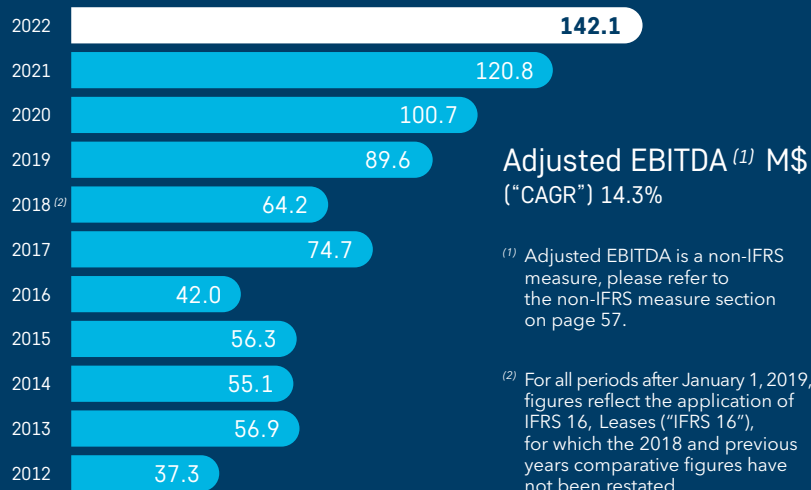
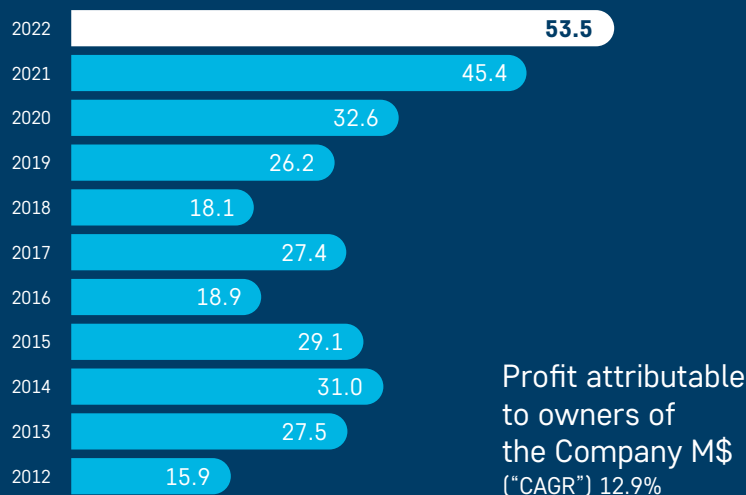
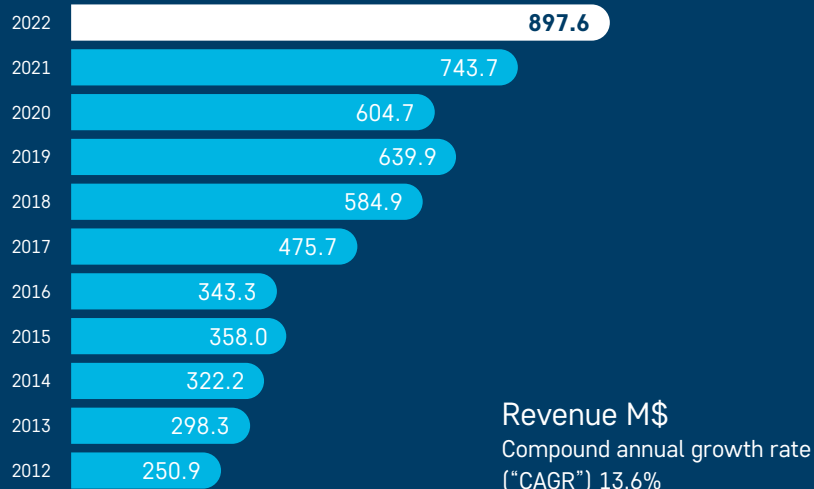
<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 57.



- Our ability to produce cash provided from operations of more than \$122.0 million in 2022 is a strong base for a healthy balance sheet to support future development.
- Investments in new technologies and solutions, aligned with our long-term growth plan for our environmental services will continue to create new opportunities. This year, the environmental team has won industry-leading projects.
- Reflecting our leading position for ESG-related services, we also launched our ESG roadmap that integrates our priorities to embed sustainable development and resilience across our network, invest in our talent, improve social outcomes for our communities, and continue to enhance our governance.
- More importantly, all of this was achieved while making critical investments in people, teams and digital capabilities that will sustain our advantages in 2023 and beyond.

(SIGNED) **CARL DELISLE, CPA auditor** |  
**CHIEF FINANCIAL OFFICER**  
**AND TREASURER**

## STRONG FINANCIAL PERFORMANCE



# CARGO HANDLING

## OUR COMPETITIVE ADVANTAGE

1

NORTH AMERICAN NETWORK OF PORTS AND TERMINALS, STRATEGICALLY LOCATED NEAR MAJOR HIGHWAYS AND RAIL INFRASTRUCTURES.

2

STRONG LONG-TERM RELATIONSHIPS WITH PARTNERS AND STAKEHOLDERS TO SUPPORT THEIR BUSINESS.

3

WIDE VARIETY OF CARGOES HANDLED FOR MULTIPLE INDUSTRIES, RESULTING IN A DIVERSIFIED REVENUE BASE.





## OUR SERVICES



### Container terminals

Servicing the North American market with:

- Specialized container-handling capabilities
- Fast turnaround of containers and vessels
- Ease of transport to final destination
- Fast and efficient service



### Bulk

Working closely with customers in the bulk industry:

- Strong expertise in the handling of bulk commodities
- Specialized terminals with cranes, loaders, conveyors, and warehouses



### Port logistics

Providing off-dock multimodal facilities and expertise:

- Intermodal stuffing and destuffing
- Drayage of international containers
- Storage capacity



### Break-bulk

Offering qualified experts and modern equipment:

- Advanced information technology
- Real-time inventory
- Dedicated warehouses equipped with wireless technology
- Quick turnaround



# ENVIRONMENT

## OUR COMPETITIVE ADVANTAGE

1

GLOBAL INTEGRATED SOLUTIONS FOCUSED ON SOLVING COMPLEX ENVIRONMENTAL, WATER, CLIMATE CHANGE AND CIRCULAR ECONOMY CHALLENGES.

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2

DEDICATED TEAM OF SCIENTISTS, ENGINEERS AND FIELD EXPERTS COMMITTED TO DEVELOPING CUSTOMIZED SOLUTIONS FOR INDUSTRIAL, MUNICIPAL AND GOVERNMENTAL CUSTOMERS.

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3

PRODUCTION AND INSTALLATION OF FIELD-PROVEN RENEWAL LINERS FOR DRINKING WATER INFRASTRUCTURE.



# OUR SERVICES

## WATER



### Water main rehabilitation

Renew and protect aging water infrastructure from the inside with minimal disruptions to communities.



### PFAS solutions

Treatment of PFAS (toxic “forever chemicals”) in both water and soil, using a highly customizable approach.



### Lead-free solution

Pipe lining technology where a lead-proof barrier is inserted in existing pipes, allowing the supply of lead-free water to every home.



### Flexible fluid transport solutions

Manufacturing of high-performing, flexible fluid transport solutions (from the structural lining used in our drinking water infrastructure renewal process, to the woven hoses destined for the firefighting profession and energy industry).

## ENVIRONMENT



### Site remediation

Water, soil, sediment, and residue treatment on various types of properties, including biopile soil treatment, in situ treatment, and building decontamination.



### Risk assessment

Human health and environmental risk assessment services lead by a multidisciplinary team of professionals (toxicology, ecotoxicology, biology, ecology, environmental engineering, etc.) from the initial assessment of the site to its final remediation.



### Regulated materials management

Waste identification and consolidation; transport and handling, processing, and disposal of all contaminated materials; and reclassification of equipment and storage sites.



### C&D fines recycling

Recovery process for Construction, Renovation and Demolition fines to develop new applications for treated debris, transforming them into valuable byproducts such as compost, aggregates and wood chips.



### Contaminated soils management

Soil treatment, disposal sites, beneficial reuse (including landfills, and brokerage services in soil and material management), with complete soil tracking to final disposal.



### Revegetation

Remediation of degraded sites to transform sterile tailings into a substrate capable of supporting sustainable ecosystems, as opposed to relying on traditional covering techniques.



### Dredging & dewatering

Mechanical dewatering (both in mobile and fixed facility applications), dredging, lagoon, digester and tank cleaning and pumping, as well as solids transportation and disposal.

# LENDING A HAND WHERE IT MATTERS MOST

LOGISTEC lends its support to organizations active in the communities where our people live and work. We seek to do so in sectors that are aligned with our culture, our values, and our strategic plan, namely the development of our talent, humanitarian endeavours, health and safety, environmental protection, and drinking water preservation.

Across our network, we have a daily impact on several communities in Canada and the United States. We are passionate about creating strong, vibrant communities for future generations. That is why we favour in-community hiring and work with local partners as often as we can. Annually, LOGISTEC donates one percent of its last three years' average profit to charitable and non-profit organizations.

We actively encourage our people to become socially engaged in causes, initiatives and organizations they care about. This engagement will help affirm our own leadership in our communities and rally our people around promising projects that will also be theirs. We strive to promote and recognize the involvement of our people who are giving back to their respective communities.

## COMMUNITY INVOLVMENT

### Centraide/United Way

CENTRAIDE is helping to build a stronger community, one that can meet the needs of thousands of vulnerable people. Our annual campaign gathered donations from our people to support a place where everyone pulls together, getting involved to make things happen.

### Community Kitchen Holiday Food Drive

Our team at NIEDNER in Coaticook (QC) participated in the local annual holiday community kitchen event, serving meals to families in need.

### Media Food Drive

The cause that unites media to donate to local food banks, brought together our team at Sept-Îles (QC), our port partner and other stakeholders in support of this important cause.

### Supporting World-Renowned Brain Cancer Research

The A Brilliant Night event has helped fund ground-breaking brain cancer research at McGill's Montréal Neurological Institute, raising an astounding \$915,000.

### SeaPort Manatee Trucking Summit

The SeaPort Manatee (FL) event celebrated many of the hundreds of professional drivers who keep the supply chain flowing each day through the Florida Gulf Coast trade gateway.

### Donation to Toys for Tots

LOGISTEC's team at our Brunswick (GA) terminal donated to Toys for Tots, helping children in need in the community during the holidays.

### Scholarships for Indigenous Students

Investing in talent is one of our pillars and we created two university scholarships for rising stars in the Indigenous community.

### The Grand Défi Pierre Lavoie

The LOGISTEC team participated for the 5<sup>th</sup> time in the 135 km annual biking event in Québec to promote a healthy and active lifestyle, while giving back to the community.







# A YEAR FILLED WITH INCREDIBLE ACHIEVEMENTS AND SUCCESS

## **Terminal Operator of the Year, International Heavy Lift Awards**

LOGISTEC was named the 2022 Terminal Operator of the Year at the Heavy Lift Awards ceremony held in Hamburg, Germany. This prestigious award comes at a time of global challenges in the supply chain and recognizes LOGISTEC's ability to respond to and anticipate customers' needs with innovative solutions. LOGISTEC's teams in the field demonstrate an unwavering, daily commitment to and passion for going beyond and for handling oversized and heavy cargo in a safe and resilient manner.



## **Safety in Bulk Handling Award**

LOGISTEC received the Award for Safety in Bulk Handling at the International Bulk Journal's ("IBJ") event in Rotterdam, Netherlands. The award recognizes excellence in the maritime bulk industry, placing LOGISTEC at the forefront of best practices for the safe handling of dry bulk cargo. The award salutes exceptional operational achievements in a demanding environment and is a tribute to the hard work and dedication of LOGISTEC's people toward safe cargo handling every day.

## **Executive Leadership Award for Safety in Cargo Handling from Signal Mutual**

Rodney Corrigan, President of LOGISTEC Stevedoring Inc., won the Francis R. Sharp Executive Leadership Award for Safety on behalf of the entire LOGISTEC team. This award recognizes an executive who has spearheaded the promotion of health and safety within the organization and demonstrated a commitment to preventing workplace incidents through integrated safety initiatives.



### Canadian Business Hall of Fame – Madeleine Paquin

LOGISTEC's President and CEO, Madeleine Paquin, will be formally inducted at the Canadian Business Hall of Fame ceremony, which recognizes exceptional and visionary business leaders for their contributions to the economic development and prosperity of Canada. Madeleine was selected for boldly leading innovation in supply chain practices and environmental protection and the transformative impact she has in these two major economic imperatives for the Canadian economy.



### Innovation and Environmental Protection Award

SANEXEN won the Innovation and Environmental Protection Award from the *Conseil des entreprises en technologies environnementales du Québec* ("CETEQ") for its ALTRA solution for the removal of PFAS, known as toxic "forever chemicals", from water. With years of in-house research and development, ALTRA's field-proven and fully scalable solution is poised to revolutionize the treatment of PFAS in water.



### Great Builders of the Québec Economy

The Institute for Governance of Private and Public Organizations ("IGOPP") named Madeleine Paquin as one of the Great builders of the Québec economy. IGOPP has been celebrating the boldness, innovation and outstanding merits of exceptional business builders who are shaping the economy.



Institut sur la gouvernance  
d'organisations privées et publiques

### Distinction Award for Best Company and Organization

SANEXEN received the Distinction Award for Best Company from *Réseau Environnement*, an organization that acts as a catalyst for the green economy and promotes environmental know-how technologies. This award acknowledges the exceptional work of SANEXEN's team to preserve and renew natural resources.

### Circular Initiatives Award

*Québec Circulaire*, an organization that seeks to accelerate the transition to a circular economy in Québec, created an award to highlight important projects that contribute to ecological and energy transitions. SANEXEN was awarded the 2022 Circular Initiatives Award to recognize its environmental leadership and innovation: a unique facility in North America to transform Construction, Renovation and Demolition ("C&D") fines into value-added products.





# DRIVING GROWTH AND STRONGER RETURNS THROUGH ECONOMIC IMPERATIVES

## **WELL-POSITIONED TO CAPITALIZE ON KEY ECONOMIC IMPERATIVES**

Our strategy supports key economic imperatives, and allows us to consistently drive growth and provide strong results for our shareholders.

In the years to come, we will continue to leverage the strength of our network of marine terminals to support resilient and sustainable supply chains and create capacity.

We will help our customers solve their most complex environmental challenges and reduce their environmental impacts, and drive ALTRA's innovations to support cities in their sustainability commitments.





# 2022 FINANCIAL HIGHLIGHTS

**\$897.6M**

REVENUE

**\$4.12**

EARNINGS  
PER SHARE <sup>(2)</sup>

**\$142.1M**

ADJUSTED EBITDA <sup>(1)</sup>

**10.07**

PRICE/EARNINGS  
RATIO <sup>(3)</sup>

**\$53.5M**

PROFIT ATTRIBUTABLE  
TO OWNERS OF THE COMPANY

**18.0%**

INCREASE IN PROFIT  
ATTRIBUTABLE TO OWNERS  
OF THE COMPANY OVER 2021

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 57.

<sup>(2)</sup> Attributable to owners of the Company.

<sup>(3)</sup> Price/earnings ratio calculated with Class B Subordinate Voting Shares.









# **MANAGEMENT'S DISCUSSION & ANALYSIS**





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# 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 this document and include (but are not limited to) the performances of domestic and international economies and their effect on shipping volumes, weather conditions, labour relations, pricing, and competitors' marketing activities. The reader of this document is thus cautioned not to place undue reliance on these forward-looking statements. The Company undertakes no obligation to update or revise these forward-looking statements, except as required by law.

# FINANCIAL RESULTS OVERVIEW

This MD&A of operating results deals with LOGISTEC Corporation's operations, results and financial position for the fiscal years ended December 31, 2022 and 2021. All financial information contained in this MD&A and the attached audited consolidated financial statements ("financial statements") has been prepared in accordance with International Financial Reporting Standards ("IFRS").

In this report, unless indicated otherwise, all dollar amounts are expressed in Canadian dollars. This MD&A should be read in conjunction with LOGISTEC's financial statements and the notes ("2022 Notes") thereon.

<i>(in thousands of dollars, except where indicated)</i>	<b>2022</b>	2021	2020	2019	2018 <sup>(5)</sup>	Variation 22-21 %	Variation 22-18 %
<b>Financial Results</b>							
Revenue	<b>897,565</b>	743,703	604,701	639,942	584,878	20.7	53.5
Adjusted EBITDA <sup>(1)</sup>	<b>142,094</b>	120,821	100,658	89,611	64,177	17.6	121.4
Profit for the year <sup>(2)</sup>	<b>53,543</b>	45,364	32,614	26,194	18,060	18.0	196.5
<b>Financial Position</b>							
Total assets	<b>983,672</b>	898,971	799,452	734,738	637,103	9.4	54.4
Working capital	<b>113,821</b>	81,806	91,634	97,996	82,099	39.1	38.6
Long-term debt (including the current portion and short-term bank loans; if any)	<b>235,035</b>	203,954	167,710	177,900	163,297	15.2	43.9
Equity <sup>(2)</sup>	<b>359,487</b>	314,561	300,782	280,371	262,198	14.3	37.1
<b>Per Share Information<sup>(3)</sup></b>							
Profit for the year <sup>(2)</sup> (\$)	<b>4.12</b>	3.46	2.49	2.00	1.38		
Equity <sup>(2)</sup> (\$)	<b>27.64</b>	23.98	23.00	21.40	19.96		
Outstanding shares, diluted (weighted average in thousands)	<b>13,005</b>	13,117	13,076	13,103	13,135		
Share price as at December 31							
Class A Common Shares (\$)	<b>40.16</b>	45.00	37.00	39.60	40.86		
Class B Subordinate Voting Shares (\$)	<b>41.47</b>	44.00	35.16	40.00	43.27		
Dividends declared per share							
Class A Common Shares (\$)	<b>0.4320</b>	0.3834	0.3740	0.3685	0.3465		
Class B Subordinate Voting Shares (\$)	<b>0.4752</b>	0.4217	0.4114	0.4054	0.3812		
<b>Financial Ratios</b>							
Return on average equity <sup>(2)</sup>	<b>15.89%</b>	14.74%	11.22%	9.66%	7.36%		
Profit for the year <sup>(2)</sup> / revenue	<b>5.97%</b>	6.10%	5.39%	4.09%	3.09%		
Net indebtedness/capitalization <sup>(4)</sup>	<b>36%</b>	35%	29%	36%	38%		
Price/earnings ratio (Class B Subordinate Voting Shares)	<b>10.07</b>	12.70	14.12	20.00	31.36		

<sup>(1)</sup> Adjusted EBITDA is a non-IFRS measure, please refer to the non-IFRS measure section on page 57.

<sup>(2)</sup> Attributable to owners of the Company.

<sup>(3)</sup> For earnings per share per class of share, please refer to the selected quarterly information table on page 44.

<sup>(4)</sup> Net indebtedness and capitalization are defined and reconciled in the liquidity and capital resources section of this MD&A on page 50.

<sup>(5)</sup> For all periods after January 1, 2019, figures reflect the application of IFRS 16, Leases ("IFRS 16"), for which the 2018 comparative figures have not been restated.

# 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 and environmental services.

## OUR MISSION AND PURPOSE

LOGISTEC's strategy is guided by our mission and purpose: We pride ourselves on building and sharing our expertise in order to contribute to the success of our customers and our communities. Our people are dedicated to finding solutions that support reliable and sustainable supply chains and protect our environment and our water resources.



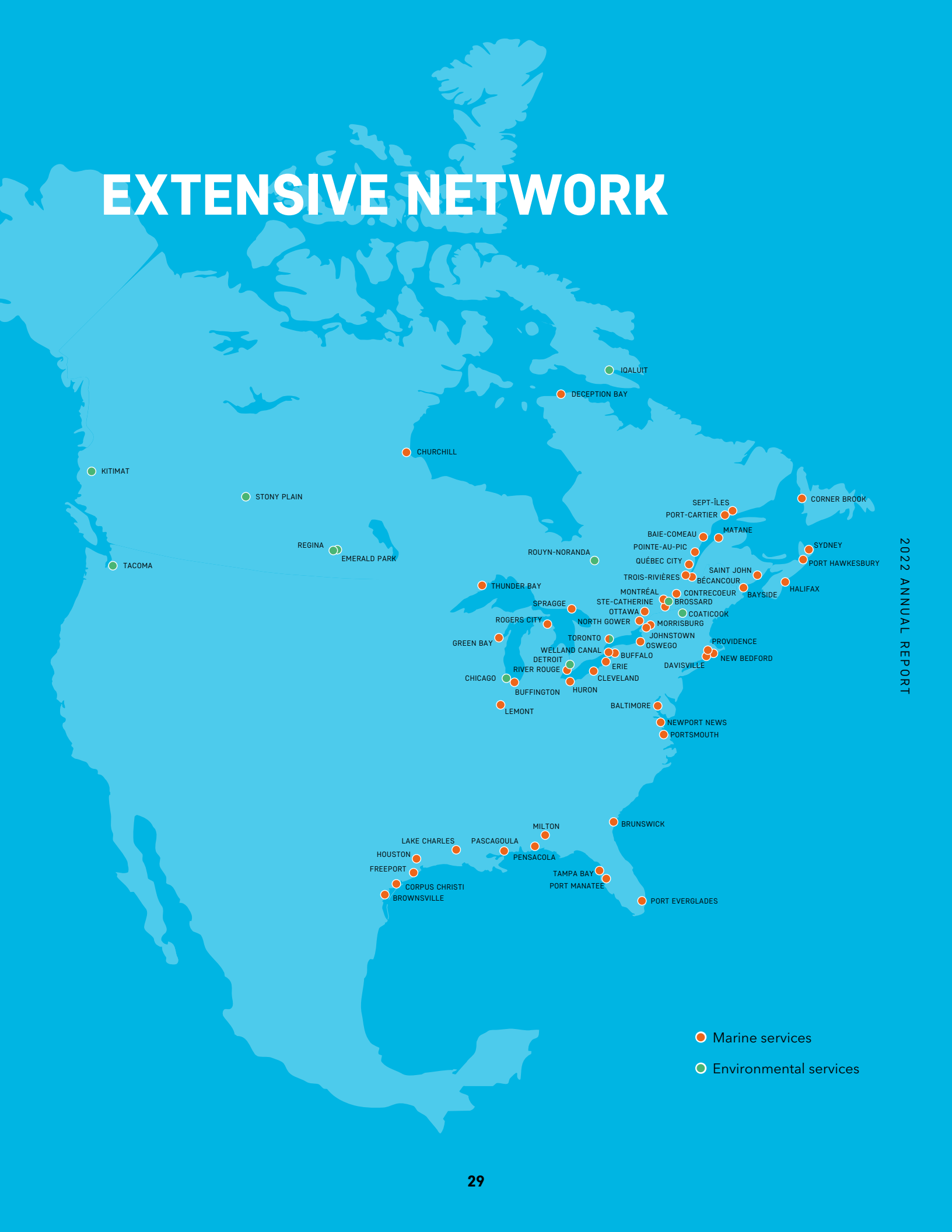
## CORPORATE OVERVIEW

LOGISTEC is a North American provider of choice for safe, sustainable and creative solutions in the marine and environmental sectors. The Company's long-term strategy is supported by a history of consistent, profitable growth driven by innovation and resilience within its two distinct business segments, complemented by strategic acquisitions.

LOGISTEC's people are key to the success of its strategy, as they ensure the delivery of the Company's services whether through its cargo handling facilities or on its project sites. LOGISTEC's success is a direct reflection of the skills and dedication of its 3,426 people across North America, from the Arctic to the Gulf of Mexico, including both union and non-union workers.



# EXTENSIVE NETWORK



● Marine services

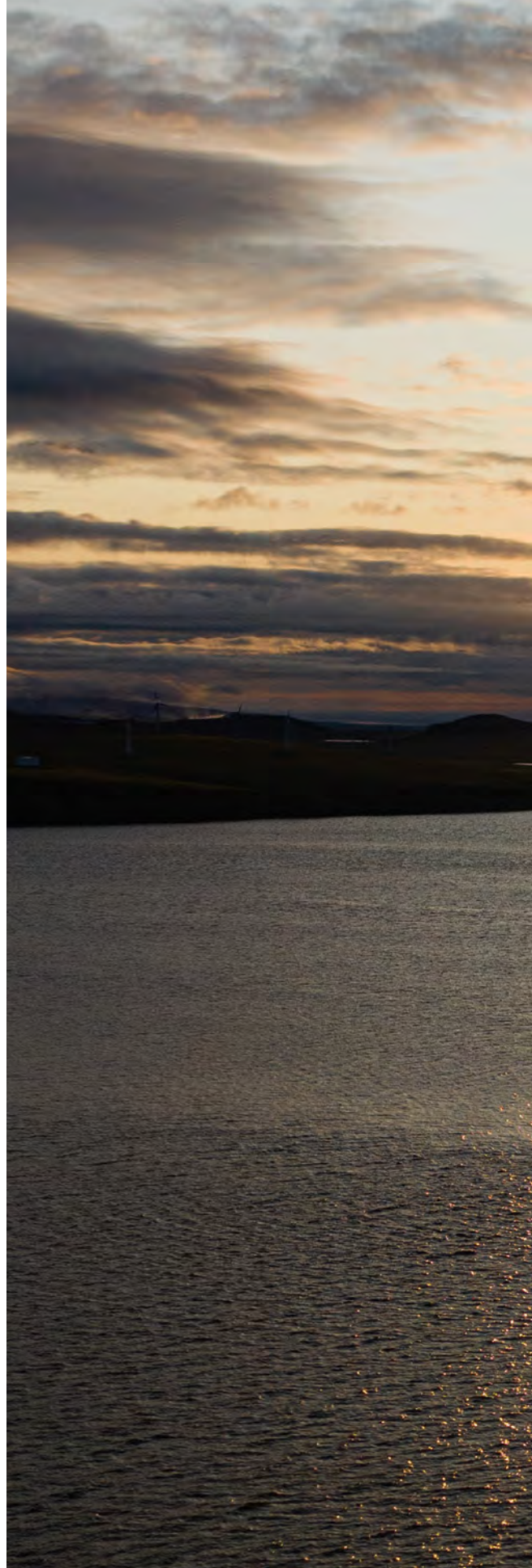
● Environmental services

# OUR STRATEGY

Anchored by a proven track record of long-term growth, LOGISTEC is driven through innovation to provide our stakeholders with a sustainable world for the next generations. Our strategic vision is clear: to be the provider of choice for safe, sustainable, and creative solutions in our marine and environmental services segments.

Since becoming a public company in 1969, LOGISTEC has demonstrated increasing profitability over the years, creating value for all stakeholders. The Company's strong financial discipline, solid balance sheet and achievements support long-term financial stability and continued growth.

LOGISTEC leverages the breadth of its geographic footprint, invests in innovative solutions and centers decisions around the Company's values to deliver unparalleled and sustainable results. When it comes to strategic expansion through acquisitions, LOGISTEC pursues opportunities that support and contribute to maximizing shareholder value, undertaking rigorous evaluations based on defined financial and strategic criteria. The evaluation looks to whether the investment is accretive and assesses if it provides the proper return from future sustainable cash flows.







# MARINE SERVICES



## \$565.8M

### IN REVENUE

For our marine services segment, 2022 was a historic year, not only because it marked LOGISTEC's 70<sup>th</sup> anniversary, but also because of its exceptional performance and results. As a leading marine services provider, LOGISTEC specializes in cargo handling across a network of 79 terminals in 53 ports in North America for a wide variety of marine and industrial customers. LOGISTEC leases and operates terminals, owns warehouses, and invests in cargo handling equipment and technologies. Our leaders and experts in the field focus on operational excellence, delivering reliable and safe services while expanding the network to better serve our customers.

### A RECORD-BREAKING YEAR

As a key supply chain partner, LOGISTEC found innovative solutions to reduce congestion, deliver products and save time in a demanding market, as pressure continued to grow on the global supply chain through the pandemic recovery. LOGISTEC leveraged its network of port terminals and found creative ways to counter the effects of congestion, allowing customers to benefit from both our gateway fluidity and operational expertise.

Overall, the growth we achieved reflects our ability to adapt, our strong resilience and our unique position to help customers thrive in their markets. We collaborated with our supply chain partners to increase capacity at our port terminals and facilities, optimize our operations and enhance safe and efficient handling methods to accelerate delivery. Our agile business model also includes our flying team, which generated important volumes by responding rapidly to punctual demands and contributing to fluidity in the supply chain.

We handled record volumes of cargo due to strong demand, especially in the steel, forest products and wind energy sectors. Steel cargoes in the Great Lakes and St. Lawrence River terminals were at strong levels, as we broadened our customer base and handled new cargoes that turned into regular business. A significant increase in cargo in the U.S. Gulf Coast region was driven by strong activity in the energy sector.





# \$52.5M

PROFIT BEFORE INCOME TAXES

LOGISTEC USA Inc. formed a strategic alliance with Infrastructure and Energy Alternatives, a leading engineering company with renewable energy expertise, to support new utility-scale offshore wind developments along the U.S. East Coast. Opportunities for growth also included the expansion of our operations into the heartland of the USA, in Lemont (IL), a strategically located gateway to serve markets in the greater Chicago area.

## SAFETY - JOURNEY TO ZERO

Our top priority is that our people and partners return home safely to their family and loved ones at the end of each day. Journey to Zero is an internal program which demonstrates our strong commitment to health and safety, with a focus on measurable improvements in key leading indicators to reduce recordable injuries in all our facilities. Safety is part of our business strategy and we have developed a strong culture of looking out for each other.

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

# \$636.2M

TOTAL ASSETS



“I would like to recognize the dedication, hard work and passion of our teams, who handled record volumes of cargo across our network and succeeded in delivering in a safe and efficient manner. Every day is an opportunity to identify concrete actions and processes to improve the safety of our operations and people.”

**RODNEY CORRIGAN | PRESIDENT,  
LOGISTEC STEVEDORING INC.**

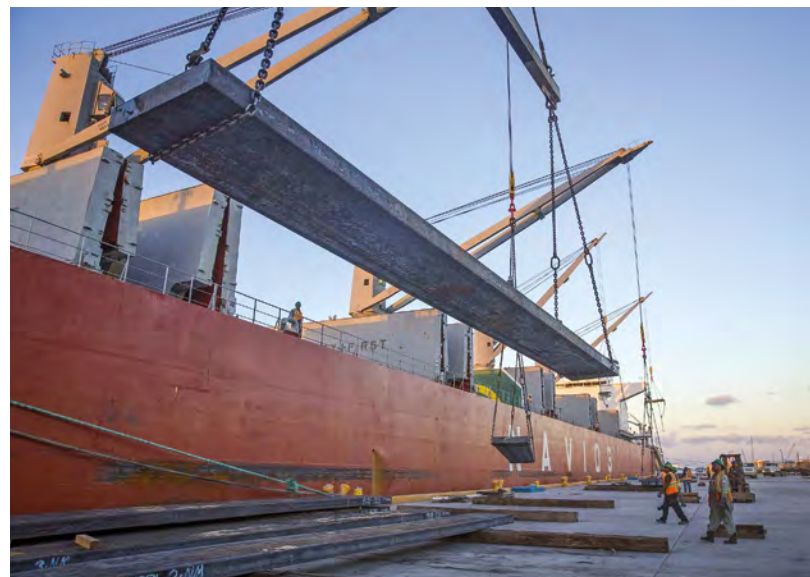
### LEADING SUSTAINABLE INITIATIVES

LOGISTEC leads the industry in North America with the most Green Marine-certified terminals (18 in total), the foremost environmental certification program for North America's marine industry.

We continued to focus on reducing our carbon footprint by investing in new eco-efficient equipment. We purchased electric hybrid mobile harbour cranes for our terminals at Port Manatee (FL) and at the Port of Montréal (QC), further increasing efficiencies and capacity at these terminals.

LOGISTEC's terminal operations require heavy duty equipment to load and unload cargo from vessels near water. We have implemented an ongoing preventative maintenance program to reduce environmental risks to land and water, and we are planning to replace traditional hydraulic fluids with biodegradable lubricants in 2023.

In 2022, LOGISTEC took part in a pilot project to adapt the Lean and Green framework for a North American context. Lean and Green is a leading European decarbonization program specifically designed for the logistics industry. Using the Lean and Green framework, we had our greenhouse gas emissions inventories validated, determined which equipment and operations could be targeted for decarbonization, and developed an action plan to reduce our CO<sub>2</sub> emissions by 20% in five years.







LOGISTEC partnered with students from the *Comité de Consultation en Gestion de Polytechnique Montréal* to create the most efficient and comprehensive way to calculate our greenhouse gas emissions. They developed a standardized procedure for collecting energy consumption data.

### TERMONT AND PORT LOGISTICS

TERMONT Montréal Inc. ("TERMONT") operates the Port of Montréal's largest container terminals and is a joint venture between LOGISTEC and other partners. In 2022, container volume remained strong with additional peripheral revenues, contributing to our overall results. We also optimized our port logistics and transloading services, offering brokerage services and storage space outside the port to relieve congestion, allowing greater flexibility for our customers.

### MARINE TRANSPORTATION AND AGENCIES

Our marine services also include marine transportation and marine agencies. The Company has a joint venture to transport cargo to communities in the Canadian Arctic through the 50%-owned

joint venture Transport Nanuk Inc. Through this venture, LOGISTEC serves over 40 communities in Nunavut and Nunavik.

### PRIORITIES

In terms of volumes, revenue and profit before income taxes, 2022 was an exceptional year and our teams worked through this extraordinary situation with dedication and perseverance. With the global economy in transition, LOGISTEC remains focused on its long-term strategic plan. The diversity of cargo types we handle, industries we serve, and ultimate revenue base, reduces LOGISTEC's sensitivity to economic swings. Our marine services are strengthened by our continued customer development and increased market share.

LOGISTEC expects to expand its existing business through smart investments, strategic acquisitions, organic growth and long-term partnerships with ports and terminals.

LOGISTEC has a proven track record of creating mutually beneficial outcomes when negotiating with unions. The Company is party to 40 active collective agreements, 13 of which were signed in 2022, while three were still being negotiated at the end of 2022; four will expire in 2023.

### CONTINUOUS IMPROVEMENT TO MEET HIGH DEMAND



To meet high demand, LOGISTEC invested in infrastructure and continuous improvement initiatives. In 2022, steel slab volumes at the Port of Brownsville (Texas) doubled, due to a new steel mill expansion project. Gulf Stream Marine, Inc. ("GSM"), our subsidiary in the U.S. Gulf Coast, leveraged strategic partnerships to increase terminal storage capacity and extend the rail infrastructure to accommodate a larger number of railcars per track. GSM also invested in specialized new high-capacity lifting equipment to improve efficiency and reduce logistics costs.

# ENVIRONMENTAL SERVICES



Our team of dedicated scientists, engineers, project managers and experienced field experts continued to develop unique solutions to address current environmental matters. With our field-proven solutions, we are actively helping North American communities and contributing to a sustainable future.

In 2022, LOGISTEC Environmental Services Inc. welcomed a new president, Jean-François Bolduc, P.Eng., MBA. Jean-François's extensive leadership experience and bold vision created the right foundation to support planned growth for LOGISTEC's environmental services across North America in 2023 and beyond.

In our environmental services segment, it was a year of transition and long-term strategic planning. We are positioned as a leader in traditional and emerging markets, with strong opportunities for increasing market shares, as well as for further commercialization of our unique water technologies across North America. Our recent acquisition of American Process Group ("APG") in Western Canada created opportunities to cross-sell our core services in specialized environmental solutions. We are also investing in becoming a more data-driven organization with the upcoming implementation of our ERP, operational KPIs and overall digitalization.

## \$331.8M

IN REVENUE

Once again in 2022, we witnessed impacts of climate change around the world on populations and infrastructure. Increasing public, corporate and financial awareness of Environmental, Social and Governance ("ESG"), transitioning to a low-carbon economy, biodiversity and access to clean water remain top of mind for government and industry leaders. LOGISTEC's suite of environmental services and solutions directly responds to today's global challenges.







“Our team is continuously accomplishing exceptional work to preserve and renew our natural resources. We work in close collaboration with our customers, partners and major players in the environmental industry to offer innovative and customized solutions, supporting our purpose of building resilient communities.”

**JEAN-FRANÇOIS BOLDUC | PRESIDENT,  
LOGISTEC ENVIRONMENTAL SERVICES INC. AND  
SANEXEN ENVIRONMENTAL SERVICES INC.**

### NEW CONTRACTS AND SUCCESSFUL PILOT PROJECTS

SANEXEN is well-positioned to capitalize on key environmental imperatives and to build resilience for our communities. From strategic advice to boots on the ground, we have the expertise and know-how to contribute to managing environmental liabilities and nature preservation, solving water resources challenges, and finding innovative ways to develop circular economies.

Our team of experts succeeded in developing a robust and effective treatment that removes per- and polyfluoroalkyl (“PFAS”), both long and short chain, which is cost-effective and fully scalable to meet customer needs. The results of our PFAS pilot projects in the U.S. were excellent. Our solution was able to remove more than 99% of PFAS compounds found in highly contaminated solid waste landfill sites. ALTRA PFAS technology has now been field proven and is ready to be commercially deployed in Canada and the U.S. on industrial, military and infrastructure projects.

# \$12.3M

**PROFIT BEFORE INCOME TAXES**



## ENVIRONMENTAL SERVICES



Two new major site remediation projects have also been announced: the former Aleris aluminum plant in Québec (\$17.5 million) and the former Rayrock (\$63.0 million) uranium mine in Canada's Northwest Territories. LOGISTEC will lead the rehabilitation of these former industrial sites and their surroundings in collaboration with local communities.

In Canada's Far North, LOGISTEC's presence continued to grow with the launch of a major residual materials management project for the Kativik Regional Government in Northern Québec. This project is part of Nunavik's major Residual Materials Management Plan, which aims to contribute to a green economy and a more sustainable future for local Inuit communities.

NIEDNER, a subsidiary and leading manufacturer of innovative, high-performance flexible hoses, launched its next-generation technology ALTRA 3D, broadening its presence in the global market. The latest breakthrough ALTRA 3D technology offers quality performance specifically tailored for high-pressure applications across multiple end markets, including industrial, oil and gas, municipal, forestry, agriculture, and mining sector applications.

### PRIORITIES

Our ambition is to have positive impact with respect to environmental protection, water resources preservation and circular economy solutions. We aim to serve iconic and world-leading organizations with great impact, safe practices, and utmost integrity.

With our highest project backlog in history, our focus is to solve our customers' environmental challenges, keep delivering operational excellence in the field, meet our customers' needs and demands, and provide innovative solutions for some of North America's most important environmental challenges. We will continue to invest in research and development to create and test our customized solutions. New PFAS mobile units will be built and put into service in 2023.

We will continue to grow through geographic expansion of our specialized environmental services and commercialization of our unique water technologies across North American markets. Strategic acquisitions will continue to complement our targeted growth. With the increase in critical environmental and societal challenges, LOGISTEC is well positioned to deepen its leadership position as an impactful solutions provider for these global needs.





## OUR SERVICES AND SOLUTIONS

LOGISTEC's teams are continuously putting their ingenuity to work and driving applied innovation in our two main business lines: water technologies, known as ALTRA, and specialized environmental services.

## ENVIRONMENT

LOGISTEC delivers creative and customized solutions to industrial, municipal, and governmental customers and partners year after year. Our team of experts, engineers and scientists offers varied environmental services, including site remediation, dredging and dewatering.

LOGISTEC also provides turnkey solutions for the environmental assessment of properties and the remediation of impacted soils, groundwater and lagoons. We offer services linked to the proper handling of hazardous materials in buildings and the replacement of underground hydrocarbon storage infrastructure, including the characterization and remediation of sites and risk assessment, as well as contaminated soils and materials management.

# \$347.5M

TOTAL ASSETS

## WATER SOLUTIONS

The ALTRA suite of technologies combines a series of four comprehensive solutions and products: water main renewal, lead-free solutions, PFAS solutions and woven hoses manufacturing.

ALTRA Water Technology renews aging drinking water infrastructure from inside the pipes with minimal disruption to communities. Our team develops, manufactures, and installs a proprietary water main liner, allowing for an effective renewal of the community's drinking water infrastructure.

The ALTRA Lead-Free Solution protects people from being exposed to lead in their drinking water, creating a lead-proof barrier inside existing pipes at a fraction of the cost, time and disturbance of traditional replacement. We help deliver reliable lead-free water to every home.

Additionally, LOGISTEC manufactures the structural lining product used in our water infrastructure renewal projects at our NIEDNER plant, located in Coaticook (QC). NIEDNER also manufactures hoses used in the firefighting industry, both at the municipal and forestry levels, along with the industrial, mining, and snow-making sectors.

Our team has also developed a leading-edge solution to remove PFAS, also known as toxic forever chemicals, from water and soils. These persistent chemicals commonly found in landfills, airports, as well as industrial and military sites have an adverse toxicological effect on humans and a negative impact on the environment. ALTRA's PFAS Solution can be adapted to each site's conditions, is cost-effective and safe, and provides long-lasting results.



# COMMITMENT TO ESG

## BUILDING A SUSTAINABLE AND RESILIENT FUTURE FOR THE NEXT GENERATIONS

### OUR ENVIRONMENTAL, SOCIAL AND GOVERNMENTAL PRIORITIES

Delivering responsibly is at the heart of how the LOGISTEC family is building a sustainable and resilient future for the next generations. It means facilitating trade, handling our customers' goods safely, protecting and renewing our environment and our water resources, attracting and developing the best and brightest talent, investing in our communities and leading with the highest governance standards.

We are setting targets internally and putting systems in place to implement, measure and report on our progress.



#### PROTECT AND RENEW OUR ENVIRONMENT

- Reduce emissions and promote energy efficiency
- Reduce waste, recycle and reuse
- Save, protect and renew our resources
- Commit to environmental leadership
- Develop opportunities to reduce greenhouse gas emissions for our customers



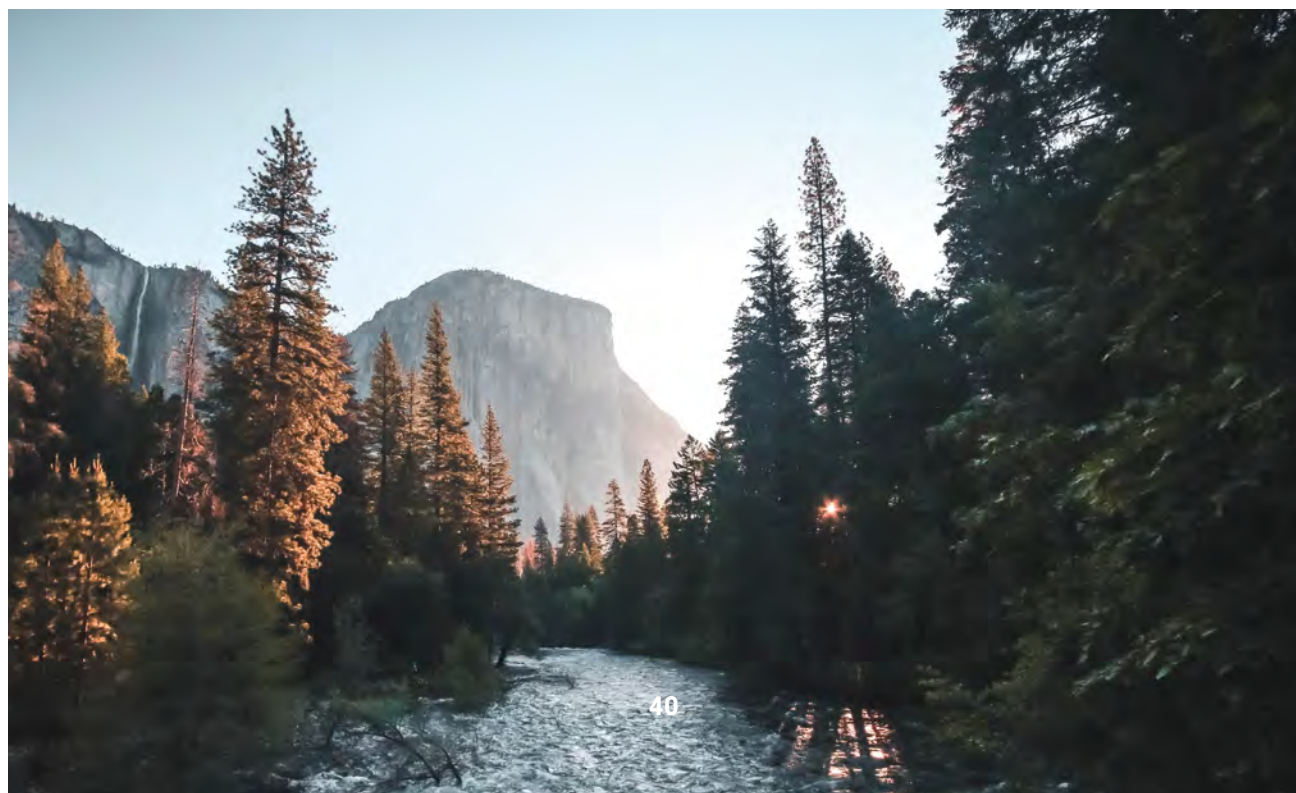
#### BE SOCIALLY RESPONSIBLE

- Build an inclusive workplace that attracts and develops the best talent
- Promote safety, health and wellness
- Promote diversity, inclusion and belonging
- Invest in our communities



#### LEAD WITH STRONG GOVERNANCE

- Ensure a culture of integrity, commercial ethics and strong governance
- Promote diversity on the Board, the Executive team, the Management team and throughout the organization
- Lead a robust enterprise risk management process





# OUTLOOK

## STRENGTH AND RECOGNITION

Our 2022 results served as clear evidence of the strength and resilience of our business and the benefits of our focused strategy. LOGISTEC operates in two important business segments of our economy: marine and environmental services. Both segments offer solutions to capitalize on key growth opportunities in response to current market trends and key environmental imperatives.

Faced with many global challenges, North America's economy has been resilient. Growth has been sustained by high commodity prices, increase in business investments and strong demand for specialized services and expertise. Economists are predicting a potentially softer economic outlook, depending on the level of monetary tightening. With the economy still on a good footing, we expect stagnation rather than a contraction.

Supply chains have been affected by bottlenecks, among other things, but the pressure has eased off in 2022. Many businesses diversified their supply sources and increased storage demands. Inventories have built up in warehouses, and businesses continue to adapt to balance supply with less volatile demand. This is good news for LOGISTEC, being part of supply chains that benefits from increased demand for new peripheral services. We will see if the demand for these services continues in 2023.

One big uncertainty remains: the growing scarcity of labour. Labour shortages will also affect wages, which skyrocketed in 2022 and are expected to keep growing in 2023. It has become challenging to attract and retain talent at all levels of the organization, and this is a widespread problem that will impact all areas of the economy. This will continue to be one of our greatest challenges.

Despite these challenges, we are well positioned to weather a downturn in 2023. LOGISTEC has a history of continuous growth for over 70 years. In the last ten years, the marine services segment, a mature industry, has grown revenue at an impressive 14.7% compound annual growth rate ("CAGR"). LOGISTEC is a leader in handling over-dimensional parts such as wind energy components. The safe handling of over-dimensional cargoes is quite complex and growing fast. LOGISTEC's experts in the field are now recognized internationally as the best terminal operators, as demonstrated by the recognition received at the 2022 International Heavy Lift Awards. We remain confident that our customers, partners and communities will present us with great opportunities to support resilient supply chains.



On the environmental front, our customers and communities are facing unprecedented challenges. From extreme weather events, aging drinking water infrastructure, water scarcity, and climate change, our customers are looking for unique solutions for an increasingly complex set of issues. Our team has the required expertise to play an increasingly important role in accelerating solution delivery across these environmental challenges. We believe that our environmental team is also in a great position to perform, with a strong order book to start 2023 and new business opportunities.

### ENTERING A NEW STRATEGIC CYCLE

In 2023, we enter this new strategic cycle with good momentum. Fuelled by our successful achievements and our clear long-term vision, we will keep building on our strong foundation. Our long-term vision sets an ambitious destination while capitalizing on current market trends and key environmental imperatives. In this context, we strongly believe that we are well positioned to make a significant impact on building resilient and vibrant communities.

# BUSINESS COMBINATIONS

## 2021 BUSINESS COMBINATIONS

### AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN acquired 100% ownership of APG for a purchase price of \$50.0 million, subject to adjustments, of which \$49.5 million was paid upon acquisition. During the year ended December 31, 2022, the Company settled the post-closing working capital adjustments and the balance of sale of \$0.5 million for a cash consideration of \$3.3 million. APG is an Alberta-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 4 of the 2022 Notes for further details.

# SELECTED ANNUAL FINANCIAL INFORMATION

Years ended December 31

(in thousands of dollars, except earnings and dividends per share)

	2022	2021	2020	Variation 22-21	
	\$	\$	\$	\$	%
Revenue	<b>897,565</b>	743,703	604,701	<b>153,862</b>	<b>20.7</b>
Profit attributable to owners of the Company	<b>53,543</b>	45,364	32,614	<b>8,179</b>	<b>18.0</b>
Total basic earnings per share <sup>(1)</sup>	<b>4.15</b>	3.49	2.53	<b>0.66</b>	<b>18.9</b>
Total diluted earnings per share <sup>(1)</sup>	<b>4.12</b>	3.46	2.49	<b>0.66</b>	<b>19.0</b>
Total assets	<b>983,672</b>	898,971	799,452	<b>84,701</b>	<b>9.4</b>
Total non-current liabilities	<b>447,199</b>	401,935	365,269	<b>45,264</b>	<b>11.3</b>
Cash dividends per share:					
– Class A shares <sup>(2)</sup>	<b>0.4124</b>	0.3787	0.3740		
– Class B shares <sup>(3)</sup>	<b>0.4536</b>	0.4165	0.4114		
Total cash dividends	<b>5,561</b>	5,137	5,022		

<sup>(1)</sup> Combined for both classes of shares.

<sup>(2)</sup> Class A Common Shares ("Class A shares").

<sup>(3)</sup> Class B Subordinate Voting Shares ("Class B shares").

## 2022 VERSUS 2021

Revenue reached \$897.6 million in 2022, up by 20.7% or \$153.9 million over 2021. Revenue in the marine services segment totalled \$565.8 million in 2022, up by \$138.8 million from \$427.0 million last year. The environmental services segment delivered revenue totalling \$331.7 million, an increase of \$15.0 million or 4.7% over revenue of \$316.7 million in 2021.

Profit attributable to owners of the Company increased by \$8.2 million or 18.0% in 2022. Overall, the marine services segment handled record volumes which positively impacted our results, while the environmental services segment had more modest results in terms of revenue and profit, due to several factors, including the postponement of some key projects and challenges in sourcing materials for our production facility.

Total assets amounted to \$983.7 million at the end of 2022, up by \$84.7 million over 2021. This increase stems mainly from two factors: investments made in property, plant and equipment and right-of-use assets to support the growth in our operations, as well as additional trade and other receivables that reflect the higher level of activity in the fourth quarter of 2022 compared with the same quarter of 2021.

Total non-current liabilities increased to \$447.2 million in 2022, compared with \$401.9 million in 2021. This is due mainly to the additional \$32.3 million in lease liabilities and \$32.2 million in long-term debt, partly offset by the decrease in non-current liabilities following the reclassification to short-term of the second tranche to repurchase the non-controlling interest in FER-PAL Construction Ltd. ("FER-PAL").

Cash dividends paid in 2022 increased by 8.3% to \$5.6 million, compared with \$5.1 million in 2021, following the Company's Board of Directors' election on August 4, 2022 to increase the dividend payment by 20.0%.

## 2021 VERSUS 2020

Revenue reached \$743.7 million in 2021, up by 23.0% or \$139.0 million over 2020. Revenue in the marine services segment totalled \$427.0 million in 2021, up by \$82.4 million from \$344.6 million last year. The environmental services segment delivered revenue totalling \$316.7 million, an increase of \$56.6 million or 21.8% over revenue of \$260.1 million in 2020.

Profit attributable to owners of the Company increased by \$12.8 million or 39.1% in 2021. Overall, both segments performed as expected and our results were positively impacted by volumes returning to pre-pandemic levels and strategic acquisitions we have made over the years are contributing to LOGISTEC's performance.

Total assets amounted to \$899.0 million at the end of 2021, up by \$99.5 million over 2020. This increase stems mainly from the additional goodwill, property, plant and equipment and intangible assets following the business combination with APG, as well as additional trade receivables related to the significant increase in revenue. Our cash position decreased by \$9.2 million: essentially due to \$92.9 million cash outflows from investing activities offset by the \$79.6 million in positive cash flows from operating activities following the business combination with APG and our strong investment in property, plant and equipment to support organic growth.

Total non-current liabilities increased to \$401.9 million in 2021, compared with \$365.3 million in 2020. This is due mainly to the additional \$28.0 million in long-term debt and \$8.3 million in lease liabilities.

Cash dividends paid in 2021 increased by 2.3% to \$5.1 million, compared with \$5.0 million in 2020.



## SELECTED QUARTERLY INFORMATION

(in thousands of dollars, except earnings and dividends per share)

	Q1 \$	Q2 \$	Q3 \$	Q4 \$	Year \$
2022					
Revenue	141,442	218,972	284,209	252,942	897,565
Profit (loss) attributable to owners of the Company	(6,018)	13,024	31,636	14,901	53,543
Basic earnings (loss) per Class A share	(0.44)	0.96	2.35	1.11	3.98
Basic earnings (loss) per Class B Share	(0.49)	1.06	2.58	1.23	4.38
Total basic earnings (loss) per share	(0.46)	1.00	2.45	1.16	4.15
Diluted earnings (loss) per Class A share	(0.44)	0.95	2.34	1.10	3.95
Diluted earnings (loss) per Class B share	(0.49)	1.06	2.56	1.21	4.34
Total diluted earnings (loss) per share	(0.46)	1.00	2.43	1.15	4.12
2021					
Revenue	104,850	172,593	236,171	230,089	743,703
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
Total 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

## 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 field work, excavation of soils, treatment of wastewater and groundwater, 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 dollars, except per share amounts)

	For the three months ended December 31, 2022		For the twelve months ended December 31, 2022	
	December 31, 2021	December 31, 2021	December 31, 2021	December 31, 2021
	\$	\$	\$	\$
Revenue	252,942	230,089	897,565	743,703
Employee benefits expense	(118,954)	(115,139)	(429,458)	(363,331)
Equipment and supplies expense	(69,802)	(54,619)	(247,002)	(187,225)
Operating expense	(17,574)	(15,347)	(61,555)	(50,095)
Other expenses	(12,313)	(11,698)	(38,753)	(33,327)
Depreciation and amortization expense	(15,306)	(13,292)	(56,196)	(49,100)
Share of profit of equity accounted investments	6,349	3,977	18,760	10,084
Other losses	(2,190)	(4,674)	(3,739)	(4,052)
Operating profit	23,152	19,297	79,622	66,657
Finance expense	(5,049)	(3,186)	(15,429)	(11,103)
Finance income	219	130	613	541
Profit before income taxes	18,322	16,241	64,806	56,095
Income taxes	(3,338)	(2,040)	(10,804)	(10,471)
<b>Profit for the period</b>	<b>14,984</b>	<b>14,201</b>	<b>54,002</b>	<b>45,624</b>
Profit attributable to:				
<b>Owners of the Company</b>	<b>14,901</b>	<b>14,108</b>	<b>53,543</b>	<b>45,364</b>
Non-controlling interest	83	93	459	260
<b>Profit for the period</b>	<b>14,984</b>	<b>14,201</b>	<b>54,002</b>	<b>45,624</b>
Basic earnings per Class A share	1.11	1.03	3.98	3.34
Basic earnings per Class B share	1.23	1.14	4.38	3.68
Diluted earnings per Class A share	1.10	1.03	3.95	3.31
Diluted earnings per Class B share	1.21	1.13	4.34	3.64

Significant accounting policies applied in the 2022 financial statements are described in Note 2 of the 2022 Notes.

## THREE MONTHS ENDED DECEMBER 31

Consolidated revenue totalled \$252.9 million in the fourth quarter of 2022, an increase of \$22.9 million or 9.9% over 2021. The strengthening of the U.S. dollar against the Canadian dollar positively affected consolidated revenue by \$8.1 million this quarter. Please refer to the segmented results section for the revenue variance explanation of each segment.

Employee benefits expense reached \$119.0 million, an increase of \$3.8 million or 3.3% over the \$115.1 million recorded for the same period last year. The ratio of employee benefits expense to revenue was 47.0%, down from 50.0% for the same period last year. Although the employee benefits expense related to our field operations are variable in nature, the lower ratio is mainly attributable to support and administrative employees' benefits expense that is fixed in nature.

Equipment and supplies expense amounted to \$69.8 million in the fourth quarter of 2022, an increase of \$15.2 million compared with the same period last year. The overall ratio of equipment and supplies expense to consolidated revenue increased to 27.6% for the fourth quarter of 2022, from 23.7% in the fourth quarter of 2021. The expense increase is mainly revenue driven whereas the higher ratio is attributable to a higher cost of energy and trucking expenses in the marine services segment.

Operating expense amounted to \$17.6 million, an increase of \$2.2 million or 14.5% compared with the same period of 2021. This increase was mainly revenue driven, as the overall ratio of operating expense to consolidated revenue was stable at 7.0% in the fourth quarter of 2022 compared with 6.7% for the same period in 2021.

Depreciation and amortization expense reached \$15.3 million in the fourth quarter of 2022, up \$2.0 million from \$13.3 million last year. The increase resulted from investments made in property, plant and equipment and right-of-use assets to support the growth in our operations.

Other losses varied by \$2.5 million, from a \$4.7 million loss in the fourth quarter of 2021 to a \$2.2 million loss for the same period in 2022. This variance was mainly related to configuration and customization costs incurred in a cloud computing arrangement. In 2022, configuration and customization costs related to the implementation of an Enterprise Resource Planning ("ERP") system were gradually recognized as expenses when incurred. In 2021, these costs were capitalized during the year and written-off in the fourth quarter of 2021.

Finance expense reached \$5.0 million for the fourth quarter of 2022, up \$1.9 million from the comparative period of 2021. This increase stemmed mainly from a higher level of net indebtedness<sup>(1)</sup> as explained in the liquidity and capital resources section, and rising interest rates in the market, since a portion of the long-term debt bears interest at floating rates.

Overall, the Company reported a profit attributable to the owners of the Company of \$14.9 million in the fourth quarter of 2022, an increase of \$0.8 million compared with the \$14.1 million profit recorded in the corresponding period last year. This translated into total diluted earnings per share of \$1.15, of which \$1.10 per share was attributable to Class A shares and \$1.21 per share was attributable to Class B shares.

## TWELVE MONTHS ENDED DECEMBER 31

Consolidated revenue totalled \$897.6 million in 2022, an increase of \$153.9 million or 20.7% over 2021. The strengthening of the U.S. dollar against the Canadian dollar positively affected consolidated revenue by \$16.6 million this year. Please refer to the segmented results section for the revenue variance explanation of each segment.

For 2022, the employee benefits expense reached \$429.5 million, an increase of \$66.2 million or 18.2% over the \$363.3 million recorded last year. The increase stemmed mainly from higher revenue in both segments, as the ratio of employee benefits expense to revenue remained relatively stable, excluding the \$2.9 million Canada Emergency Wage Subsidy ("CEWS") recognized in 2021.

Equipment and supplies expense amounted to \$247.0 million, an increase of \$59.8 million or 31.9% over 2021. The overall ratio of equipment and supplies expense to consolidated revenue increased to 27.5% in 2022, compared with 25.2% in 2021. The expense increase is mainly revenue driven whereas the higher ratio was primarily attributable to a higher cost of energy and trucking expenses in the marine services segment.

Operating expense reached \$61.6 million, an increase of \$11.5 million or 22.9% compared with 2021. This increase was mainly revenue driven, as the overall ratio of operating expense to consolidated revenue was stable at 6.9% in 2022 compared with 6.7% in 2021.

Other expenses stood at \$38.8 million, up \$5.4 million or 16.3% compared with 2021. This increase stemmed mainly from three factors: higher insurance premiums; incremental travel expenses since governments lifted some COVID-19 restrictions; and the professional fees incurred to analyze business development opportunities.

Depreciation and amortization expense totalled \$56.2 million in 2022, up \$7.1 million from \$49.1 million last year. The increase resulted from our business combinations and property, plant and equipment investments made in 2021, such as the amortization of intangible assets related to client relationships and backlog associated with the investment in APG.

<sup>(1)</sup> The net indebtedness is reconciled in Note 12 of the 2022 Notes.



Share of profit of equity accounted investments reached \$18.8 million, an increase of \$8.7 million over last year. This increase stemmed mainly from the strong performance of our equity accounted investments in TERMONT Terminal Inc. ("TERMONT") and in Transport Nanuk Inc ("Nanuk"). TERMONT's subsidiary specializes in handling containers and their results were positively impacted by incremental short-term storage services, whereas Nanuk specializes in transportation of cargoes to communities in the Canadian Arctic.

Finance expense reached \$15.4 million, up \$4.3 million from 2021. This increase stems mainly from a higher level of net indebtedness<sup>(1)</sup> as explained in the liquidity and capital resources section, and rising interest rates in the market, since a portion of the long-term debt bears interest at floating rates.

Income taxes stood at \$10.8 million for 2022. When the profit before income taxes is adjusted to exclude the effect of the share of profit of equity accounted investments, the 2022 tax rate computes to 23.4% compared with 22.8% in 2021. This variation is within normal parameters and relates to non-taxable items. Please refer to Note 10 of the 2022 Notes for a full reconciliation of the effective income tax rate and other relevant income tax information.

In 2022, the Company reported a profit of \$54.0 million, of which \$0.5 million was attributable to a non-controlling interest, resulting in a \$53.5 million profit attributable to owners of the Company. This translated into total diluted earnings per share of \$4.12, of which \$3.95 per share was attributable to Class A shares and \$4.34 per share was attributable to Class B shares.

All other items of the consolidated statements of earnings varied according to normal business parameters and were comparable to 2021 levels.

## SEGMENTED RESULTS

(in thousands of dollars)	For the three months ended December 31, 2022			For the three months ended December 31, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	154,634	98,308	252,942	128,117	101,972	230,089
Profit before income taxes	14,253	4,069	18,322	2,388	13,853	16,241

(in thousands of dollars)	For the twelve months ended December 31, 2022			For the twelve months ended December 31, 2021		
	Marine services	Environmental services	Total	Marine services	Environmental services	Total
	\$	\$	\$	\$	\$	\$
Revenue	565,830	331,735	897,565	426,967	316,736	743,703
Profit before income taxes	52,544	12,262	64,806	30,450	25,645	56,095

### MARINE SERVICES

#### THREE MONTHS ENDED DECEMBER 31

Revenue from the marine services segment reached \$154.6 million in 2022, up \$26.5 million or 20.7% when compared with \$128.1 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 performance of our operations.

<sup>(1)</sup> The net indebtedness is reconciled in Note 12 of the 2022 Notes.

The fourth quarter of 2022 profit before income taxes from the marine services segment amounted to \$14.3 million, up \$11.9 million from the \$2.4 million profit in 2021. This increase stemmed mainly from three factors: higher revenue, greater share of profit of equity accounted investments and lower configuration and customization costs incurred in a cloud computing arrangement due to timing as explained above. This is partly offset by higher cost of energy, trucking expenses and higher interest rates as explained above.

#### **TWELVE MONTHS ENDED DECEMBER 31**

Revenue in the marine services segment totalled \$565.8 million in 2022, up \$138.8 million from \$427.0 million in 2021. 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 2022 than in 2021, partly offset by reduced operations at the Port of Brunswick terminal, following the fire incident that occurred in May 2021.

The 2022 profit before income taxes from the marine services segment amounted to \$52.5 million, up \$22.0 million from the \$30.5 million profit in 2021. These results reflected a higher level of activity, a higher share of profit of equity accounted investments than in 2021 and were partly offset by \$1.6 million CEWS recognized in 2021.

### **ENVIRONMENTAL SERVICES**

#### **THREE MONTHS ENDED DECEMBER 31**

Revenue from the environmental services segment reached \$98.3 million, down \$3.7 million from the \$102.0 million in the fourth quarter of 2021. The reduction was mainly attributable to our ALTRA line of products, as revenue from services relating to the renewal of underground water mains decreased when compared to the corresponding period last year.

The fourth quarter 2022 profit before income taxes from the environmental services segment amounted to \$4.1 million, down \$9.8 million over the \$13.9 million profit incurred in 2021. The decreased profitability is derived from the challenges in sourcing materials for our production facility that impacted the performance of our ALTRA line of products.

#### **TWELVE MONTHS ENDED DECEMBER 31**

Revenue from the environmental services segment totalled \$331.7 million, compared with \$316.7 million in 2021, an increase of \$15.0 million. The increase stemmed mainly from the business combination of APG which contributed to a full year of revenue in 2022.

The 2022 profit before income taxes from the environmental services segment reached \$12.3 million, down when compared with the \$25.6 million profit incurred in 2021. The postponement of some key projects and challenges in sourcing materials for our production facility impacted the performance of our ALTRA line of products. In addition, the comparative results included a \$1.3 million CEWS recognized in 2021.

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

## **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\$5.0 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 ("GPA"), the Company is required to rebuild the warehouse that was destroyed by the fire, unless agreed to otherwise. During the year ended December 31, 2022, the Company obtained approvals required from the GPA and other parties to reconstruct, but have not completed the final design which is subject to approval from GPA and state authorities. As at the date of this MD&A, a feasibility study was obtained, the size and the type of warehouse to be constructed were determined. However, the Company is completing the design and gathering quotations to assess the cost of reconstruction. In accordance with the lease agreement, this warehouse was insured for US\$21.9 million (\$29.7 million). As at the date of this MD&A, the Company is currently operating with reduced capacity at this facility, the reconstruction schedule is being finalized and the commencement of work is expected to begin in the first half of 2023. The Company will record the impact of the 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 describes the 2022 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 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
December 7, 2022	January 3, 2023	January 17, 2023	0.11782	0.12959	1.6
March 22, 2023	March 30, 2023	April 13, 2023	0.11782	0.12959	1.6



# LIQUIDITY AND CAPITAL RESOURCES

## CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to:

- Maintain a capital structure that allows financing options to the Company in order to benefit from potential opportunities as they arise;
- Provide an appropriate return on investment to its shareholders.

The Company includes the following in its capital:

- Cash and cash equivalents and short-term investments, if any;
- Long-term debt (including the current portion) and short-term bank loans if any;
- Equity attributable to owners of the Company.

The capital is calculated as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
<i>(in thousands of dollars)</i>		
Short-term bank loans	—	8,600
Long-term debt, including the current portion	235,035	195,354
Less:		
Cash and cash equivalents	36,043	37,530
Total net indebtedness	198,992	166,424
Equity attributable to owners of the Company	359,487	314,561
Capitalization	558,479	480,985
Ratio of net indebtedness/capitalization	35.6%	34.6%

The Company's financial strategy is formulated and adapted according to market conditions to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may refinance its existing debt, raise new debt, pay down debt, repurchase shares for cancellation purposes pursuant to normal course issuer bids or issue new shares.

When looking at business investment opportunities, the Company uses discounted cash flow models to ensure that the rate of return meets its objectives. Furthermore, investment opportunities must be accretive, therefore enhancing shareholder value.

The decision to repay debt is based on an assessment of current levels of cash in relation to expected cash that will be generated from operations. The Company has credit facilities with various financial institutions that can be utilized when investment opportunities arise.

## BORROWING CAPACITY

LOGISTEC generates positive cash flows from operating activities, which reached \$98.7 million and \$79.6 million in 2022 and 2021, respectively, and were more than sufficient to cover our ongoing investing and financing activities.

At the end of 2022, our net indebtedness, defined as long-term debt (including the current portion) and short-term bank loans, if any, net of cash and cash equivalents, was \$199.0 million, whereas our equity attributable to owners of the Company totalled \$360.1 million, giving us a net indebtedness/capitalization ratio of 35.6%.

The Company has organized its banking facilities to segregate credits available to its wholly owned subsidiaries from credits available to non-wholly owned subsidiaries and joint ventures.

In November 2021, to increase its financial flexibility, the Company and its wholly owned subsidiary, LOGISTEC USA Inc., renegotiated their credit agreement, leading to an amendment to the existing credit agreement. The term of the unsecured revolving credit facility was extended to October 2025. This credit facility is provided by a banking syndicate comprising six major Canadian banks and financial institutions. It allows LOGISTEC Corporation and LOGISTEC USA Inc. to borrow funds directly from this credit facility to cover operating and general corporate expenses and to issue bank guarantees. The credit facility amounts to \$300.0 million (\$300.0 million in 2021) and has an accordion option of \$150.0 million or the U.S. dollar equivalent. Such amount could be potentially requested to increase our borrowing capacity upon demand. The accordion option can only be given at the sole discretion of each lender in the syndicate.

As at December 31, 2022, there was an equivalent of \$186.7 million drawn under the facility (\$135.6 million in 2021), an additional \$11.4 million was used for letters of credit (\$14.5 million in 2021) and the unused amount was \$101.9 million (\$149.9 million in 2021). The applicable interest rate on this revolving credit facility is variable and depends on the form of borrowing, to which is added a margin that varies according to the leverage ratio level achieved by the Company.

In addition to the line of credit described above, the Company also entered, in 2017, into a 10-year unsecured loan agreement of \$50.0 million with a Canadian financial institution, which is fully drawn. Please refer to Note 23 of the 2022 Notes for further details.

## CAPITAL RESOURCES

Total assets amounted to \$983.7 million as at December 31, 2022, up by \$84.7 million over the closing balance of \$899.0 million as at December 31, 2021. This increase stemmed mainly from two factors: investments made in property, plant and equipment and right-of-use assets to support the growth in our operations, as well as additional trade and other receivables that reflect the higher level of activity in the fourth quarter of 2022 compared with the same quarter of 2021.

Cash and cash equivalents totalled \$36.0 million at the end of 2022, down by \$1.5 million from \$37.5 million as at December 31, 2021. The main items behind this decrease were as follows:

*(in thousands of dollars)*

<b>Sources:</b>	
Cash generated from operations	122,042
Issuance of long-term debt, net of repayments and transaction costs	31,531
Dividends received from equity accounted investments	19,160
Effect of exchange rate on balances held in foreign currencies of foreign operations	3,620
	176,353
<b>Uses:</b>	
Acquisition of property, plant and equipment, net of proceeds from disposal	(49,712)
Changes in non-cash working capital items	(20,900)
Income taxes paid	(20,553)
Repayment of due to a non-controlling interest	(19,086)
Repayment of lease liabilities	(15,685)
Interest paid	(15,043)
Repurchase of Class B shares	(10,230)
Dividends paid to non-controlling interests	(10,060)
Net change in short-term bank loans	(8,565)
Dividends paid on Class A and Class B shares	(5,561)
Business combinations, net of cash acquired	(3,338)
	(178,733)

## WORKING CAPITAL

As at December 31, 2022, current assets totalled \$289.2 million and current liabilities totalled \$175.4 million, computing into working capital of \$113.8 million for a current ratio of 1.65:1. 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 incremental level of trade and other receivables and contract assets that reflect the higher level of activity in the fourth quarter of 2022 compared with the same quarter of 2021.

## LONG-TERM DEBT

Total net indebtedness amounted to \$199.0 million as at December 31, 2022, up by \$32.6 million when compared with \$166.4 million as at December 31, 2021. The increased borrowing was drawn under the existing revolving credit facility and includes a revaluation of long-term debt held in foreign currency in the amount of \$8.2 million as at December 31, 2022. The use of this additional indebtedness is explained in the capital resources section above.

Under the terms of our various financing agreements, the Company must satisfy certain restrictive covenants with respect to minimum financial ratios. As at December 31, 2022, LOGISTEC complied with such covenants. In some cases, financing covenants may limit the ability of some subsidiaries or joint ventures to pay dividends to LOGISTEC. However, LOGISTEC generates sufficient cash flows from its wholly owned subsidiaries to meet its financial obligations.



## PAYMENTS DUE BY PERIOD

The following table provides a summary of the Company's long-term debt and contractual obligations:

<b>Contractual obligations</b> as at December 31, 2022 (in thousands of dollars)					
	<b>Total \$</b>	<b>Less than 1 year \$</b>	<b>1 – 3 years \$</b>	<b>4 – 5 years \$</b>	<b>More than 5 years \$</b>
Long-term debt <sup>(1)</sup>	<b>243,544</b>	14,050	210,996	18,347	151
Lease liabilities					
– Equipment	<b>20,192</b>	6,788	12,306	1,098	–
– Occupancy	<b>200,142</b>	16,955	47,848	30,043	105,296
Due to non-controlling interests	<b>44,611</b>	23,619	20,992	–	–
Total contractual obligations	<b>508,489</b>	61,412	292,142	49,488	105,447

<sup>(1)</sup> Includes capital and interest.

The reader is referred to Notes 12, 18, 23, 24, 25, and 31 of the 2022 Notes for further details about financial risk management, lease arrangements, indebtedness, post-employment benefit assets and obligations, non-current liabilities, and contingent liabilities and guarantees.

## EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

Equity attributable to owners of the Company amounted to \$359.5 million as at December 31, 2022. Adding total net indebtedness yields a capitalization of \$558.5 million, which computes to a net indebtedness/capitalization ratio of 35.6%. This means that the Company has financial leverage available should the need arise. The net indebtedness/capitalization is reconciled above in the capital management section.

As at March 22, 2023, 7,361,022 Class A shares and 5,455,591 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 26 of the 2022 Notes for full details on the Company's share capital.

## NORMAL COURSE ISSUER BID ("NCIB")

Pursuant to the NCIB launched on October 28, 2021, and terminated on October 27, 2022, LOGISTEC could repurchase for cancellation purposes, up to 368,851 Class A shares and 284,301 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 15, 2021.

Shareholders may obtain a free copy of the notice of intention regarding the NCIB filed with the TSX by contacting the Company.

During 2022, under the NCIB programs, nil Class A shares and 262,895 Class B shares were repurchased at average prices per share of nil and \$38.88, respectively. Please refer to Note 26 of the 2022 Notes for further details.

## EQUITY IN JOINT VENTURES

The Company's results include its share of operations in joint ventures, which are accounted for in the share of profit of equity accounted investments. The closing balance of \$46.1 million at the end of 2022 was mainly the result of the 2021 closing balance of \$46.3 million, plus the 2022 share of profit of equity accounted investments of \$18.8 million, less \$19.1 million in dividends received.

As at December 31, 2022, the Company's 50%-equity interests are in the following joint ventures: 9260-0873 Québec Inc., Flexiport Mobile Docking Structures Inc., Moorings (Trois-Rivières) Ltd., Québec Maritime Services Inc., Québec Mooring Inc., TERMONT Terminal Inc. and Transport Nanuk Inc. The Company also owns 49%-equity interests in Qikiqtaaluk Environmental Inc. and Avataani Environmental Services Inc.

None of the Company's joint ventures are publicly listed entities and, consequently, do not have published price quotations.

The Company has one significant joint venture, TERMONT Terminal Inc., whose subsidiary specializes in handling containers, which is aligned with the Company's core business. Please refer to Note 16 of the 2022 Notes.

## POST-EMPLOYMENT BENEFITS

The Company offers either defined benefit retirement plans or defined contribution retirement plans to its employees. The Company sponsors two defined benefit retirement plans. Considering that a majority of beneficiaries from the defined benefit retirement plans were pensioners already, the Company elaborated a derisking strategy with regard to these plans.

A summary of the fair value of plan assets, benefit obligation, funded status of the retirement plans, and significant assumptions can be found in Note 24 of the 2022 Notes.

Calculations on the retirement plans' funded status have been performed by the Company's independent actuaries as of December 31, 2022. They calculated a benefit obligation of \$32.1 million, compared with a fair value of plan assets of \$19.7 million, which computed into a funded status deficit of \$12.3 million. The Company offers supplemental retirement plans to senior executives ("SERP"). These SERPs are unfunded and the related obligation of \$12.6 million is included in the above numbers. Excluding the SERP obligation, the funded status amounts to a surplus of \$0.3 million. The reader is referred to the description of the Senior Management Pension Plan in our information circular.

Management's assumption for the discount rate was 3.0% in 2021 and 5.0% in 2022. Actuarial calculations performed for actual funding and cash disbursements use different assumptions and therefore compute into different funded statuses. The Company's SERP are non-registered plans and, therefore, are not subject to actuarial valuations.

The most recent actuarial valuations for the Senior Management Pension Plan and the Employee Pension Plan of LOGISTEC Corporation are dated December 31, 2019, and December 31, 2021, respectively. Based on these valuations, the Company has a combined surplus of \$2.9 million when using the going concern method, and a combined deficit of \$2.1 million when using the solvency method.

# OTHER ITEMS IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Financial position as at (in millions of dollars)	DEC 31, 2022 \$	DEC 31, 2021 \$	Var. \$	Var. %	Explanation of variation
Contract assets	14.9	7.5	7.4	98.4	Contract assets represent the gross unbilled amount that will be collected from customers for contract work performed in our environmental services segment. The higher level of activity in the fourth quarter of 2022 compared with the same quarter of 2021 led to incremental work in progress at the end of the fourth quarter of 2022.
Current income tax assets	11.2	7.6	3.6	48.0	The increase was mainly due to a 2021 income tax recovery not yet received and the income tax recovery created by the carry back of non-capital losses generated in 2022 for a Canadian subsidiary.
Inventories	20.0	16.8	3.2	18.8	The increase was due to a higher level of inventory of ALTRA Proven Solutions products held in 2022 that will be delivered to customers in 2023 by our environmental services segment.
Property, plant and equipment	234.6	207.3	27.3	13.2	The increase stemmed mainly from the capital expenditures of \$52.2 million and the revaluation of property, plant and equipment denominated in foreign currency in the amount of \$6.7 million, offset by the depreciation expense of \$30.4 million.
Right-of-use assets	167.3	135.0	32.3	23.9	This increase stemmed mainly from the addition of \$49.0 million and the revaluation of right-of-use assets denominated in foreign currency in the amount of \$8.1 million, which exceeded the depreciation expense of \$18.8 million and the derecognition of leases of \$6.2 million.
Post-employment benefit assets	1.3	–	1.3	n.m	The increase in assets and the decrease in obligations stemmed mainly from the reclassification of the Company's plan into a net benefit asset position and the remeasurement of benefit obligations based on the prevailing discount rate of 5.0% as at December 31, 2022, compared with 3.0% as at December 31, 2021, partly offset by the negative return on plan assets.
Post-employment benefit obligations	13.7	16.2	(2.5)	(15.6)	



Financial position as at (in millions of dollars)	DEC 31, 2022 \$	DEC 31, 2021 \$	Var. \$	Var. %	Explanation of variation
Current contract liabilities	11.1	14.8	(3.7)	(25.0)	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 fourth quarter of 2022.
Current income tax liabilities	5.1	10.4	(5.3)	(51.2)	The decrease was due to higher 2022 tax installments made when compared with current income tax expense payable.
Current portion of lease liabilities	18.7	15.8	2.9	18.3	The increase stemmed mainly from the addition of \$49.0 million and the remeasurement of lease liabilities denominated in foreign currency in the amount of \$8.6 million, partly offset by the repayment of lease liabilities in the amount of \$15.7 million and the derecognition of leases of \$6.3 million.
Non-current lease liabilities	157.5	125.2	32.3	25.7	
Non-current liabilities	25.6	40.7	(15.1)	(37.2)	The decrease resulted mainly from the reclassification to short-term of the second tranche to repurchase the non-controlling interest in FER-PAL.

n.m.: not meaningful

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

## EVENT AFTER THE REPORTING PERIOD

On March 2, 2023, the Company announced that it has entered into a definitive agreement to acquire the Canadian and U.S. marine terminal business of Fednav, including Federal Marine Terminals, Inc. and the logistics division, Fednav Direct (collectively, the "Acquisition"). The transaction is expected to close on or about March 31, 2023, for a purchase price consideration of US\$105.0 million (\$143.0 million), subject to customary adjustments.

The marine terminal business comprises 11 terminals that provides stevedoring, handling and warehousing services for bulk, containerized, project cargo, and general cargo. The logistic division offers value-added on-carriage services, inventory management, and 24/7 inland cargo transportation in Canada and the United States

The Acquisition provides a combined network that offers strategic gateways for existing and future customers, allowing LOGISTEC to gain an important foothold in the Great Lakes region and access prime locations in the U.S. Gulf and East Coast regions.

On March 8, 2023, the Company has exercised the accordion option of \$150.0 million or the U.S. dollar equivalent included in its existing revolving credit facility, which has been fully underwritten by its banking syndicate.

# 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, excludes the Company's impairment charge and includes the customer repayment of an investment in a service contract. The definition of adjusted EBITDA used by the Company may differ from those used by other companies. Even though adjusted EBITDA is a non-IFRS measure, it is used by managers, analysts, investors, and other financial stakeholders to analyze and assess the Company's performance and management from a financial and operational standpoint.

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

*(in thousands of dollars)*

	2022 \$	2021 \$	2020 \$	2019 \$	2018 <sup>(1)</sup> \$
Profit for the year	54,002	45,624	32,788	26,437	17,994
PLUS:					
Depreciation and amortization expense	56,196	49,100	45,390	42,122	28,580
Impairment charge	—	—	—	—	6,821
Net finance expense	14,816	10,562	11,818	12,353	7,474
Income taxes	10,804	10,471	10,662	8,699	3,308
Configuration and customization costs in a cloud computing arrangement	6,276	5,064	—	—	—
Adjusted EBITDA	142,094	120,821	100,658	89,611	64,177

	2017 <sup>(1)</sup> \$	2016 <sup>(1)</sup> \$	2015 <sup>(1)</sup> \$	2014 <sup>(1)</sup> \$	2013 <sup>(1)</sup> \$	2012 <sup>(1)</sup> \$
Profit for the year	27,356	18,486	32,873	34,517	30,827	18,285
PLUS:						
Depreciation and amortization expense	33,859	14,288	12,328	10,246	9,413	7,819
Impairment charge	2,917	—	—	—	—	—
Net finance expense	3,533	1,700	623	225	166	347
Income taxes	6,211	7,268	10,288	9,870	9,948	5,925
Customer repayment of an investment in a service contract	865	292	209	231	6,510	4,958
Adjusted EBITDA	74,741	42,034	56,321	55,089	56,864	37,334

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

# 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's exposure to credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, and non-current financial assets. Management believes the credit risk is limited for its cash and cash equivalents, as the Company deals with major North American financial institutions.

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 2,500 customers. In 2022, the 20 largest customers accounted for 41.0% (45.0% in 2021) of consolidated revenue, and not a single customer accounted for more than 10% of consolidated revenue and trade receivables in 2022 and 2021.

Allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Trade and other receivables are written off once determined not to be collectable.

Pursuant to their respective terms, net trade receivables are aged as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
<i>(in thousands of dollars)</i>		
0-30 days	82,243	73,798
31-60 days	41,879	40,457
61-90 days	14,327	11,181
Over 90 days <sup>(1)</sup>	32,716	30,546
Allowance for doubtful accounts	(3,361)	(3,584)
	167,804	152,398

<sup>(1)</sup> Includes contract holdbacks amounting to \$10,406 (\$10,893 in 2021).

The movements in the allowance for doubtful accounts were as follows:

	2022 \$	2021 \$
<i>(in thousands of dollars)</i>		
Balance, beginning of year	3,584	3,359
Bad debt expense	339	1,473
Write offs	(562)	(1,248)
Balance, end of year	3,361	3,584

The Company's maximum exposure to credit risk with respect to each of its financial assets (cash and cash equivalents, trade and other receivables, and non-current financial assets) corresponds to its carrying amount.



## LIQUIDITY RISK

Liquidity risk is the Company's exposure to the risk of not being able to meet its financial obligations when they become due. The Company monitors its levels of cash and debt and takes appropriate actions to ensure it has sufficient cash to meet operational needs while ensuring compliance with covenants.

The following are the contractual maturities of financial obligations:

<b>As at December 31, 2022</b> <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows <sup>(1)</sup> \$	Less than 1 year \$	1 - 3 years \$	More than 3 Years \$
Trade and other payables	128,019	128,019	128,019	–	–
Dividends payable	1,574	1,574	1,574	–	–
Lease liabilities	176,162	220,334	23,743	60,154	136,437
Long-term debt	235,035	243,544	14,050	210,996	18,498
Non-current liabilities <sup>(2)</sup>	19,864	20,992	–	20,992	–
	<b>560,654</b>	<b>614,463</b>	<b>167,386</b>	<b>292,142</b>	<b>154,935</b>

<b>As at December 31, 2021</b> <i>(in thousands of dollars)</i>	Carrying amount \$	Contractual cash flows <sup>(1)</sup> \$	Less than 1 year \$	1 - 3 years \$	More than 3 Years \$
Short-term bank loans	8,600	8,600	8,600	–	–
Trade and other payables	127,044	127,044	127,044	–	–
Dividends payable	1,338	1,338	1,338	–	–
Lease liabilities	141,024	206,713	20,064	47,082	139,567
Long-term debt	195,354	203,925	8,574	40,142	155,209
Non-current liabilities <sup>(2)</sup>	36,471	38,832	–	38,832	–
	<b>509,831</b>	<b>586,452</b>	<b>165,620</b>	<b>126,056</b>	<b>294,776</b>

<sup>(1)</sup> Includes principal and interest.

<sup>(2)</sup> Includes only long-term liabilities due to non-controlling interests.

Given the actual liquidity level combined with future cash flows that will be generated by operations, the Company believes that its liquidity risk is low to moderate.

## MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's results or the value of its financial instruments. The Company is mainly exposed to interest rate risk and foreign exchange risk.

## INTEREST RATE RISK

The Company is exposed to market risk related to interest rate fluctuations because a portion of its long-term debt bears interest at floating rates. The Company manages this risk by maintaining a mix of fixed and floating rate borrowings in accordance with the Company's policies. In addition, the Company holds interest rate swap contracts with the Company's main banks for an amount of \$40.0 million. The interest rate swap contracts are designated as a cash flow hedge to swap the floating rate of its debts to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations. The floating interest rates on the interest rate swap are CDOR and the weighted average fixed interest rate is 1.51%. The interest rate swap contracts settle on a monthly basis and will mature in June 2023 and September 2027, respectively. The Company continues to monitor opportunities to reduce interest rate risk.

**SENSITIVITY ANALYSIS**

As at December 31, 2022, the floating rate portion of the Company's long-term debt was 63.2% (66.4% in 2021). All else being equal, a hypothetical variation of +1.0% in the prime interest rate on the floating rate portion of the Company's long-term debt held as at December 31, 2022 would have had a negative impact of \$1.5 million (\$1.3 million in 2021) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have had the opposite impact on profit for the year.

**FOREIGN EXCHANGE RISK**

The Company provides services invoiced in U.S. dollars and purchases equipment denominated in U.S. dollars. In addition, a portion of the Company's long-term debt is denominated in U.S. dollars. Consequently, it is exposed to risks arising from foreign currency rate fluctuations. The Company considers the remaining risk to be limited and, therefore, does not use derivative financial instruments to reduce its exposure.

The Company designates a portion of its term loans and credit facilities denominated in U.S. dollars as hedging instruments for its net investment in foreign operations, thereby enabling it to limit its foreign currency risk. Refer to Note 23 of the 2022 Notes for further details.

During 2022, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have had a positive impact of \$0.2 million (\$0.3 million in 2021) on profit for the year and a positive impact of \$13.2 million (\$12.7 million in 2021) on total comprehensive income. A hypothetical weakening of 5.0% of the U.S. dollar against the Canadian dollar would have had the opposite impact on profit for the year and total comprehensive income.

As at December 31, 2022, a total of \$9.2 million or US\$6.8 million (\$14.6 million or US\$11.6 million in 2021) of cash and cash equivalents and trade and other receivables was denominated in foreign currencies. As at December 31, 2022, a total of \$1.3 million or US\$1.0 million (\$5.2 million or US\$4.1 million in 2021) of trade and other payables was denominated in foreign currencies.

**FAIR VALUE OF FINANCIAL INSTRUMENTS**

As at December 31, 2022, and 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 December 31, 2022 and 2021, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was \$3.7 million higher than its carrying value as at December 31, 2022 (\$0.3 million higher in 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.

Please refer to Note 2 of the 2022 Notes for further information related to the Company's fair value hierarchy.

# BUSINESS RISKS

The business risks to which we are exposed have been fairly consistent over the last few years. The following is a summary of these major risks:

**MARKET RISK** – The Company handles a wide variety of commodities and, although our geographical and product diversification strategy should protect us from significant impacts, major fluctuations in specific commodities or in specific regions may affect our performance. The current situation between Russia and Ukraine and the related sanctions being brought forward by various countries may influence the flow of industrial commodities. It is very difficult to predict what will be the outcome on volumes handled as some cargoes could be negatively affected, while alternative cargoes could be favoured.

**PORT TERMINAL RELATED RISKS** – Access to strategic terminals is critical to a successful cargo handling operation. Our facilities are generally leased on a long-term basis. Such leases give us operating rights in exchange for rent that is, to a large extent, fixed for the Company. Consequently, we would quickly feel the financial impact of a major decline in cargo volumes.

**GOVERNMENT POLICIES** – Government investment in port infrastructure, legislation, tariffs or taxation powers can have a direct impact on profitability.

**CURRENCY FLUCTUATIONS** – Fluctuations in the Canadian/U.S. dollar conversion rate may affect Canadian companies. This situation, although it may affect our customers, does not affect us directly. Indeed, we usually provide services locally and are paid in the same currency in which we incur costs. Hence, fluctuations in the U.S. dollar do not usually have a significant impact on our results, as our U.S. subsidiaries are financially self-sustaining. As discussed in the previous section entitled financial risk management, the Company is mainly exposed to fluctuations in the U.S. dollar versus the Canadian dollar, particularly for its consolidated statements of financial position items held in U.S. dollars. However, the Company considers this risk to be relatively limited.

**PERSONNEL AND LABOUR RELATED RISKS** – Some of our facilities are located near small urban centres where it can be difficult to find qualified labour. In addition, the industry in our marine services segment is strongly unionized and there is always a risk of labour disturbance when negotiating collective agreements.

**OTHER EXTERNAL FACTORS** – Our marine services segment may be influenced by factors touching global trade and the movement of goods such as: extreme weather conditions, political instability, or pandemic outbreaks. Such factors could impact supply and demand of goods, affect the availability of labour, reduce volumes, and change or create new customer trends, which could impact our performance.



## RELATED PARTY TRANSACTIONS

In addition to compensation to key management personnel and dividends to shareholders that occur in the normal course of business and which are quantified in Note 29 of the 2022 Notes, services rendered to or by related parties are essentially professional services, rent, management fees, and operational costs charged to or by joint ventures. These transactions are also in the normal course of business, and their consideration is established and agreed to by the related parties. Included in the amounts owed from joint ventures is Nanuk's share of the post-employment benefit obligation of one of the Company's sponsored retirement plans.

## SIGNIFICANT JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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 that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant.

Actual results may differ from those estimates. The measurement of some assets and liabilities in the preparation of the financial statements includes assumptions made by management that are described in Note 3 of the 2022 Notes. Further details on judgments, estimates and assumptions can be found in the 2022 Notes, particularly regarding trade receivables (Notes 12 and 14), equity accounted investments (Note 16), lease arrangements (Note 18), goodwill (Note 19), finite-life intangible assets (Note 20), impairment of long-lived assets including goodwill (Note 19), deferred income taxes (Note 10), post-employment benefits (Note 24), and non-current liabilities (Note 25). The Company's significant accounting policies are applied consistently to all its reportable industry segments (Note 30).

## TRACKING PERFORMANCE

In addition to a sophisticated accounting system that enables us to rigorously analyze the performance of each of our facilities and business units, we use a costing system that allows us to monitor our operations. We have developed a multitude of automated reporting and tracking tools that provide our managers with accurate and timely information, helping to optimize our operations.

Our senior management team meets once a month to discuss results, forecasts, and development projects. This practice enables management to accurately assess results and development, and to allocate necessary resources as required in a timely manner.

In addition to these monthly meetings, senior management provides our Board of Directors and our Audit Committee with quarterly performance reports. The Audit Committee's members question management and hold regular in camera discussions with the independent auditor to ensure that publicly disclosed financial reports are accurate.

Finally, before any financial or regulatory information is issued to the public, it is reviewed by a Disclosure Committee composed of members of the Company's senior management, the President and Chief Executive Officer, the Chairman of the Board, and the Chairman of the Audit Committee.

# INTERNAL CONTROLS OVER FINANCIAL REPORTING

LOGISTEC has implemented high standards of corporate governance. LOGISTEC has in place corporate governance practices that are consistent with the requirements of National Policy 58-201 "Corporate Governance Guidelines" and National Instrument 58-101 "Disclosure of Corporate Governance Practices". Of LOGISTEC's nine directors, six are independent, five are women, and the roles of Chairman and Chief Executive Officer are separate. The Governance and Human Resources Committee and the Audit Committee consist exclusively of independent directors. The Audit Committee, which is involved in the review of interim and annual reports and financial statements prior to their submission to the Board of Directors for approval, meets separately with the Company's independent auditor. The Board of Directors recommends the appointment of the independent auditor to shareholders after the Audit Committee has made a proper assessment.

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 MD&A, the annual financial statements, the annual information form, and the information circular, which includes a compensation disclosure and analysis (the "Annual Filings"). Based on their knowledge, the Annual 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 Annual Filings. Based on their knowledge, the annual financial statements, together with the other financial information included in the Annual 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 Annual Filings.

Under the supervision of the Certification Steering Committee, the effectiveness of DC&P was evaluated. Based upon this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the DC&P were effective as at the end of the fiscal period ended December 31, 2022, and that the design of these 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 Annual Filings, and that information required to be disclosed in its Annual 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 2022 that has materially affected, or is reasonably likely to materially affect, the Company's ICFR. Under the supervision of the Certification Steering Committee, the effectiveness of ICFR was evaluated. Based upon this evaluation, the President and Chief Executive Officer and the Chief Financial Officer concluded that the ICFR are adequate and effective to provide such assurance as at December 31, 2022.

*(signed) Carl Delisle*  
Carl Delisle, CPA auditor  
Chief Financial Officer and Treasurer

March 22, 2023

An aerial photograph of a large, forested island in the middle of a deep blue lake. The island is covered in dense green trees. To the right, a narrow strip of land connects the island to the shore. In the foreground, the edge of a forested shoreline is visible, with a small white boat on the water nearby.

# **CONSOLIDATED FINANCIAL STATEMENTS**





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# INDEPENDENT AUDITORS' REPORT

To the Shareholders of LOGISTEC Corporation

## OPINION

We have audited the consolidated financial statements of Logistec Corporation (the "Entity"), which comprise:

- the consolidated statements of financial position as at December 31, 2022, and 2021
- the consolidated statements of earnings for the years then ended
- the consolidated statements of comprehensive income for the years then ended
- the consolidated statements of changes in equity for the years then ended
- the consolidated statements of cash flows for the years then ended
- and notes to the consolidated financial statements, including a summary of significant accounting policies

(Hereinafter referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated financial position of the Entity as at December 31, 2022, and 2021, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

## BASIS FOR OPINION

We conducted our audit in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the "Auditors' Responsibilities for the Audit of the Financial Statements" section of our auditors' report.

We are independent of the Entity in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for the year ended December 31, 2022. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matter described below to be the key audit matter to be communicated in our auditors' report.

## EVALUATION OF THE GOODWILL IMPAIRMENT ASSESSMENT

### *Description of the matter*

We draw attention to Notes 2, 3 and 19 to the financial statements. The goodwill balance as of December 31, 2022, is \$187,430. Cash generated units ("CGUs") to which goodwill has been allocated are tested for impairment annually by the Entity, except when certain criteria are met, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than its the carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU prorated on the basis of the carrying amount of each asset in the CGU.

The recoverable amount of a CGU is the higher of fair value less cost of disposal and value in use. The Entity's key assumptions used in establishing the recoverable amount of the CGUs, which is calculated by discounting five-year cash flow projections, are as follows:

- Budgeted cash flow projections covering a one-year period
- Forecasted cash flow projections growth rate beyond that one-year period
- Discount rate.

*Why the matter is a key audit matter*

We identified the evaluation of the goodwill impairment assessment as a key audit matter. This matter represented an area of significant risk of material misstatement given the magnitude of the goodwill and the high degree of estimation uncertainty in determining the recoverable amount.

*How the matter was addressed in the audit*

The following are the primary procedures we performed to address this key audit matter:

- We evaluated the appropriateness of the Entity's one-year period budgeted cash flow projections assumption used in establishing the recoverable amount of the CGUs by comparing it to the Entity's actual historical cash flows. We took into account changes in conditions and events affecting the Entity to assess the adjustments or lack of adjustments made by the Entity in arriving at the one-year period budgeted cash flow projections assumption.
- We compared the Entity's historical forecasts to actual results to assess the Entity's ability to accurately predict the forecasted cash flow projections growth rate assumption beyond the one-year period.
- We involved valuation professionals with specialized skills and knowledge, who assisted in:
  - Evaluating the appropriateness of the Entity's discount rate assumption used in establishing the recoverable amount, by comparing inputs into the discount rate to publicly available data for comparable entities;
  - Evaluating the appropriateness of the discounted cash flow model used by the Entity to calculate the recoverable amount of the CGUs based on the knowledge of the valuation professionals;
  - Assessing the reasonableness of the Entity's estimate of the recoverable amount of the CGUs by comparing the Entity's estimated earnings before interest, tax, depreciation, and amortization ("EBITDA") multiple to publicly available EBITDA multiples for comparable entities.

## OTHER INFORMATION

Management is responsible for the other information. Other information comprises:

- the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions;
- the information, other than the financial statements and the auditors' report thereon, included in the "2022 Annual Report".

Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We obtained the information included in Management's Discussion and Analysis filed with the relevant Canadian Securities Commissions and the information, other than the financial statements and the auditors' report thereon, included in the 2022 Annual Report as at the date of this auditors' report. If, based on the work we have performed on this other information, we conclude that there is a material misstatement of this other information, we are required to report that fact in the auditors' report.

We have nothing to report in this regard.



## **RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Entity's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Entity's financial reporting process.

## **AUDITORS' RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

- Provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group Entity to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

The engagement partner on the audit resulting in this auditors' report is Yvon Dupuis.

Montréal, Canada

March 22, 2023




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\*CPA auditor, public accountancy permit No. A114306

# CONSOLIDATED STATEMENTS OF EARNINGS

years ended December 31

(in thousands of dollars, except per share amounts)

	Notes	2022 \$	2021 \$
Revenue	5	897,565	743,703
Employee benefits expense	6	(429,458)	(363,331)
Equipment and supplies expense		(247,002)	(187,225)
Operating expense		(61,555)	(50,095)
Other expenses		(38,753)	(33,327)
Depreciation and amortization expense	17, 18, 20	(56,196)	(49,100)
Share of profit of equity accounted investments	16	18,760	10,084
Other losses	8	(3,739)	(4,052)
Operating profit		79,622	66,657
Finance expense	9	(15,429)	(11,103)
Finance income		613	541
Profit before income taxes		64,806	56,095
Income taxes	10	(10,804)	(10,471)
<b>Profit for the year</b>		<b>54,002</b>	<b>45,624</b>
Profit attributable to:			
<b>Owners of the Company</b>		<b>53,543</b>	<b>45,364</b>
Non-controlling interest		459	260
<b>Profit for the year</b>		<b>54,002</b>	<b>45,624</b>
Basic earnings per Class A Common Share <sup>(1)</sup>	11	3.98	3.34
Basic earnings per Class B Subordinate Voting Share <sup>(2)</sup>	11	4.38	3.68
Diluted earnings per Class A share	11	3.95	3.31
Diluted earnings per Class B share	11	4.34	3.64

<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 consolidated financial statements.



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

years ended December 31  
(in thousands of dollars)

	Notes	2022 \$	2021 \$
<b>Profit for the year</b>		<b>54,002</b>	<b>45,624</b>
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>12,477</b>	848
Unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations	23	<b>(4,260)</b>	521
Income taxes relating to unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations		<b>430</b>	(121)
Gain (loss) on derivatives designated as cash flow hedges		<b>2,101</b>	(235)
Income taxes relating to derivatives designated as cash flow hedges		<b>(431)</b>	62
Total items that are or may be reclassified to the consolidated statements of earnings		<b>10,317</b>	1,075
Items that will not be reclassified to the consolidated statements of earnings			
Remeasurement gains on benefit obligations	24	<b>8,733</b>	5,178
Return on retirement plan assets	24	<b>(3,452)</b>	1,034
Income taxes on remeasurement gains on benefit obligations and return on retirement plan assets	10	<b>(1,420)</b>	(1,646)
Total items that will not be reclassified to the consolidated statements of earnings		<b>3,861</b>	4,566
Share of other comprehensive income of equity accounted investments, net of income taxes			
Items that are or may be reclassified to the consolidated statements of earnings		<b>312</b>	318
Items that will not be reclassified to the consolidated statements of earnings		<b>(83)</b>	(84)
Total share of other comprehensive income of equity accounted investments, net of income taxes		<b>229</b>	234
Other comprehensive income for the year, net of income taxes		<b>14,407</b>	5,875
<b>Total comprehensive income for the year</b>		<b>68,409</b>	<b>51,499</b>
Total comprehensive income attributable to:			
Owners of the Company		<b>67,853</b>	51,240
Non-controlling interest		<b>556</b>	259
<b>Total comprehensive income for the year</b>		<b>68,409</b>	<b>51,499</b>

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(in thousands of Canadian dollars)

	Notes	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Assets</b>			
Current assets			
Cash and cash equivalents		36,043	37,530
Trade and other receivables	14	198,247	183,322
Contract assets		14,912	7,517
Current income tax assets	10	11,245	7,597
Inventories	15	20,000	16,830
Prepaid expenses and other		8,756	10,437
		289,203	263,233
Equity accounted investments	16	46,140	46,311
Property, plant and equipment	17	234,602	207,321
Right-of-use assets	18	167,274	135,049
Goodwill	4, 19	187,430	182,706
Intangible assets	20	36,807	41,043
Non-current assets		2,030	2,448
Post-employment benefit assets	24	1,264	—
Non-current financial assets	21	6,114	5,902
Deferred income tax assets	10	12,808	14,958
<b>Total assets</b>		<b>983,672</b>	<b>898,971</b>
<b>Liabilities</b>			
Current liabilities			
Short-term bank loans		—	8,600
Trade and other payables	22	128,019	127,044
Contract liabilities		11,107	14,801
Current income tax liabilities	10	5,095	10,442
Dividends payable	26	1,574	1,338
Current portion of lease liabilities	18	18,662	15,775
Current portion of long-term debt	23	10,925	3,427
		175,382	181,427
Lease liabilities	18	157,500	125,249
Long-term debt	23	224,110	191,927
Deferred income tax liabilities	10	24,604	25,684
Post-employment benefit obligations	24	13,690	16,212
Contract liabilities		1,733	2,133
Non-current liabilities	25	25,562	40,730
<b>Total liabilities</b>		<b>622,581</b>	<b>583,362</b>
<b>Equity</b>			
Share capital	26	49,443	50,889
Retained earnings		290,773	254,621
Accumulated other comprehensive income	27	19,271	9,051
Equity attributable to owners of the Company		359,487	314,561
Non-controlling interest		1,604	1,048
<b>Total equity</b>		<b>361,091</b>	<b>315,609</b>
<b>Total liabilities and equity</b>		<b>983,672</b>	<b>898,971</b>
Commitments, contingent liabilities and guarantees	31		

See accompanying notes to the consolidated financial statements.

On behalf of the Board

(signed) J. Mark Rodger  
J. Mark Rodger  
Chairman of the Board

(signed) Madeleine Paquin  
Madeleine Paquin, C.M.  
Director

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(in thousands of Canadian dollars)

	Notes	Attributable to owners of the Company					
		Share capital issued	Retained earnings	Accumulated other comprehensive income (Note 27)	Total	Non-controlling interest	Total equity
		\$	\$	\$	\$	\$	\$
<b>Balance as at January 1, 2022</b>		<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 year		–	53,543	–	53,543	459	54,002
Other comprehensive income (loss)							
Currency translation differences arising on translation of foreign operations		–	–	12,380	12,380	97	12,477
Unrealized loss on translating debt designated as hedging item of the net investment in foreign operations, net of income taxes		–	–	(3,830)	(3,830)	–	(3,830)
Remeasurement gains on benefit obligation and return on retirement plan assets, net of income taxes	24	–	3,861	–	3,861	–	3,861
Share of other comprehensive income of equity accounted investments, net of income taxes	16	–	229	–	229	–	229
Cash flow hedges, net of income taxes		–	–	1,670	1,670	–	1,670
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>57,633</b>	<b>10,220</b>	<b>67,853</b>	<b>556</b>	<b>68,409</b>
Net remeasurement of written put option liability	25	–	(7,872)	–	(7,872)	–	(7,872)
Issuance of Class B shares	26	683	–	–	683	–	683
Repurchase of Class B shares	26	(2,129)	(8,101)	–	(10,230)	–	(10,230)
Class B shares to be issued under the Executive Stock Option Plan	26	–	683	–	683	–	683
Other dividend		–	(394)	–	(394)	–	(394)
Dividends on Class A shares	26	–	(3,183)	–	(3,183)	–	(3,183)
Dividends on Class B shares	26	–	(2,614)	–	(2,614)	–	(2,614)
<b>Balance as at December 31, 2022</b>		<b>49,443</b>	<b>290,773</b>	<b>19,271</b>	<b>359,487</b>	<b>1,604</b>	<b>361,091</b>

See accompanying notes to the consolidated financial statements.



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Notes	Attributable to owners of the Company						
		Share capital issued	Share capital to be issued	Retained earnings	Accumulated other comprehensive income (Note 27)	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		–	–	45,364	–	45,364	260	45,624
Other comprehensive income (loss)								
Currency translation differences arising on translation of foreign operations		–	–	–	849	849	(1)	848
Unrealized gain on translating debt designated as hedging item of the net investment in foreign operations, net of income taxes		–	–	–	400	400	–	400
Remeasurement gains on benefit obligation and return on retirement plan assets, net of income taxes	24	–	–	4,566	–	4,566	–	4,566
Share of other comprehensive income of equity accounted investments, net of income taxes	16	–	–	202	32	234	–	234
Cash flow hedges, net of income taxes		–	–	–	(173)	(173)	–	(173)
<b>Total comprehensive income for the year</b>		<b>–</b>	<b>–</b>	<b>50,132</b>	<b>1,108</b>	<b>51,240</b>	<b>259</b>	<b>51,499</b>
Remeasurement of written put option liability	25	–	–	(32,403)	–	(32,403)	–	(32,403)
Issuance of Class B shares	26	515	–	–	–	515	–	515
Repurchase of Class B shares	26	(107)	–	(444)	–	(551)	–	(551)
Issuance of Class B share capital to a subsidiary shareholder	26	4,906	(4,906)	–	–	–	–	–
Class B shares to be issued under the Executive Stock Option Plan	26	–	–	364	–	364	–	364
Other dividend		–	–	(170)	–	(170)	–	(170)
Dividends on Class A shares	26	–	–	(2,828)	–	(2,828)	–	(2,828)
Dividends on Class B shares	26	–	–	(2,388)	–	(2,388)	–	(2,388)
<b>Balance as at December 31, 2021</b>		<b>50,889</b>	<b>–</b>	<b>254,621</b>	<b>9,051</b>	<b>314,561</b>	<b>1,048</b>	<b>315,609</b>

See accompanying notes to the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

years ended December 31

(in thousands of Canadian dollars)

	Notes	2022 \$	2021 \$
<b>Operating activities</b>			
Profit for the year		54,002	45,624
Items not affecting cash and cash equivalents	28	68,040	64,265
Cash generated from operations		122,042	109,889
Dividends received from equity accounted investments	16	19,160	8,859
Contributions to defined benefit retirement plans	24	(675)	(1,022)
Settlement of provisions	25	(396)	(865)
Changes in non-cash working capital items	28	(20,900)	(27,556)
Income taxes paid		(20,553)	(9,719)
		98,678	79,586
<b>Financing activities</b>			
Net change in short-term bank loans		(8,565)	8,600
Issuance of long-term debt, net of transaction costs	23, 28	139,661	91,681
Repayment of long-term debt	23, 28	(108,130)	(63,601)
Repayment of other non-current liabilities		–	(2,635)
Repayment of lease liabilities		(15,685)	(13,384)
Repayment of due to a non-controlling interest	25	(19,086)	–
Interest paid		(15,043)	(11,508)
Issuance of Class B shares	26	221	130
Repurchase of Class B shares	26	(10,230)	(551)
Dividends paid on Class A shares	26	(3,040)	(2,794)
Dividends paid on Class B shares	26	(2,521)	(2,343)
		(42,418)	3,595
<b>Investing activities</b>			
Dividends paid to a non-controlling interest	25	(10,060)	(170)
Acquisition of property, plant and equipment	17	(52,146)	(44,306)
Acquisition of intangible assets	20	(347)	(117)
Proceeds from disposal of property, plant and equipment	17	2,434	699
Business combinations, net of cash acquired	4	(3,338)	(50,390)
Interest received		375	576
Acquisition of other non-current assets		(1,274)	(632)
Proceeds from disposal of other non-current assets		410	84
Cash received on other non-current financial assets		2,579	1,398
		(61,367)	(92,858)
Net change in cash and cash equivalents		(5,107)	(9,677)
Cash and cash equivalents, beginning of year		37,530	46,778
Effect of exchange rate on balances held in foreign currencies of foreign operations		3,620	429
Cash and cash equivalents, end of year		36,043	37,530
Non-cash transactions and supplemental information	28		

See accompanying notes to the consolidated 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.

These audited consolidated financial statements were approved by the Company’s Board of Directors on March 22, 2022.

# 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies used in the preparation of these consolidated financial statements are set out below.

## STATEMENT OF COMPLIANCE

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board.

## ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET APPLIED

### CLASSIFICATION OF LIABILITIES AS CURRENT OR NON-CURRENT (“AMENDMENTS TO IAS 1”)

On January 23, 2020, the IASB issued amendments to IAS 1, *Presentation of Financial Statements*, to clarify the classification of liabilities as current or non-current (the “2020 amendments”). On October 31, 2022, the IASB issued *Non-current Liabilities with Covenants* (“Amendments to IAS 1”) (“the 2022 amendments”), to improve the information a company provides about long-term debt with covenants. The 2020 amendments and the 2022 amendments (collectively, “the Amendments”) are effective for annual periods beginning on or after January 1, 2024.

For the purposes of non-current classification, the amendments removed the requirement for a right to defer settlement or roll over of a liability for at least twelve months to be unconditional. Instead, such a right must have substance and exist at the end of the reporting period. The Amendments reconfirmed that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which a company must comply after the reporting date do not affect a liability’s classification at that date.

It is not expected that this amendment will have a significant impact on the Company’s financial statements.

## PREPARATION

The consolidated financial statements have been prepared on a historical cost basis, with the exception of certain financial instruments that are measured at fair value, including derivative financial instruments, post-employment benefit assets, post-employment benefit obligations, and provisions for asset retirement obligations. Historical cost is generally based on the fair value of the consideration given in exchange for services. Fair value is defined as the price that would be received for the sale of an asset or paid for the transfer of a liability in a normal transaction between market participants on the valuation date.

## BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the Company and its subsidiaries.

## SUBSIDIARIES

Subsidiaries are all entities controlled by the Company. Control is achieved where the Company has power over the investee, exposure or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of these returns. The subsidiaries continue to be consolidated until the date that such control ceases.

Revenue and expenses of subsidiaries acquired or disposed of during the year are included in the consolidated statements of earnings and of comprehensive income from the effective date of acquisition of control and up to the effective date of loss of control, as appropriate. Total comprehensive income of subsidiaries is attributed to owners of the Company and to non-controlling interests.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by the Company.

All intra-group transactions, balances, revenue, expenses, and cash flows are eliminated on consolidation until they are realized with a third party. Exchange differences on monetary items are recognized in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation) and which are recognized initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The following subsidiaries are wholly owned by the Company:

American Process Equipment Ltd., American Process Group LLC, American Process Group (Canada) Ltd., BalTerm, LLC, CASTALOOP Inc., CASTALOOP USA Inc., CrossGlobe Transport, Ltd., GSM Intermediate Holdings, Inc., GSM Maritime Holdings, LLC, Gulf Stream Marine, Inc., Les Terminaux Rideau Bulk Terminals Inc., LOGISTEC Environmental Services Inc., LOGISTEC Gulf Coast LLC ("LGC"), LOGISTEC Marine Agencies Inc., LOGISTEC Marine Services Inc., LOGISTEC Stevedoring Inc., LOGISTEC Stevedoring (New Brunswick) Inc., LOGISTEC Stevedoring (Nova Scotia) Inc., LOGISTEC Stevedoring (Ontario) Inc., LOGISTEC Stevedoring U.S.A. Inc., LOGISTEC USA Inc., MtlLINK Multimodal Solutions Inc., NIEDNER Inc., Pate Stevedore Company, Inc., Ramsey Greig & Co. Ltd., SANEXEN Environmental Services Inc., SANEXEN Water, LLC, SETL Real Estate Management Inc., Sorel Maritime Agencies Inc., and Tartan Terminals, Inc.

The Company also holds a 67.33% investment in FER-PAL Construction Ltd. ("FER-PAL") (51.03% in 2021) and a 60.00% investment in LOGISTEC Everglades LLC. Refer to Note 25 for further details.



## **BUSINESS COMBINATIONS**

The Company uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of assets transferred, liabilities incurred and equity interests issued by the Company. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are initially measured at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Company recognizes any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share in the recognized amounts of the acquiree's net assets.

Changes in the parent company's ownership interest in subsidiaries that do not result in a loss of control are accounted for as equity transactions.

## **NON-CONTROLLING INTERESTS**

Non-controlling interests represent equity interests in subsidiaries owned by outside parties. The share of net assets of subsidiaries attributable to non-controlling interests is presented as a component of equity.

## **EQUITY ACCOUNTED INVESTMENTS**

Equity accounted investments consist of investments in joint ventures and associates of the Company.

### JOINT VENTURES

A joint venture is a contractual arrangement whereby the Company and other parties undertake to have joint control over an arrangement, which exists only when decisions about the activities that significantly affect the returns of the arrangement require the unanimous consent of the parties sharing control. It involves the establishment of a corporation or a partnership and the parties having joint control have rights to the net assets of the arrangement.

### ASSOCIATES

An associate is an entity over which the Company has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The profit or loss, assets and liabilities of equity accounted investments are incorporated in these consolidated financial statements using the equity method of accounting. Under the equity method, an investment in a joint venture or associate is initially recognized in the consolidated statements of financial position at cost, and adjusted thereafter to recognize the Company's share of profit or loss and of other comprehensive income or loss of the joint venture or associate. When the Company's share of loss of a joint venture or associate exceeds the Company's interest in that joint venture or associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the joint venture or associate), the Company discontinues recognizing its share of further losses unless the Company has incurred legal or constructive obligations or made payments on behalf of the joint venture or associate.

Any excess of the acquisition cost over the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of a joint venture or associate recognized at the acquisition date is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Company's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the acquisition cost, after reassessment, is recognized immediately in the consolidated statements of earnings.

When the Company transacts with its joint venture or associate, profit or loss resulting from transactions with the joint venture or associate is recognized in the Company's consolidated financial statements only to the extent of interests in the joint venture or associate that are not related to the Company.

## REVENUE RECOGNITION

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a service or product to a customer. Determining the timing of the transfer of control ("at a point in time" or "over time") requires judgment. The Company recognizes revenue from the following major sources:

### MARINE SERVICES

The Company earns revenue from stevedoring, cargo loading and unloading, container stuffing and destuffing, ship dockage, road transportation, storage and tailgating (truck loading and discharging). Revenue from these services is recognized over time, as the services are performed during the period between the arrival and departure of the cargo to or from the terminal.

Fees for storage are recognized over time for material stored by customers under short-term arrangements at the Company's facilities based on a time-proportion basis.

For arrangements that involve multiple performance obligations, the total consideration in the contract is allocated to the separate performance obligations based on their stand-alone selling prices, and revenue is recognized when, or as, performance obligations in the contract are satisfied. The stand-alone selling price is determined based on the list prices at which the Company sells the services in separate transactions.

### ENVIRONMENTAL SERVICES

The Company earns revenue in the environmental services segment, where it provides services to industrial, municipal and other governmental customers for the renewal of underground water mains, dredging, dewatering, contaminated soils and materials management, site remediation, and risk assessment.

Contracts with customers for these services generally comprise multiple performance obligations. There is significant integration of services performed by the Company and, as such, they are considered to represent a single distinct performance obligation. Revenue from these services is recognized over time based on the stage of completion of work, which is determined on the basis of costs incurred.

Under the cost method, the stage of completion at any given time is measured by dividing the cumulative costs incurred at the period end date by the sum of incurred costs and anticipated costs for completing a contract. The cumulative effect of changes to anticipated costs and revenue for completing a contract are recognized in the period in which the revisions are identified. In the event that the total anticipated costs exceed the total anticipated revenue on a contract, such loss is recognized in its entirety in the period in which it becomes known. Estimates are required to determine the appropriate anticipated costs and revenue.

### ENVIRONMENTAL GOODS

Revenue from the manufacturing of fluid transportation products is recognized at a point in time when control of the asset is transferred to the customer, generally when a customer takes possession of the goods. In contracts under which the Company provides custom products or services and for which it has an enforceable right to payment for performance completed, the criteria for revenue recognition over time are met and, consequently, revenue is recognized under that method.

## FOREIGN CURRENCIES

### FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of each of the Company's foreign operations are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's functional and presentation currency is the Canadian dollar.

The financial statements of foreign operations that have a functional currency different from that of the Company's presentation currency are translated into Canadian dollars. Assets and liabilities are translated at the rates in effect at the end of the reporting period; revenue and expense items are translated at the rates in effect on transaction dates. Gains or losses arising from translation are recorded in equity under accumulated other comprehensive income – Currency translation differences arising on translation of foreign operations.

## TRANSACTIONS AND BALANCES

Revenue and expense items arising from transactions in foreign currencies are converted into the functional currency at the rates in effect on transaction dates. Monetary asset and liability items on the consolidated statements of financial position are translated into the functional currency at the rates in effect at the end of the reporting period; non-monetary items are translated at the rates in effect on transaction dates. Exchange gains or losses arising from translation are recognized in the consolidated statements of earnings under other losses, except where hedge accounting is applied, as described under hedge of a net investment in foreign operations.

## INCOME TAXES

Income tax expense comprises current and deferred income taxes. The income tax expense is recognized in the consolidated statements of earnings except to the extent that it relates to items recognized directly in equity or in other comprehensive income, in which case it is recognized in equity or other comprehensive income.

### CURRENT INCOME TAXES

Current income taxes are the expected taxes payable on the taxable profit for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable with respect to previous years.

### DEFERRED INCOME TAXES

Deferred income taxes are recognized on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax basis used in the computation of taxable profit. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred income tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

#### DEFERRED INCOME TAX ASSETS

Deferred income tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. Such deferred income tax assets are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred income tax assets are recognized for the carry forward of unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax losses and unused tax credits can be utilized.

Deferred income tax assets arising from deductible temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures are only recognized to the extent that it is probable that there will be sufficient taxable profit against which the benefits of the temporary differences can be utilized and they are expected to reverse in the foreseeable future.

The carrying amount of deferred income tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

## DEFERRED INCOME TAX LIABILITIES

Deferred income tax liabilities are generally recognized for all taxable temporary differences. Such deferred income tax liabilities are not recognized if the temporary difference arises from the initial recognition of goodwill or from the initial recognition of other assets and liabilities in a transaction (other than in a business combination) that affects neither the taxable profit nor the accounting profit.

Deferred income tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

## **CASH AND CASH EQUIVALENTS**

Cash and cash equivalents consist of cash on hand and in banks, highly liquid investments with maturity dates less than three months from the acquisition date, and highly liquid investments redeemable at all times without penalty.

## **TRADE AND OTHER RECEIVABLES**

Trade receivables are amounts due from customers for the rendering of services or sale of goods in the normal course of business. Invoices are issued according to contractual terms and are usually payable upon receipt. The period between performance and payments for the performance is generally less than one year. Amounts not invoiced are presented as contract assets. Trade and other receivables are classified as current assets if payment is due within one year or less. Trade and other receivables are initially recognized at fair value and subsequently measured at amortized cost, less impairment. The Company maintains an allowance for doubtful accounts to provide for impairment of trade receivables. The expense relating to doubtful accounts is included within other expenses in the consolidated statements of earnings.

## **CONTRACT ASSETS OR CONTRACT LIABILITIES**

Contract assets primarily relate to the gross unbilled amount for a given project that is expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognized by the Company to date less progress billings. The contract assets are transferred to trade and other receivables when the rights become unconditional. This usually occurs when the Company issues an invoice to the customer. If progress billings for a given project exceed costs incurred plus recognized profit, then the difference is presented as contract liabilities.

Contract liabilities also relate to the advance consideration received from customers, for which revenue is usually recognized when the service is rendered or upon delivery of the goods. The contract liabilities are presented as either current or non-current based on the timing of when the Company expects to recognize revenue.

The Company used the practical expedient exemptions, as allowed by IFRS 15, *Revenue from Contracts with Customers*, therefore, no information is provided about the remaining performance obligations as at December 31, 2022, and 2021 that have an original expected duration of one year or less.

## **INVENTORIES**

Inventories are measured at the lower of cost and net realizable value. Cost is determined on a first-in, first-out basis. Cost of work in progress and finished goods includes raw material cost, labour cost and appropriate overhead cost. Net realizable value represents the estimated sale price for inventories less all estimated costs of completion and costs necessary to make the sale.



## PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, net of government grants, less accumulated depreciation and accumulated impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost can be measured reliably. The carrying amount of a replaced asset is derecognized when replaced. Repairs and maintenance costs are recorded in the consolidated statements of earnings during the period in which they are incurred.

Property, plant and equipment, less their residual value, are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Buildings	5 to 25 years
Machinery and automotive equipment	3 to 20 years
Computer equipment	3 to 7 years
Furniture and fixtures	3 to 10 years
Leasehold improvements	4 to 16 years

The estimated useful lives, residual values and method of depreciation are reviewed annually, with the effect of any changes in estimates accounted for on a prospective basis.

The gain or loss on disposal of property, plant and equipment is determined by comparing the sales proceeds with the carrying amount of the asset and is included in the consolidated statements of earnings.

## LEASES

At inception of a lease arrangement, the Company assesses whether a contract is or contains a lease, based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

### SHORT-TERM OR LOW-VALUE LEASES

The Company has elected not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less, and leases of low-value assets. The Company recognizes the lease payment associated with these leases as an expense on a straight-line basis over the lease term in the consolidated statements of earnings under operating expense.

### ALL OTHER LEASES

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received. The assets are depreciated using the straight-line method over the earlier of the end of their estimated useful lives or the lease term. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option.

The lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. Lease payments are apportioned between finance expense and reduction of the lease liability using the effective interest method to achieve a constant rate of interest on the remaining balance of the liability. A finance expense is charged directly to the consolidated statements of earnings.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When it is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

## GOVERNMENT GRANTS

Government grants related to the acquisition of capital expenditures are reflected as a reduction of the cost of the related assets. Accordingly, they are recognized in the consolidated statements of earnings over the life of the depreciable asset as a reduced depreciation expense. Government grants for expenses are recognized as a reduction of the related expenses. The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

## GOODWILL

Goodwill is measured as the excess of the acquisition cost over the Company's share in the fair value of all identified assets and liabilities. Goodwill is initially recognized as an asset at fair value and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Company's cash-generating units ("CGU") (or groups of CGUs) expected to benefit from the synergies of the combination, and which represent the lowest level within the Company at which goodwill is monitored for internal purposes.

CGUs to which goodwill has been allocated are tested for impairment annually, except when certain criteria are met, or more frequently when there is an indication that the CGU may be impaired. Recoverable amount of a CGU is the higher of fair value less cost of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the CGU for which the estimates of future cash flows have not been adjusted. If the recoverable amount of the CGU is less than its carrying amount, an impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to the other assets of the CGU prorated on the basis of the carrying amount of each asset in the CGU. An impairment loss recognized on goodwill is not reversed in subsequent periods.

On disposal of the relevant CGU, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

## INTANGIBLE ASSETS

Intangible assets consist primarily of lease rights and location, client relationships and computer software, other than configuration or customization costs in a cloud computing arrangement. Intangible assets have finite useful lives and are stated at cost less accumulated amortization and impairment losses.

Intangible assets are amortized using the straight-line method over their estimated useful lives. The estimated useful lives are as follows:

Client relationships	2 to 15 years
Computer software	3 to 5 years
Lease rights and location	5 to 21 years

Research expenditures are recognized as an expense as incurred. Development expenditures are recognized as an intangible asset when all the following criteria can be demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Development expenditures that do not meet these criteria are recognized as an expense as incurred. Development expenditures previously recognized as an expense are not recognized as an intangible asset in a subsequent year.

## **IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL**

At the end of each reporting date, the Company reviews the carrying amount of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount for an individual asset, the Company estimates the recoverable amount of the CGU to which the asset belongs.

If the carrying amount of an asset (or CGU) exceeds its recoverable amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is immediately recognized in the consolidated statements of earnings. Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or CGU) in prior years. A reversal of an impairment loss is recognized immediately in the consolidated statements of earnings.

## **PROVISIONS**

Provisions include provisions for warranty, claims and litigation, provisions to further recognize the Company's share of losses of certain joint ventures for which it has incurred constructive obligations, and asset retirement obligations. Provisions are recognized when the Company has a legal or constructive obligation as a result of a past event, when it is probable that the Company will be required to settle the obligation, and when a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that payment will be received, and the amount of the receivable can be measured reliably.

## **WARRANTY**

A subsidiary of the Company provides a limited warranty on its products to be free of defects in material and workmanship for a period of five years from the date goods are sold. The provision is based on management's best estimate of the amount required to settle the obligation.

## CLAIMS AND LITIGATION

A provision for claims and litigation is recognized when it is probable that the Company will be held responsible. The provision is based on management's best estimate of the amount required to settle the obligation.

## ASSET RETIREMENT OBLIGATIONS

The Company's asset retirement obligations essentially derive from its obligations to remove assets and to restore its sites under lease arrangements. The fair value of a liability for an asset retirement obligation is recorded in the year in which it is incurred and when a reasonable estimate of fair value can be made. The fair value of a liability for an asset retirement obligation is the amount at which that liability could be settled in a current transaction between independent parties other than in a forced or liquidation transaction. The asset retirement cost is capitalized as part of the related asset and is amortized using a systematic and rational method over the asset's useful life.

## POST-EMPLOYMENT BENEFITS

Certain employees have entitlements under the Company's retirement plans, which are either defined contribution or defined benefit retirement plans. These plans take different forms depending on the legal, financial and tax regime of each country.

For defined benefit retirement plans, the level of benefit provided is based on the length of service and earnings of the person entitled. Also, the cost of retirement is actuarially determined using the projected unit credit method prorated on service and management's best estimate of expected plan investment performance, salary escalation and retirement ages of employees.

The retirement liability recognized in the consolidated statements of financial position represents the present value of the defined benefit obligation as reduced by the fair value of plan assets. Any asset resulting from this calculation is limited to the present value of available refunds and reductions in future contributions to the plan.

The net interest expense is calculated on the net defined benefit liability (asset) by applying the discount rate used to calculate the defined benefit obligation at the beginning of the year.

Remeasurements are included in other comprehensive income, namely actuarial gains and losses on benefit obligations and changes in plan assets excluding amounts included in profit for the year. Actuarial gains and losses are recognized in full in the period in which they occur, in other comprehensive income, without recycling to the consolidated statements of earnings in subsequent periods.

Past service cost is recognized at the earlier of the following two dates:

- When the plan amendment or curtailment occurs; or
- When the entity recognizes related restructuring costs or termination benefits.

Contributions for defined contribution retirement plans are recognized as an expense when employees have rendered service entitling them to the contributions.

## FINANCIAL INSTRUMENTS

Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instruments. Financial assets, unless it is a trade receivable without a significant financing component, and financial liabilities are initially recorded at fair value. A trade receivable without a significant financing component is initially measured at the transaction price.

Transaction costs that are directly attributable to the acquisition or issuance of financial assets and financial liabilities (other than financial assets and financial liabilities measured at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities measured at FVTPL are recognized immediately in profit or loss.



## FINANCIAL ASSETS

### CLASSIFICATION

All financial assets that do not meet a “solely payment of principal and interest” condition shall be classified at FVTPL. For those that meet this condition, classification at initial recognition will be determined based on the business model under which these assets are managed. Financial assets that are being managed on a “held for trading” or fair value basis are classified at FVTPL. Financial assets that are being managed on a “hold to collect and for sale” basis are classified at fair value through other comprehensive income. Finally, financial assets that are being managed on a “hold to collect” basis are classified at amortized cost.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment’s fair value in other comprehensive income. This election is made on an investment-by-investment basis.

Cash and cash equivalents, trade and other receivables, and non-current financial assets are classified at amortized cost.

Interest income is recognized by applying the effective interest rate. The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the corresponding period. The effective interest rate is the rate that discounts estimated future cash receipts over the expected life of the financial asset, or, where appropriate, a shorter period.

### IMPAIRMENT OF FINANCIAL ASSETS

The Company recognizes a loss allowance for expected credit losses (“ECL”) on financial assets that are measured at amortized cost.

The Company elected to apply the simplified impairment approach. Therefore, the Company recognizes lifetime ECL for financial assets that are measured at amortized cost. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. ECL are estimated using a provision matrix based on the Company’s historical credit loss experience, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money when appropriate.

The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligation in full.

### DERECOGNITION OF FINANCIAL ASSETS

The Company derecognizes a financial asset only when the contractual rights to the cash flow from the asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

## FINANCIAL LIABILITIES

Financial liabilities are classified either at FVTPL or at amortized cost.

### CLASSIFICATION

Trade and other payables, dividends payable, long-term debt, and liabilities due to non-controlling interests are classified at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis. The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expenses over the corresponding period. The effective interest rate is the rate that discounts estimated future cash payments over the expected life of the financial liability, or, where appropriate, a shorter period.

Long-term liabilities due to non-controlling interests included in non-current liabilities in the consolidated statements of financial position include a written put option that is recognized at the present value of its exercise price. The Company has chosen to account for the remeasurement of the written put option liability at each reporting period within retained earnings.

#### DERECOGNITION OF FINANCIAL LIABILITIES

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

### **FAIR VALUE OF FINANCIAL INSTRUMENTS**

Financial instruments recognized at fair value are classified using a hierarchy that reflects the significance of the inputs used to measure the fair value.

The fair value hierarchy requires that observable market inputs be used whenever such inputs exist. A financial instrument is classified in the lowest level of the hierarchy for which a significant input has been used to measure fair value.

An entity's own credit risk and the credit risk of the counterparty, in addition to the credit risk of the financial instrument, were factored into the fair value determination of the financial liabilities, including derivative instruments.

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

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

### **HEDGE OF A NET INVESTMENT IN FOREIGN OPERATIONS**

The Company designated a debt denominated in U.S. dollars as a hedging item of a portion equivalent to its net investment in foreign operations, which uses the U.S. dollar as its functional currency. Hence, the effective portion of unrealized exchange gains or losses on translating debts denominated in U.S. dollars and designated as hedging items, net of related income taxes, is recognized in other comprehensive income (loss) and the ineffective portion is recognized in profit or loss. Unrealized exchange gains or losses on translating debts denominated in U.S. dollars and designated as hedging items of the net investment in foreign operations and which are recognized in other comprehensive income (loss) are reclassified to profit or loss when they are subject to a total or partial disposal.

### **EARNINGS PER SHARE ("EPS")**

Basic EPS is calculated by dividing the profit (loss) for the year attributable to owners of the Company by the weighted average number of Class A and Class B shares outstanding during the year.

Diluted EPS is calculated by adjusting the weighted average number of Class A and Class B shares outstanding for dilutive instruments. Diluted EPS is calculated using the treasury stock method.

### **SHARE CAPITAL**

Class A and Class B shares are classified as equity. Incremental costs directly attributable to the issuance of shares are recognized as a deduction from equity.

## **SHARE-BASED PAYMENT**

### **EQUITY-SETTLED SHARE-BASED PAYMENT**

Equity-settled share-based payment to employees is measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized prospectively in the consolidated statements of earnings such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

### **CASH-SETTLED SHARE-BASED PAYMENT**

A liability is recognized for the fair value of cash-settled share-based payment to employees and directors. The fair value is determined at the grant date and at the end of each reporting period with changes in fair value recognized in the consolidated statements of earnings under employee benefits expense. The fair value is expensed on a straight-line basis over the vesting period with recognition of a corresponding liability. The fair value is determined by reference to the closing trading price of the Class B shares on the TSX at the end of each reporting period. The approach used to account for vesting conditions when measuring equity-settled transactions also applies to cash-settled transactions.

### **COMPARATIVE INFORMATION**

Certain comparative figures have been reclassified to comply to the presentation adopted in the current year.

## **3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Company's significant accounting policies, which are described in Note 2, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The measurement of some assets and liabilities in the preparation of these consolidated financial statements includes assumptions made by management, in particular regarding the following items:

### **LEASE TERM AND INCREMENTAL BORROWING RATE**

The measurement of lease liabilities requires management to make assumptions about the lease term. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. In addition, the lease liability is remeasured if the Company changes its assessment of whether it will exercise a purchase, extension or termination option.

Lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate.

Significant changes to the assumptions used in the determination of the lease term or the incremental borrowing rate could significantly change the lease liabilities, and consequently the carrying amount of the right-of-use asset, which would impact the interest and amortization expenses.

## BUSINESS COMBINATIONS

The determination of fair value associated with identifiable property, plant and equipment and intangible assets following a business combination requires management to make assumptions. More specifically, this is the case when the Company calculates fair values using appropriate valuation techniques, which are generally based on a forecast of expected future cash flows for intangible assets, and on a replacement cost approach, an income-based approach and/or a market-based approach for property, plant and equipment. These valuations are closely related to the assumptions made by management about the future return on the related assets and the discount rate applied. Significant changes to these assumptions could significantly change the fair values associated with identifiable intangible assets following a business combination, which would impact the amortization expense.

## IMPAIRMENT OF LONG-LIVED ASSETS, INCLUDING GOODWILL

At each reporting date, if any indication of impairment exists for long-lived assets, including goodwill, and at least annually for the goodwill, the Company performs an impairment test to determine if the carrying amounts are recoverable. The impairment review process is subjective and requires significant estimates throughout the analysis. Refer to Note 19 for a discussion on the Company's goodwill impairment test.

## INCOME TAXES

The Company determines its income tax expense and its income tax assets and liabilities based on its interpretation of applicable tax legislation, including tax treaties between Canada and the United States, as well as underlying rules and regulations. Such interpretations involve judgments and estimates that may be challenged in government tax audits, to which the Company is regularly subject. New information may also become available, which would cause the Company to change its judgment regarding the adequacy of existing income tax assets and liabilities. Any such changes will have an impact on net earnings for the period in which they occur.

In the calculation of income taxes and deferred tax assets and liabilities, estimates must be used to determine the appropriate rates and amounts, and to take into account the probability of realization of tax assets. Deferred tax assets also reflect the benefit of unused tax losses and deductions that can be carried forward to reduce current income taxes in future years. This assessment requires the Company to make significant estimates in determining whether or not it is probable that the deferred tax assets can be recovered from future taxable income and therefore, that they can be recognized in the Company's consolidated financial statements. The Company relies, among other things, on its past experience to make this assessment.

## CONTRACT ASSETS

Contract assets are being measured at cost plus profit recorded by the Company to date, from which progress billings are subtracted. The Company must assess the profit to be accounted for on a given contract, which is based under the anticipated profit on the contract and the history for that type of contract.

## LONG-TERM LIABILITIES DUE TO NON-CONTROLLING INTERESTS

The determination of the liability resulting from the written put options granted to FER-PAL's non-controlling interest shareholders requires the use of estimates and assumptions regarding the future performance of the entity. The actual amounts payable may be materially different from those estimates at the reporting date as a result of unforeseen events, changes in circumstances and other matters outside of the Company's control. Refer to Note 25 for further details.

## LONG-TERM INCENTIVE PLANS

To determine the expense relating to long-term incentive plans, the Company must assess the probability of attaining each threshold creating a right to the long-term bonus, which depends on the expected results to be achieved.



## 4. BUSINESS COMBINATIONS

### 2021 BUSINESS COMBINATIONS

#### AMERICAN PROCESS GROUP

On June 3, 2021, SANEXEN acquired 100% ownership of American Process Group ("APG") for a purchase price of \$50,000, subject to adjustments, of which \$49,500 was paid upon acquisition. During the year ended December 31, 2022, the Company settled the post-closing working capital adjustments and the balance of sale of \$500 for a cash consideration of \$3,338.

APG is an Alberta-based environmental industry leader, specializing in dredging, dewatering and residuals management. This strategic acquisition positions the Company 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 in our environmental services segment.

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

	American Process Group \$
Current assets	6,293
Property, plant and equipment	11,629
Right-of-use assets	1,429
Goodwill	32,478
Intangible assets	8,250
Deferred income tax asset	203
Current liabilities	(2,336)
Lease liabilities	(1,429)
Deferred income tax liabilities	(3,553)
<b>Purchase price consideration</b>	<b>52,964</b>

The fair value of receivables acquired of \$4,431, which includes a negligible amount deemed uncollectible as at the acquisition date, is included in current assets. The acquisition transaction costs for these assets, included under other expenses, amounted to \$564. The purchase price allocation is final.

#### IMPACT OF THE BUSINESS COMBINATION ON THE RESULTS OF THE COMPANY

The Company's results for the year ended December 31, 2021, include \$18,393 in revenue, and a profit before income taxes of \$1,789 generated by the business combination. Those results include a depreciation and amortization expense of \$2,879, mainly related to the amortization of intangible assets related to client relationships and backlog. 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 year ended December 31, 2021, would have been \$32,051 and \$2,395, respectively.

In determining these estimated amounts, the Company assumes that the fair value adjustment that arose on the acquisition date would have been the same had the acquisition 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. Goodwill related to the acquisition of APG is not deductible for tax purposes.

## CASTALOOP

On December 14, 2020, the Company acquired 100% ownership of Gestion Castaloop Inc. and its subsidiaries ("CASTALOOP") 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.

## 5. REVENUE

	2022 \$	2021 \$
Revenue from cargo handling services	564,379	425,937
Revenue from services relating to the renewal of underground water mains	177,904	184,555
Revenue from site remediation and contaminated soils and materials management services	126,080	106,196
Revenue from the sale of goods	29,202	27,015
	897,565	743,703

## 6. EMPLOYEE BENEFITS EXPENSE

The aggregate compensation of the Company's employees, including that of members of key management personnel, is as follows:

	2022 \$	2021 \$
Wages, salaries and fringe benefits	414,754	352,805
Defined benefit retirement plans (Note 24)	1,650	1,864
Defined contribution retirement plans (Note 24)	6,057	3,486
Government pension plans	4,870	4,465
Other long-term expense	2,127	711
	429,458	363,331

The compensation of key management personnel is further disclosed in Note 29.

## 7. GOVERNMENT ASSISTANCE

As at December 31, 2022, the Company qualified for various subsidies offered by state agencies related to the acquisition of new and upgraded equipment to reduce pollution and improve air quality. The Company recognized US\$299 (\$390) (US\$1,600 (\$2,029) in 2021) as a reduction of the US\$905 (\$1,179) (US\$3,500 (\$4,438) in 2021) cost of the related assets.

As at December 31, 2022, the Company qualified for various subsidies offered by provincial agencies to support innovation and to develop new technologies. For the year ended December 31, 2022, the Company recognized \$463 (\$303 in 2021) against research expenditures qualifying for these subsidies under other expenses in the consolidated statements of earnings and recognized \$23 (\$212 in 2021) as a reduction of the cost of the related property, plant, and equipment. As at December 31, 2022, \$100 (\$395 in 2021) was included in trade and other receivables.

As at December 31, 2021, the Company qualified for the Canada Emergency Wage Subsidy and there was reasonable assurance that the amount would be received from the federal government in connection with the COVID-19 pandemic. For the year ended December 31, 2021, the Company recognized a wage subsidy of \$2,921 (nil in 2022) against the salary expense qualifying for that subsidy under employee benefits expense in the consolidated statements of earnings.

## 8. OTHER LOSSES

	2022	2021
	\$	\$
Configuration and customization costs in a cloud computing arrangement	(6,276)	(5,064)
Gain on disposal of property, plant and equipment	1,328	361
Net foreign exchange gains (losses)	1,209	(108)
Gain on refinancing of a long-term debt (Note 23)	–	244
Gain on remeasurement of a long-term liability due to a non-controlling interest (Note 25)	–	515
	(3,739)	(4,052)

## 9. FINANCE EXPENSE

	2022	2021
	\$	\$
Interest on long-term debt	9,422	5,758
Interest on lease liabilities (Note 18)	5,920	5,222
Other interest expense	87	123
	15,429	11,103

## 10. INCOME TAXES

The reconciliation of income taxes calculated at the statutory income tax rate to the income tax expense is as follows:

	2022	2021
	\$	\$
Profit before income taxes	64,806	56,095
Less: share of profit of equity accounted investments	(18,760)	(10,084)
Parent company's and subsidiaries' profit before income taxes	46,046	46,011
Income tax expense calculated at the statutory income tax rate of 26.5% (26.5% in 2021)	12,202	12,193
Non-deductible items and other	(1,024)	(1,045)
Change in deferred tax assets or tax losses not previously recognized	–	(924)
Effect of foreign tax differences	157	75
Adjustments in respect of the prior year	(531)	172
Income tax expense recognized in consolidated statements of earnings	10,804	10,471
Effective income tax rate	23.46%	22.76%

Components of the income tax expense are as follows:

	2022 \$	2021 \$
<b>Current income taxes</b>		
Current income tax expense in respect of the current year	10,767	13,281
Adjustments in respect of the prior year	956	543
<b>Deferred income taxes</b>		
Deferred income tax expense recognized in the year	568	(2,982)
Adjustments in respect of the prior year	(1,487)	(371)
Income tax expense recognized in consolidated statements of earnings	10,804	10,471

## DEFERRED INCOME TAX BALANCES

The amounts recognized in the consolidated statements of financial position are as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
Deferred income tax assets	12,808	14,958
Deferred income tax liabilities	(24,604)	(25,684)
Net deferred income tax liability	(11,796)	(10,726)

Deferred income tax balances for which a right of offset exists within the same entity and jurisdiction are presented net in the consolidated statements of financial position as permitted by IAS 12, *Income Taxes*.

The movements in deferred income tax assets and liabilities, prior to this offsetting of balances, are shown below:

Deferred income tax assets	Property, plant and equipment \$	Unused tax losses \$	Post- employment benefits \$	Lease liabilities \$	Other \$	Total \$
<b>As at January 1, 2021</b>	<b>471</b>	<b>7,531</b>	<b>5,348</b>	<b>22,892</b>	<b>5,636</b>	<b>41,878</b>
Acquisition through business combinations (Note 4)	—	203	—	—	—	203
(Expense) benefit to statement of earnings	(135)	2,531	(182)	9,990	1,178	13,382
(Expense) benefit to statement of comprehensive income	—	—	(1,646)	—	62	(1,584)
Effect of foreign currency exchange differences	—	(3)	—	(38)	13	(28)
<b>As at December 31, 2021</b>	<b>336</b>	<b>10,262</b>	<b>3,520</b>	<b>32,844</b>	<b>6,889</b>	<b>53,851</b>
Benefit (expense) to statement of earnings	607	5,986	677	5,069	1,050	13,389
(Expense) benefit to statement of comprehensive income	—	—	(1,420)	—	(431)	(1,851)
Effect of foreign currency exchange differences	—	546	—	1,860	309	2,715
<b>As at December 31, 2022</b>	<b>943</b>	<b>16,794</b>	<b>2,777</b>	<b>39,773</b>	<b>7,817</b>	<b>68,104</b>



Deferred income tax liabilities	Property, plant and equipment \$	Right-of-use assets \$	Contract holdbacks and backlog \$	Intangible assets \$	Other \$	Total \$
<b>As at January 1, 2021</b>	<b>(14,755)</b>	<b>(21,935)</b>	<b>(5,439)</b>	<b>(7,261)</b>	<b>(1,521)</b>	<b>(50,911)</b>
Acquisition through business combinations (Note 4)	(3,553)	–	–	–	–	(3,553)
(Benefit) expense to statement of earnings	(2,382)	(8,885)	(397)	627	1,008	(10,029)
(Benefit) to statement of comprehensive income	–	–	–	–	(121)	(121)
Effect of foreign currency exchange differences	19	36	–	9	(27)	37
<b>As at December 31, 2021</b>	<b>(20,671)</b>	<b>(30,784)</b>	<b>(5,836)</b>	<b>(6,625)</b>	<b>(661)</b>	<b>(64,577)</b>
(Benefit) expense to statement of earnings	(5,519)	(4,513)	1,055	683	(4,176)	(12,470)
(Benefit) to statement of comprehensive income	–	–	–	–	430	430
Effect of foreign currency exchange differences	(1,160)	(1,754)	–	(334)	(35)	(3,283)
<b>As at December 31, 2022</b>	<b>(27,350)</b>	<b>(37,051)</b>	<b>(4,781)</b>	<b>(6,276)</b>	<b>(4,442)</b>	<b>(79,900)</b>

## UNUSED TAX LOSSES

The Company has unused non-capital tax losses in the amount of \$60,788 (\$40,665 in 2021). These losses will be expiring as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
2027 to 2034	186	3,222
2035	2,115	3,097
2036	2,543	1,711
2037	7,111	6,808
2038	448	397
2039	41	1,665
2040	4	4
2041	6,268	9,932
2042	638	–
Indefinite	41,434	13,829

Tax benefits of \$16,794 (\$10,262 in 2021) have been recorded related to unused non-capital tax losses, including \$13,719 (\$5,220 in 2021) from foreign subsidiaries. The Company also has \$1,021 (\$1,008 in 2021) of unrecognized capital losses and deductible temporary differences that may be carried forward indefinitely. As at December 31, 2022, no deferred tax liability was recognized for temporary differences arising from investments in subsidiaries and joint ventures because the Company controls the decisions affecting the realization of such liabilities and it is probable that the temporary differences will not reverse in the foreseeable future.

# 11. EARNINGS PER SHARE

The earnings and weighted average number of Class A shares and Class B shares used in the calculation of basic and diluted earnings per share are as follows:

	2022	2021
Profit attributable to owners of Class A shares, basic (\$)	29,329	24,649
Profit attributable to owners of Class B shares, basic (\$)	24,214	20,715
	53,543	45,364
Weighted average number of Class A shares outstanding, basic	7,367,689	7,377,022
Weighted average number of Class B shares outstanding, basic	5,529,944	5,635,989
	12,897,633	13,013,011
Basic earnings per Class A share	3.98	3.34
Basic earnings per Class B share	4.38	3.68
Profit attributable to owners of Class A shares, diluted (\$)	29,073	24,444
Profit attributable to owners of Class B shares, diluted (\$)	24,470	20,920
	53,543	45,364
Weighted average number of Class A shares outstanding, diluted	7,367,689	7,377,022
Weighted average number of Class B shares outstanding, diluted	5,637,320	5,739,486
	13,005,009	13,116,508
Diluted earnings per Class A share	3.95	3.31
Diluted earnings per Class B share	4.34	3.64

# 12. FINANCIAL RISK MANAGEMENT

## CAPITAL MANAGEMENT

The Company's primary objectives when managing capital are to:

- Maintain a capital structure that allows financing options to the Company in order to benefit from potential opportunities as they arise;
- Provide an appropriate return on investment to its shareholders.

The Company includes the following in its capital:

- Cash and cash equivalents and short-term investments, if any;
- Long-term debt (including the current portion) and short-term bank loans, if any;
- Equity attributable to owners of the Company.

The Company's financial strategy is formulated and adapted according to market conditions to maintain a flexible capital structure that is consistent with the objectives stated above and corresponds to the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may refinance its existing debt, raise new debt, pay down debt, repurchase shares for cancellation purposes pursuant to normal course issuer bids or issue new shares.

The Company's Board of Directors determines the level of dividend payments. To date, the practice has been to maintain regular quarterly dividend payments with increases over the years.

The capital is calculated as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
Short-term bank loans	—	8,600
Long-term debt, including the current portion	235,035	195,354
Less:		
Cash and cash equivalents	36,043	37,530
Total net indebtedness	198,992	166,424
Equity attributable to owners of the Company	359,487	314,561
Capitalization	558,479	480,985
Ratio of net indebtedness/capitalization	35.6%	34.6%

As at December 31, 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's exposure to credit risk is primarily attributable to its cash and cash equivalents, trade and other receivables, and non-current financial assets. Management believes the credit risk is limited for its cash and cash equivalents, as the Company deals with major North American financial institutions.

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 2,500 customers. In 2022, the 20 largest customers accounted for 41.0% (45.0% in 2021) of consolidated revenue, and not a single customer accounted for more than 10% of consolidated revenue and trade receivables in 2022 and 2021.

Allowance for doubtful accounts and past due receivables are reviewed by management on a monthly basis. Refer to Note 14 for further details.

The Company's maximum exposure to credit risk with respect to each of its financial assets corresponds to its carrying amount.

### LIQUIDITY RISK

Liquidity risk is the Company's exposure to the risk of not being able to meet its financial obligations when they become due. The Company monitors its levels of cash and debt and takes appropriate actions to ensure it has sufficient cash to meet operational needs while ensuring compliance with covenants.

The following are the contractual maturities of financial obligations:

	Carrying amount \$	Contractual cash flows <sup>(1)</sup> \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
<b>As at December 31, 2022</b>					
Trade and other payables	128,019	128,019	128,019	–	–
Dividends payable	1,574	1,574	1,574	–	–
Lease liabilities	176,162	220,334	23,743	60,154	136,437
Long-term debt	235,035	243,544	14,050	210,996	18,498
Non-current liabilities <sup>(2)</sup>	19,864	20,992	–	20,992	–
	<b>560,654</b>	<b>614,463</b>	<b>167,386</b>	<b>292,142</b>	<b>154,935</b>
	Carrying amount \$	Contractual cash flows <sup>(1)</sup> \$	Less than 1 year \$	1-3 years \$	More than 3 years \$
<b>As at December 31, 2021</b>					
Short-term bank loans	8,600	8,600	8,600	–	–
Trade and other payables	127,044	127,044	127,044	–	–
Dividends payable	1,338	1,338	1,338	–	–
Lease liabilities	141,024	206,713	20,064	47,082	139,567
Long-term debt	195,354	203,925	8,574	40,142	155,209
Non-current liabilities <sup>(2)</sup>	36,471	38,832	–	38,832	–
	<b>509,831</b>	<b>586,452</b>	<b>165,620</b>	<b>126,056</b>	<b>294,776</b>

<sup>(1)</sup> Includes principal and interest.

<sup>(2)</sup> Includes only long-term liabilities due to non-controlling interests.

Given the actual liquidity level combined with future cash flows that will be generated by operations, the Company believes that its liquidity risk is low to moderate.

## MARKET RISK

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's results or the value of its financial instruments. The Company is mainly exposed to interest rate risk and foreign exchange risk.

## INTEREST RATE RISK

The Company is exposed to market risk related to interest rate fluctuations because a portion of its long-term debt bears interest at floating rates. The Company manages this risk by maintaining a mix of fixed and floating rate borrowings in accordance with the Company's policies. In addition, the Company holds interest rate swap contracts with the Company's main banks for an amount of \$40,000. The interest rate swap contracts are designated as a cash flow hedge to swap the floating rate of its debts to a fixed rate, thus decreasing the Company's sensitivity to interest rate fluctuations. The floating interest rates on the interest rate swap are CDOR and the weighted average fixed interest rate is 1.51%. The interest rate swap contracts settle on a monthly basis and will mature in June 2023 and September 2027 respectively. The Company continues to monitor opportunities to reduce interest rate risk.

### SENSITIVITY ANALYSIS

As at December 31, 2022, the floating rate portion of the Company's long-term debt was 63.2% (66.4% in 2021). All else being equal, a hypothetical variation of +1.0% in the prime interest rate on the floating rate portion of the Company's long-term debt held as at December 31, 2022, would have had a negative impact of \$1,486 (\$1,297 in 2021) on profit for the year. A hypothetical variation of -1.0% in the prime interest rate would have had the opposite impact on profit for the year.



## FOREIGN EXCHANGE RISK

The Company provides services invoiced in U.S. dollars and purchases equipment denominated in U.S. dollars. In addition, a portion of the Company's long-term debt is denominated in U.S. dollars. Consequently, it is exposed to risks arising from foreign currency rate fluctuations. The Company considers the remaining risk to be limited and, therefore, does not use derivative financial instruments to reduce its exposure.

The Company designates a portion of its term loans and credit facilities denominated in U.S. dollars as hedging instruments for its net investment in foreign operations, thereby enabling it to limit its foreign currency risk. Refer to Note 23 for further details.

During 2022, all else being equal, a hypothetical strengthening of 5.0% of the U.S. dollar against the Canadian dollar would have had a positive impact of \$201 (\$309 in 2021) on profit for the year and a positive impact of \$13,222 (\$12,726 in 2021) on total comprehensive income. A hypothetical weakening of 5.0% of the U.S. dollar against the Canadian dollar would have had the opposite impact on profit for the year and total comprehensive income.

As at December 31, 2022, a total of \$9,214 or US\$6,803 (\$14,644 or US\$11,551 in 2021) of cash and cash equivalents and trade and other receivables was denominated in foreign currencies. As at December 31, 2022, a total of \$1,307 or US\$965 (\$5,200 or US\$4,102 in 2021) of trade and other payables was denominated in foreign currencies.

## FAIR VALUE OF FINANCIAL INSTRUMENTS

As at December 31, 2022, and 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 December 31, 2022, and 2021, based on the Company's estimated rate for long-term notes receivable with similar terms and conditions.

The estimated fair value of long-term debt was \$3,730 higher than its carrying value as at December 31, 2022 (\$288 higher in 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 year ended December 31, 2022, no financial instruments were recorded at fair value and transferred between levels 1, 2 and 3.

## SENSITIVITY ANALYSIS

On December 31, 2022, all other things being equal, a 10.0% increase of pre-established financial performance threshold of acquired businesses related to the written put option would have resulted in a decrease of \$4,269 (\$3,657 in 2021) in retained earnings for the year ended December 31, 2022, and an increase of the same amount in total liabilities. A 10.0% decrease of pre-established financial performance threshold would have had the opposite estimated impact.

## 13. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities in the consolidated statements of financial position are as follows:

Carrying amount	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Financial assets classified at fair value</b>		
Non-current financial assets	1,759	90
	<b>1,759</b>	<b>90</b>
<b>Financial assets classified at amortized cost</b>		
Cash and cash equivalents	36,043	37,530
Trade and other receivables	198,247	183,322
Non-current financial assets	4,355	5,812
	<b>238,645</b>	<b>226,664</b>
<b>Financial liabilities classified at amortized cost</b>		
Short-term bank loans	–	8,600
Trade and other payables	128,019	127,044
Dividends payable	1,574	1,338
Long-term debt, including current portion	235,035	195,354
Non-current liabilities <sup>(1)</sup>	19,864	36,471
	<b>384,492</b>	<b>368,807</b>

<sup>(1)</sup> Includes only long-term liabilities due to non-controlling interests.

The fair value of the Company's financial instruments is disclosed in Note 12.

## 14. TRADE AND OTHER RECEIVABLES

Carrying amount	As at December 31, 2022 \$	As at December 31, 2021 \$
Trade receivables	152,831	137,362
Allowance for doubtful accounts	(3,361)	(3,584)
Contract holdbacks	18,334	18,620
Net trade receivables	<b>167,804</b>	<b>152,398</b>
Government subsidies receivables	100	395
Accrued revenue	22,559	25,129
Commodity taxes	3,931	3,626
Insurance benefit receivable related to claims	1,420	388
Other	2,433	1,386
	<b>198,247</b>	<b>183,322</b>

Pursuant to their respective terms, net trade receivables are aged as follows since issuance of the invoice:

	As at December 31, 2022 \$	As at December 31, 2021 \$
0-30 days	82,240	73,798
31-60 days	41,880	40,457
61-90 days	14,328	11,181
Over 90 days <sup>(1)</sup>	32,717	30,546
Allowance for doubtful accounts	(3,361)	(3,584)
	167,804	152,398

<sup>(1)</sup> Includes contract holdbacks amounting to \$10,406 (\$10,893 in 2021).

The movement in the allowance for doubtful accounts were as follows:

	2022 \$	2021 \$
Balance, beginning of year	3,584	3,359
Bad debt expense	339	1,473
Write-offs	(562)	(1,248)
Balance, end of year	3,361	3,584

Credit risk exposure and mitigation are further discussed in Note 12.

## 15. INVENTORIES

	As at December 31, 2022 \$	As at December 31, 2021 \$
Consumables	10,985	11,597
Raw materials	4,346	2,199
Work in progress	3,984	2,654
Finished goods	685	380
	20,000	16,830

The cost of inventories recognized as an expense during the year was \$50,068 (\$46,889 in 2021) and was recorded in equipment and supplies expense in the consolidated statements of earnings.

## 16. EQUITY ACCOUNTED INVESTMENTS

### INVESTMENTS IN JOINT VENTURES

The Company's results include its share of operations in joint ventures, which are accounted for using the equity method. The Company's 50%-equity interests are in the following joint ventures: 9260-0873 Québec Inc., Flexiport Mobile Docking Structures Inc, Moorings (Trois-Rivières) Ltd., Québec Maritime Services Inc., Québec Mooring Inc., TERMONT Terminal Inc. and Transport Nanuk Inc. The Company also owns 49%-equity interests in Qikiqtaaluk Environmental Inc. and Avataani Environmental Services Inc.

None of the Company's joint ventures are publicly listed entities and, consequently, do not have published price quotations.

The Company has one significant joint venture, TERMONT Terminal Inc., specialized in handling containers, which is aligned with the Company's core marine services segment. The address of TERMONT Terminal Inc.'s head office is 600 De la Gauchetière Street West, 14th Floor, Montréal, Québec H3B 4L2, Canada.

The following tables summarize the financial information of TERMONT Terminal Inc.:

	2022 \$	2021 \$
Statement of financial position		
Current assets (including cash and cash equivalents of \$94 (\$2,440 in 2021))	3,225	4,696
Non-current assets	93,709	94,722
Current liabilities	(1,771)	(1,419)
Non-current liabilities	(43,340)	(42,120)
Net assets	51,823	55,879
The Company's share of net assets presented as an equity accounted investment	25,892	27,949
Results		
Revenue	6,069	4,632
Share of profit of an equity accounted investment	23,957	11,596
Interest expense	(2,051)	(1,998)
Interest income	2,072	1,999
Income taxes	(1,146)	(797)
Profit and total comprehensive income for the year	27,136	13,810
The Company's share of profit and total comprehensive income for the year	13,568	6,905
Dividend received by the Company	15,625	6,750

The Company also has interests in individually immaterial joint ventures. The following table provides, in aggregate, the financial information for those joint ventures:

	2022 \$	2021 \$
Carrying amount of interests in individually immaterial joint ventures	20,248	18,362
Profit for the year	5,192	3,179
Other comprehensive income	229	234
Total comprehensive income for the year	5,421	3,381
Dividends received by the Company	3,535	2,109



# 17. PROPERTY, PLANT AND EQUIPMENT

Cost	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
<b>As at January 1, 2021</b>	<b>74,120</b>	<b>244,113</b>	<b>5,371</b>	<b>16,108</b>	<b>6,924</b>	<b>346,636</b>
Additions	18	7,214	372	271	36,844	44,719
Additions through business combinations (Note 4)	–	11,629	–	–	–	11,629
Disposals	(6,437)	(4,472)	(110)	(74)	–	(11,093)
Transfers	1,689	17,946	545	823	(21,003)	–
Effect of foreign currency exchange differences	(287)	(66)	(6)	(41)	(5)	(405)
<b>As at December 31, 2021</b>	<b>69,103</b>	<b>276,364</b>	<b>6,172</b>	<b>17,087</b>	<b>22,760</b>	<b>391,486</b>
Additions	754	41,269	296	2,180	7,712	52,211
Disposals	(2)	(12,540)	(895)	(37)	–	(13,474)
Transfers	5,313	9,513	8	3,105	(17,939)	–
Effect of foreign currency exchange differences	1,256	8,481	31	951	614	11,333
<b>As at December 31, 2022</b>	<b>76,424</b>	<b>323,087</b>	<b>5,612</b>	<b>23,286</b>	<b>13,147</b>	<b>441,556</b>

Accumulated depreciation	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
<b>As at January 1, 2021</b>	<b>17,730</b>	<b>133,494</b>	<b>3,551</b>	<b>6,175</b>	<b>–</b>	<b>160,950</b>
Depreciation expense	2,768	22,890	607	1,337	–	27,602
Disposals	(142)	(3,977)	(81)	(69)	–	(4,269)
Effect of foreign currency exchange differences	(9)	(94)	(4)	(11)	–	(118)
<b>As at December 31, 2021</b>	<b>20,347</b>	<b>152,313</b>	<b>4,073</b>	<b>7,432</b>	<b>–</b>	<b>184,165</b>
Depreciation expense	3,369	24,637	631	1,773	–	30,410
Disposals	(2)	(11,304)	(888)	(37)	–	(12,231)
Effect of foreign currency exchange differences	461	3,723	25	401	–	4,610
<b>As at December 31, 2022</b>	<b>24,175</b>	<b>169,369</b>	<b>3,841</b>	<b>9,569</b>	<b>–</b>	<b>206,954</b>

Carrying amount	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Leasehold improvements \$	Construction in progress \$	Total \$
As at December 31, 2021	48,756	124,051	2,099	9,655	22,760	207,321
<b>As at December 31, 2022</b>	<b>52,249</b>	<b>153,718</b>	<b>1,771</b>	<b>13,717</b>	<b>13,147</b>	<b>234,602</b>

As at December 31, 2022, the Company has no property, plant and equipment under order, or not yet delivered (\$14,097 in 2021).

## 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 ("GPA"), the Company is required to rebuild the warehouse that was destroyed by the fire, unless agreed to otherwise. During the year ended December 31, 2022, the Company obtained approvals required from the GPA and other parties to reconstruct, but have not completed the final design which is subject to approval from GPA and state authorities. As at the date of these consolidated financial statements, a feasibility study was obtained, the size and the type of warehouse to be constructed were determined. However, the Company is completing the design and gathering quotations to assess the cost of reconstruction. In accordance with the lease agreement, this warehouse was insured for US\$21,900 (\$29,661). As at the date of these financial statements, the Company is currently operating with reduced capacity at this facility, the reconstruction schedule is being finalized and the commencement of work is expected to begin in the first half of 2023. The Company will record the impact of the 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 consolidated 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.

## 18. LEASE ARRANGEMENTS

Leases relate to lease agreements to rent offices, port facilities, and equipment that expire until 2040. The Company has the option to purchase some of the leased equipment at the end of the lease terms. The Company also has the option to renew certain lease arrangements to rent offices, port facilities and equipment. Contingent rentals are determined based on the volume and type of cargo handled. Lease liabilities are discounted using the incremental weighted average borrowing rate of 4.06%.

## RIGHT-OF-USE ASSETS

Carrying amount	Land and buildings \$	Machinery and automotive equipment \$	Computer equipment, furniture and fixtures \$	Total \$
<b>As at January 1, 2021</b>	<b>125,501</b>	<b>6,918</b>	<b>360</b>	<b>132,779</b>
Additions	15,531	4,260	10	19,801
Derecognition	(998)	(196)	–	(1,194)
Depreciation expense	(12,254)	(3,450)	(123)	(15,827)
Effect of foreign currency exchange differences	(176)	(332)	(2)	(510)
<b>As at December 31, 2021</b>	<b>127,604</b>	<b>7,200</b>	<b>245</b>	<b>135,049</b>
Additions	33,378	15,660	–	49,038
Derecognition	(5,562)	(604)	(2)	(6,168)
Depreciation expense	(13,472)	(5,180)	(102)	(18,754)
Effect of foreign currency exchange differences	7,240	867	2	8,109
<b>As at December 31, 2022</b>	<b>149,188</b>	<b>17,943</b>	<b>143</b>	<b>167,274</b>

## LEASE LIABILITIES

	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Contractual undiscounted cash flows</b>		
Less than 1 year	23,743	20,064
Between 1 and 5 years	91,295	71,043
More than 5 years	105,296	115,606
Total undiscounted lease liabilities	220,334	206,713
<b>Lease liabilities</b>		
Current	18,662	15,775
Non-current	157,500	125,249

## AMOUNT RECOGNIZED IN THE CONSOLIDATED STATEMENTS OF EARNINGS

	2022 \$	2021 \$
<b>Leases under IFRS 16</b>		
Interest on lease liabilities	5,920	5,222
Expense related to variable lease payments, short-term and low-value assets not included in the measurement of lease liabilities <sup>(1)</sup>	55,784	38,019
	61,704	43,241

<sup>(1)</sup> Recognized as operating expense in the consolidated statements of earnings.

## 19. GOODWILL

Carrying amount	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Cost, beginning of year</b>	<b>184,006</b>	150,611
Business combinations (Note 4)	–	32,478
Effect of foreign currency exchange differences	<b>4,724</b>	917
<b>Cost, end of year</b>	<b>188,730</b>	184,006
Accumulated impairment losses	<b>(1,300)</b>	(1,300)
<b>Net carrying amount</b>	<b>187,430</b>	182,706

### IMPAIRMENT TESTING

The carrying amount of goodwill has been allocated to the following CGUs or groups of CGUs:

Carrying amount	As at December 31, 2022 \$	As at December 31, 2021 \$
Stevedoring	<b>60,057</b>	56,886
ALTRA Proven Water Technologies	<b>86,445</b>	86,445
Environment	<b>40,743</b>	39,190
Agencies	<b>185</b>	185
	<b>187,430</b>	182,706

The recoverable amount of all CGUs or groups of CGUs has been determined based on value in use, which is calculated by discounting five-year cash flow projections from the budget approved by the Board of Directors covering a one-year period and forecasts for the subsequent four years. These cash flow projections reflect past experience and future expectations of financial performance.

The key assumptions used in establishing the recoverable amount for the groups of CGUs are as follows:

- A growth rate between 3.0% to 8.3% (3.0% to 5.0% in 2021) has been used to extrapolate cash flow projections for the forecasted subsequent four years and a growth rate of 2.0% (2.0% in 2021) for the terminal value.
- The discount rate used to calculate the recoverable amount is based on market data and was 9.8% (10.0% in 2021).

Projected cash flows are most sensitive to assumptions regarding the impact of future profitability, replacement capital expenditure requirements, working capital investment and tax considerations. The values applied to these key assumptions are derived from a combination of external and internal factors, based on past experience together with management's future expectations about business performance.

The discount rates were estimated based on an appropriate weighted average cost of capital for all CGUs. The discount rates were estimated by applying the Company's weighted average cost of capital as adjusted to reflect the market assessment of risks and for which the cash flow projections have not been adjusted.



## 20. INTANGIBLE ASSETS

<b>Cost</b>	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
<b>As at January 1, 2021</b>	<b>25,571</b>	<b>46,451</b>	<b>3,771</b>	<b>75,793</b>
Additions	—	—	117	117
Additions through business combinations (Note 4)	—	8,250	—	8,250
Disposals	—	—	(152)	(152)
Effect of foreign currency exchange differences	(109)	39	10	(60)
<b>As at December 31, 2021</b>	<b>25,462</b>	<b>54,740</b>	<b>3,746</b>	<b>83,948</b>
Additions	—	—	347	347
Disposals	—	(25)	(254)	(279)
Effect of foreign currency exchange differences	1,740	2,297	192	4,229
<b>As at December 31, 2022</b>	<b>27,202</b>	<b>57,012</b>	<b>4,031</b>	<b>88,245</b>

<b>Accumulated amortization</b>	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
<b>As at January 1, 2021</b>	<b>9,258</b>	<b>24,871</b>	<b>3,242</b>	<b>37,371</b>
Amortization expense	1,302	4,046	323	5,671
Disposals	—	—	(152)	(152)
Effect of foreign currency exchange differences	(24)	27	12	15
<b>As at December 31, 2021</b>	<b>10,536</b>	<b>28,944</b>	<b>3,425</b>	<b>42,905</b>
Amortization expense	1,356	5,475	201	7,032
Disposals	—	—	(278)	(278)
Effect of foreign currency exchange differences	771	908	100	1,779
<b>As at December 31, 2022</b>	<b>12,663</b>	<b>35,327</b>	<b>3,448</b>	<b>51,438</b>

<b>Carrying amount</b>	Lease rights and location \$	Client relationships and backlog \$	Computer software \$	Total \$
As at December 31, 2021	14,926	25,796	321	41,043
<b>As at December 31, 2022</b>	<b>14,539</b>	<b>21,685</b>	<b>583</b>	<b>36,807</b>

<b>Accumulated impairment losses</b>	<b>As at December 31, 2022 \$</b>	<b>As at December 31, 2021 \$</b>
<b>Balance, end of year</b>	<b>9,738</b>	<b>9,738</b>

## 21. NON-CURRENT FINANCIAL ASSETS

	As at December 31, 2022 \$	As at December 31, 2021 \$
Non-current financial assets	4,621	3,570
Contract holdbacks	1,493	2,332
	<b>6,114</b>	<b>5,902</b>

## 22. TRADE AND OTHER PAYABLES

	As at December 31, 2022 \$	As at December 31, 2021 \$
Trade payables and accrued liabilities	73,636	67,541
Payroll accruals	23,235	24,315
Due to a non-controlling interest (Note 25)	23,619	28,155
Provisions (Note 25)	1,689	789
Other	5,840	6,244
	<b>128,019</b>	<b>127,044</b>

## 23. INDEBTEDNESS

### LONG-TERM DEBT

	As at December 31, 2022 \$	As at December 31, 2021 \$
Revolving credit facility, bearing interest at bankers' prime rate and/or acceptance and LIBOR loans, with no principal repayment required until October 2025. The weighted average interest rate was 6.05% as at December 31, 2022 <sup>(1)</sup> (2.13% in 2021)	186,709	135,568
Unsecured long-term debt, bearing interest at 4.50%, without any principal repayment due before December 2022, to be paid in 20 equal consecutive quarterly payments, maturing in 2027 <sup>(2)</sup>	47,401	49,974
Term credit facilities, bearing interest at prime rate plus 0.25% to 0.75%, with maturities ranging up to five years from the advance date <sup>(3) (4)</sup>	625	9,084
Non-interest-bearing government loan, maturing in 2023	300	700
Loan for equipment purchases, bearing interest up to 5.36%	—	28
	<b>235,035</b>	<b>195,354</b>
Less:		
Current portion	10,925	3,427
	<b>224,110</b>	<b>191,927</b>

<sup>(1)</sup> The revolving credit facility details are as follows:

- A \$300,000 or the U.S. dollar equivalent unsecured revolving credit facility ("RCF") maturing in October 2025.
- The unsecured RCF is to be used for short-term and long-term cash flow needs and investment purposes, and to refinance existing indebtedness. The facility can be used in the form of direct advances, bankers' acceptances, LIBOR, and letters of credit. As at December 31, 2022, US\$93,000 (\$125,959) was drawn from the credit facility.
- The interest rate charged on the borrowings made under this agreement depends on the form of the borrowing, to which is added a margin that varies according to the level of a leverage ratio achieved by the Company.
- Includes an accordion option of \$150,000 or the U.S. dollar equivalent to increase the borrowing capacity upon demand. The accordion option can only be given at the sole discretion of each lender in the syndicate. Refer to Note 32 for further details.

<sup>(2)</sup> The unsecured long-term debt details are as follows:

- A \$25,000 unsecured loan maturing in September 2027 and bearing interest at 4.50%, paid quarterly. The repayment schedule begins in December 2022 and payments are to be made in 20 equal consecutive quarterly instalments of \$1,250.
- A \$25,000 unsecured loan maturing in September 2027 and bearing interest at 4.50%, paid quarterly. The repayment schedule begins in December 2022 and payments are to be made in 20 equal consecutive quarterly instalments of \$1,250.

<sup>(3)</sup> The credit facility details of FER-PAL are as follows:

- A \$10,000 overdraft facility due on demand, to be used for operating requirements. The facility can be used in the form of overdrafts, bankers' acceptances and letters of credit. The advances are based on the estimated value of good quality accounts receivable. As at December 31, 2022, no amount was drawn on this credit facility.
- A demand loan for an amount of \$10,000 due over 48 months in equal principal repayments plus monthly interest, bearing interest at prime rate plus 0.25%. As at December 31, 2022, the loan amounted to \$625.
- A \$750 corporate credit card credit facility.
- A risk management facility for an amount of \$1,000 to be used in the form of foreign exchange forward contracts. This facility was not used as at December 31, 2022.
- The facility is secured by a general security agreement on all of the Company's current and future assets of FER-PAL.

<sup>(4)</sup> As of March 31, 2022, LGC has access to LOGISTEC's RCF following the acquisition of remaining shares. Both demand loans, revolving and non-revolving facilities' balances have been fully paid by LOGISTEC. Any borrowings made since the restructuring will automatically fall under the RCF of the group.

Long-term debt matures as follows:

	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Total principal repayments required</b>		
Less than 1 year	10,925	3,427
Between 1 and 5 years	224,110	191,927
	<b>235,035</b>	<b>195,354</b>

## HEDGING INSTRUMENTS

During the year ended December 31, 2022, an average amount of US\$49,333 (US\$57,333 in 2021) of the RCF denominated in U.S. dollars had been designated by the Corporation as a hedging instrument of its net investment in foreign operations. As there was no hedge ineffectiveness during the year ended December 31, 2022, there was no impact on the consolidated statements of earnings. Consequently, a foreign exchange loss of \$4,260 (gain of \$521 in 2021) was reclassified to other comprehensive income.

## 24. POST-EMPLOYMENT BENEFIT ASSETS AND OBLIGATIONS

The Company has various defined benefit and defined contribution retirement plans to provide retirement benefits to its employees.

The projected benefit obligation as at December 31, 2022, has been extrapolated using the projected benefit obligation based on the most recent actuarial valuations for the Senior Management Pension Plan and the Employee Pension Plan of LOGISTEC Corporation dated December 31, 2019, and December 31, 2021, respectively.

The last actuarial valuation for the Supplemental Retirement Plans for Senior Executives ("SERP") of LOGISTEC Corporation is dated December 31, 2022.

The Company's retirement plans may be exposed to various types of risks. The Company has not identified any unusual risks to which its retirement plans are exposed. Regular asset-liability matching analyses are performed in order to align the investment policy with the plans' obligations. Allocation to fixed-income investments is then adjusted following the evolution of the plans' obligations. Fixed-income investments are made up of bonds and annuities. Annuities are purchased when opportunities arise on financial markets.

The weighted average duration of the defined benefit obligation is 11.7 years.

The following table presents information concerning the defined benefit retirement plans, as established by an independent actuary:

	2022 \$	2021 \$
<b>Benefit obligation, beginning of year</b>	<b>(40,044)</b>	(44,145)
Current service cost	(1,265)	(1,446)
Interest cost	(1,197)	(1,098)
Employees' contributions	(99)	(86)
Actuarial gain arising from experience adjustments	9,464	5,380
Benefits paid	1,091	1,351
<b>Benefit obligation, end of year</b>	<b>(32,050)</b>	(40,044)
<b>Fair value of plan assets, beginning of year</b>	<b>23,947</b>	22,529
Interest income	705	560
Variation on plan assets, excluding amounts included in interest income	(4,068)	1,114
Employer's (refund) contributions <sup>(1)</sup>	(119)	897
Employees' contributions	99	86
Benefits paid	(849)	(1,239)
<b>Fair value of plan assets, end of year</b>	<b>19,715</b>	23,947
<b>Net benefit liability, end of year</b>	<b>(12,335)</b>	(16,097)

<sup>(1)</sup> Employer's contributions include a (refund) contributions made by an equity accounted investment of the Company of \$(41) (\$73 in 2021), a \$ 500 surplus transferred from a defined benefit pension plan to a defined contribution pension plan and exclude benefits paid of \$335 (\$198 in 2021) under the SERP.



The defined benefit asset (liability) is included as follows in the consolidated statements of financial position:

	As at December 31, 2022 \$	As at December 31, 2021 \$
Post-employment benefit assets	1,264	–
Post-employment benefit obligations <sup>(1)</sup>	(13,690)	(16,212)
	(12,426)	(16,212)

<sup>(1)</sup> Post-employment benefit obligations in the consolidated statements of financial position include \$91 (\$115 in 2021) for defined contribution retirement plans provided to certain members of key management personnel, for which no contributions were made.

The following table provides the reconciliation of the benefit obligation, the fair value of plan assets and plan deficit in respect of wholly and partially funded plans, and unfunded plans:

	Wholly and partially funded		Unfunded <sup>(1)</sup>		Total	
	2022 \$	2021 \$	2022 \$	2021 \$	2022 \$	2021 \$
Benefit obligation	(19,447)	(24,162)	(12,603)	(15,882)	(32,050)	(40,044)
Fair value of plan assets	19,715	23,947	–	–	19,715	23,947
Plan surplus (deficit)	268	(215)	(12,603)	(15,882)	(12,355)	(16,097)

<sup>(1)</sup> The unfunded plans consist of SERP. As at December 31, 2022, the plan deficit for the Canadian executives was \$11,672 (\$14,718 in 2021) and \$931 (\$1,164 in 2021) for the U.S. executives. The SERP are non-contributory, and the Company plans to fund the benefits with future cash flows that will be generated by operations.

Plan assets consist of:

	As at December 31, 2022 \$	As at December 31, 2021 \$
<b>Derived from observable market data - Level 2 fair value</b>		
Bonds	12,150	9,647
Canadian & foreign stock	5,065	11,219
<b>Non-observable market inputs - Level 3 fair value</b>		
Annuity contracts	2,500	3,081
	19,715	23,947

The following table provides the reconciliation of the net expense for all defined benefit and defined contribution retirement plans in the employee benefits expense in the consolidated statements of earnings for the years ended December 31:

	2022 \$	2021 \$
Current service cost	1,265	1,446
Net interest expense	492	538
	1,757	1,984
Less: net expense assumed by an equity accounted investment of the Company	(107)	(120)
Defined benefit cost recognized	1,650	1,864
Net expense for defined contribution retirement plans	6,057	3,486
Net expense for all defined benefit and defined contribution retirement plans	7,707	5,350

## SIGNIFICANT ACTUARIAL ASSUMPTIONS

The significant actuarial assumptions used in the measurement of the Company's net benefit liability are as follows:

	2022 %	2021 %
Accrued benefit liability		
Discount rate, end of year	5.0	3.0
Expected rate of compensation increase	3.8	3.8
Benefit cost		
Discount rate	3.0	2.5
Expected rate of compensation increase	3.8	3.8

## SENSITIVITY ANALYSIS

As at December 31, 2022, all else being equal, a hypothetical variation of +1.0% in the discount rate would have a positive impact of \$3,313 (\$5,126 in 2021), whereas a hypothetical variation of -1.0% would have a negative impact of \$4,022 (\$6,392 in 2021) on the benefit obligation.

As at December 31, 2022, all else being equal, a hypothetical variation of +1.0% in the expected rate of compensation increase would have a negative impact of \$505 (\$741 in 2021), whereas a hypothetical variation of -1.0% would have a positive impact of \$479 (\$703 in 2021) on the benefit obligation.

## CONTRIBUTIONS TO RETIREMENT PLANS

Total cash payments for post-employment benefits for 2022, consisting of cash contributed by the Company to its funded retirement plans, cash payments made directly to beneficiaries for its unfunded other benefit retirement plans, and cash contributed to its defined contribution retirement plans, were \$6,732 (\$4,508 in 2021).

The Company expects to make a contribution of \$609 to the defined benefit retirement plans in 2023.

## 25. NON-CURRENT LIABILITIES

	As at December 31, 2022 \$	As at December 31, 2021 \$
Long-term liability due to a non-controlling interest	19,864	36,471
Provisions	4,031	2,232
Other	1,667	2,027
	<b>25,562</b>	<b>40,730</b>

### REPURCHASE OF NON-CONTROLLING INTERESTS

#### FER-PAL

Following the business combination of FER-PAL on July 6, 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 cash consideration calculated using a predetermined purchase price formula based on FER-PAL's performance.

On March 31, 2022, the non-controlling interest shareholders exercised their put option. On July 29, 2022, the Company settled the first tranche for an amount of \$19,086, which resulted in an additional 16.3% investment in that subsidiary at that date.

As at December 31, 2022, the written put option liability amounted to \$43,483 (\$64,366 in 2021), of which \$23,619 (\$27,895 in 2021) was included in trade and other payables while the remaining balance of \$19,864 (\$36,471 in 2021) was included in non-current liabilities in the consolidated statements of financial position.

For the year ended December 31, 2022, the net remeasurement of the written put option liability resulted in a reduction of \$7,872 (\$32,403 in 2021), which corresponds to the portion of a dividend of \$9,669 (nil in 2021) paid to the non-controlling shareholders of the subsidiary, less the remeasurement of the liability of \$1,797 (\$32,403 in 2021).

#### LGC

As at December 31, 2021, the Company had an obligation to repurchase the remaining 17.29% non-controlling interest in LGC on December 31, 2021, at the latest, or earlier upon the occurrence of certain events. The purchase price is the greater of: i) the book value of the 17.29% non-controlling interests or ii) a multiple of an agreed upon measure of financial performance, minus LGC's debt. For the year ended December 31, 2021, the Company recognized a gain on remeasurement of \$515 in other losses in the consolidated statements of earnings. As at December 31, 2021, a liability of \$260 is included in trade and other payables in the consolidated statements of financial position. On March 2, 2022, the Company settled the liability, which resulted in LGC becoming a wholly owned subsidiary at that date.

No profit is attributed to the non-controlling interests of FER-PAL and LGC, since the Company recorded a due to non-controlling interest.

## PROVISIONS

	Claims and litigation \$	Shares-based payments \$	Other \$	Total \$
<b>As at December 31, 2021</b>	<b>714</b>	<b>1,931</b>	<b>376</b>	<b>3,021</b>
Additional provisions	1,609	2,743	11	4,363
Settlement of provisions	(396)	–	(9)	(405)
Reversal of provisions	(322)	(945)	8	(1,259)
<b>As at December 31, 2022</b>	<b>1,605</b>	<b>3,729</b>	<b>386</b>	<b>5,720</b>
Less: current provisions	1,605	–	84	1,689
<b>Non-current provisions</b>	<b>–</b>	<b>3,729</b>	<b>302</b>	<b>4,031</b>

Other provisions include provisions for warranty and provisions for asset retirement obligations. Provisions for asset retirement obligations essentially derive from the obligation to remove assets and to restore the sites under lease arrangements expiring until 2026.

## INSURANCE BENEFITS

An amount of \$1,420 (\$388 in 2021) is recognized in trade and other receivables relative to the benefit to be received from the insurance company in connection with claims.

# 26. SHARE CAPITAL

Authorized in an unlimited number:

- First Ranking Preferred Shares, non-voting, issuable in series;
- Second Ranking Preferred Shares, non-voting, issuable in series;
- Class A Common Shares, without par value, 30 votes per share, convertible into Class B Subordinate Voting Shares at the holder's discretion;
- Class B Subordinate Voting Shares, without par value, one vote per share, entitling their holders to receive a dividend equal to 110% of any dividend declared on each Class A Common Share.

	<b>As at December 31, 2022 \$</b>	As at December 31, 2021 \$
<b>Issued and outstanding <sup>(1)</sup></b>		
7,361,022 Class A shares (7,377,022 in 2021)	<b>4,864</b>	4,875
5,455,591 Class B shares (5,683,036 in 2021)	<b>44,579</b>	46,014
	<b>49,443</b>	50,889

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

## REPURCHASE OF THE NON-CONTROLLING INTEREST IN SANEXEN

Following the 2016 agreement with the non-controlling interest shareholders of SANEXEN to acquire the remaining equity interest that LOGISTEC did not already own in SANEXEN, during the year ended December 31, 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 December 31, 2021.

## EXECUTIVE STOCK OPTION PLAN

The Company accounts for the Executive Stock Option Plan as an equity-settled plan. The exercise price of the options is equal to the average of the daily high and low trading prices for the five days, consecutive or not, preceding the date of the grant. The options granted vest over a period of four years at the rate of 25% per year, starting at the grant date. The contractual term of each option granted is ten years. The expenses recorded in the consolidated financial statements of earnings for the year ended December 31, 2022, was \$682 (\$364 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>	<b>24.86</b>
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 year	72,801	40.11
Forfeited during the year	(5,403)	42.43
<b>Outstanding at December 31, 2022</b>	<b>186,309</b>	<b>36.54</b>
Exercisable at December 31, 2022	<b>44,220</b>	<b>31.12</b>

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

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

## EMPLOYEE STOCK PURCHASE PLAN ("ESPP")

Pursuant to the ESPP, 600,000 Class B shares were reserved for issuance. As at January 1, 2022, there remained an unallocated balance of 156,700 Class B shares reserved pursuant to this ESPP. Eligible employees designated by the Board of Directors can participate on a voluntary basis. The subscription price is determined by the average high and low board lot trading prices of the Class B shares on the TSX during five days, consecutive or not, preceding the last Thursday of the month of May of the year the shares are issued (or the last Thursday of such other month as shall be determined by the Board, which shall be the month preceding the date of issuance), less a maximum 10% discount. A non-interest-bearing loan offered by the Company is available to acquire said shares. The loans are repaid over a two-year period by way of payroll deductions.

As at December 31, 2022, following the issuance of 19,450 (12,700 in 2021) Class B shares under this ESPP, there remains an unallocated balance of 137,250 Class B shares reserved for issuance pursuant to this ESPP. Those 19,450 (12,700 in 2021) Class B shares were issued for cash consideration of \$221 (\$130 in 2021) and for non-interest-bearing loans of \$462 (\$385 in 2021), repayable over two years with a carrying value of \$474 as at December 31, 2022 (\$500 in 2021).



## NORMAL COURSE ISSUER BID ("NCIB")

Pursuant to the NCIB launched on October 28, 2021, and terminated on October 27, 2022, LOGISTEC could repurchase for cancellation purposes, up to 368,851 Class A shares and 284,301 Class B shares, representing 5% of the issued and outstanding shares of each class as at October 15, 2021.

Shareholders may obtain a free copy of the notice of intention regarding the NCIB filed with the TSX by contacting the Company.

Under the various NCIBs, repurchases were made through the TSX or alternative Canadian trading systems. The tables below summarize the number of shares repurchased by NCIB and by year:

Shares repurchased by bid			Class A shares	Class B shares
			Average price	Average price
	Class A shares	Class B shares	\$	\$
NCIB 2020 (October 28, 2020, to October 27, 2021)				
Repurchase in 2020	600	6,500	38.41	35.59
Repurchase in 2021	–	11,100	–	37.92
<b>Total NCIB 2020</b>	<b>600</b>	<b>17,600</b>	<b>38.41</b>	<b>37.06</b>
NCIB 2021 (October 28, 2021, to October 27, 2022)				
Repurchase in 2021	–	3,000	–	43.34
Repurchase in 2022	–	262,895	–	38.88
<b>Total NCIB 2021</b>	<b>–</b>	<b>265,895</b>	<b>–</b>	<b>38.93</b>

Shares repurchased by year	Class B shares
2021	
NCIB 2020	11,100
NCIB 2021	3,000
<b>Total 2021</b>	<b>14,100</b>
2022	
NCIB 2021	262,895
<b>Total 2022</b>	<b>262,895</b>

The number of shares varied as follows:

Shares repurchased by bid	Number of Class A shares	Number of Class B shares	Class A shares \$	Class B shares \$
<b>As at January 1, 2021</b>	<b>7,377,022</b>	<b>5,535,869</b>	<b>4,875</b>	<b>40,700</b>
Repurchased under the NCIBs	–	(14,100)	–	(107)
ESPP	–	12,700	–	515
Exercise of option pursuant to the SANEXEN transaction	–	148,567	–	4,906
<b>As at December 31, 2021</b>	<b>7,377,022</b>	<b>5,683,036</b>	<b>4,875</b>	<b>46,014</b>
Repurchased under the NCIBs	–	(262,895)	–	(2,129)
Conversion	(16,000)	16,000	(11)	11
ESPP	–	19,450	–	683
<b>As at December 31, 2022</b>	<b>7,361,022</b>	<b>5,455,591</b>	<b>4,864</b>	<b>44,579</b>

## DIVIDENDS

Details of dividends declared per share are as follows:

	2022 \$	2021 \$
Class A shares	0.43	0.38
Class B shares	0.48	0.42

Details of dividends paid per share are as follows:

	2022 \$	2021 \$
Class A shares	0.41	0.38
Class B shares	0.45	0.42

On March 22, 2023, the Board of Directors declared a dividend of \$0.11782 per Class A share and \$0.12959 per Class B share, which will be paid on April 13, 2023, to all shareholders of record as at March 30, 2023. The estimated dividend to be paid is \$867 on Class A shares and \$707 on Class B shares.

## 27. ACCUMULATED OTHER COMPREHENSIVE INCOME, NET OF TAXES

	As at December 31, 2022 \$	As at December 31, 2021 \$
Gain (loss) on financial instruments designated as cash flow hedges	1,423	(247)
Currency translation differences arising on translation of foreign operations	20,447	8,067
Unrealized (loss) gain on translating debt designated as hedging item of the net investment in foreign operations	(2,599)	1,231
	19,271	9,051

## 28. CONSOLIDATED STATEMENTS OF CASH FLOWS

### ITEMS NOT AFFECTING CASH AND CASH EQUIVALENTS

	2022 \$	2021 \$
Defined benefit and defined contribution retirement plan expense	1,650	1,864
Depreciation and amortization expense	56,196	49,100
Share of profit of equity accounted investments	(18,760)	(10,084)
Finance expense	15,429	11,103
Finance income	(613)	(541)
Current income taxes	11,931	13,824
Deferred income taxes	(1,127)	(3,353)
Non-current assets	439	438
Contract liabilities	(400)	(400)
Non-current liabilities	846	504
Other	2,449	1,810
	68,040	64,265

### CHANGES IN NON-CASH WORKING CAPITAL ITEMS

	2022 \$	2021 \$
(Increase) decrease in:		
Trade and other receivables	(22,348)	(29,571)
Prepaid expenses and other	1,307	(1,829)
Inventories	(3,180)	(3,169)
Increase (decrease) in:		
Trade and other payables	7,015	1,153
Contract liabilities	(3,694)	5,860
	(20,900)	(27,556)

### NON-CASH TRANSACTIONS

During 2022, the Company acquired property, plant and equipment, of which \$1,652 (\$1,587 in 2021) was unpaid at the end of the year.

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The following table provides a reconciliation between the opening and closing balances for financing activities, including cash and non-cash flow changes:

2022	Opening		Cash changes	Debt from acquisitions/ adjustments	Non-cash changes	Non-cash changes	Ending
	Dec 31, 2021	Repayments	Borrowings		Borrowings	Foreign exchange	Dec 31, 2022
	\$	\$	\$	\$	\$	\$	\$
Short-term bank loans	8,600	(8,565)	–	–	–	(35)	–
Revolving credit facility	135,568	(94,948)	137,980	–	–	8,109	186,709
Unsecured loan	49,974	(2,500)	–	(73)	–	–	47,401
Term credit facility	9,084	(10,254)	1,681	–	–	114	625
Government loan	700	(400)	–	–	–	–	300
Equipment loan	28	(28)	–	–	–	–	–
Lease liabilities	141,024	(15,685)	–	–	42,201	8,622	176,162
Due to a non-controlling interest	64,366	(19,086)	–	(1,797)	–	–	43,483
<b>Total</b>	<b>409,344</b>	<b>(151,466)</b>	<b>139,661</b>	<b>(1,870)</b>	<b>42,201</b>	<b>16,810</b>	<b>454,680</b>

2021	Opening		Cash changes	Debt from acquisitions/ adjustments	Non-cash changes	Non-cash changes	Ending
	Dec 31, 2020	Repayments	Borrowings		Borrowings	Foreign exchange	Dec 31, 2021
	\$	\$	\$	\$	\$	\$	\$
Short-term bank loans	–	–	8,600	–	–	–	8,600
Revolving credit facility	106,670	(59,086)	88,451	–	–	(467)	135,568
Unsecured loan	50,000	–	–	(26)	–	–	49,974
Term credit facility	9,701	(3,884)	3,222	(13)	–	58	9,084
Government loan	1,130	(430)	–	–	–	–	700
Equipment loan	209	(201)	8	13	–	(1)	28
Lease liabilities	135,152	(13,384)	–	1,429	17,972	(145)	141,024
Due to a non-controlling interest	31,963	–	–	32,403	–	–	64,366
<b>Total</b>	<b>334,825</b>	<b>(76,985)</b>	<b>100,281</b>	<b>33,806</b>	<b>17,972</b>	<b>(555)</b>	<b>409,344</b>

## 29. RELATED PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Company and other related parties are disclosed hereafter.

### TRADING TRANSACTIONS

The following tables summarize the Company's related party transactions with its joint ventures:

	2022 \$	2021 \$
Sale of services	9,609	7,492
Purchase of services	967	847
	As at December 31, 2022 \$	As at December 31, 2021 \$
Amounts owed to joint ventures	431	264
Amounts owed from joint ventures	6,116	3,485

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

### TRANSACTIONS WITH SHAREHOLDERS

Transactions with the Company's largest shareholder, Sumanic Investments Inc., were as follows:

	2022 \$	2021 \$
Dividends paid to Sumanic Investments Inc.	2,396	2,227

### COMPENSATION OF KEY MANAGEMENT PERSONNEL

The compensation of directors and of other members of key management personnel<sup>(1)</sup> was as follows:

	2022 \$	2021 \$
Short-term benefits	7,101	5,192
Post-employment benefits	314	262
Other long-term benefits	1,916	595
	9,331	6,049

<sup>(1)</sup> The compensation of members of key management personnel includes the compensation of the president of one of the Company's joint ventures.



## 30. 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 consolidated 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

#### REVENUE, RESULTS AND OTHER INFORMATION

	Marine services \$	Environmental services \$	Total \$
<b>2022</b>			
Revenue	565,830	331,735	897,565
Depreciation and amortization expense	40,539	15,657	56,196
Share of profit of equity accounted investments	17,817	943	18,760
Finance expense	11,047	4,382	15,429
Finance income	92	521	613
Profit before income taxes	52,544	12,262	64,806
Acquisition of property, plant and equipment	42,687	9,524	52,211
	Marine services \$	Environmental services \$	Total \$
<b>2021</b>			
Revenue	426,967	316,736	743,703
Depreciation and amortization expense	34,577	14,523	49,100
Share of profit of equity accounted investments	9,217	867	10,084
Finance expense	7,820	3,283	11,103
Finance income	40	501	541
Profit before income taxes	30,450	25,645	56,095
Acquisition of property, plant and equipment, including business combinations	34,457	21,891	56,348

## ASSETS AND LIABILITIES

	Marine services \$	Environmental services \$	Total \$
<b>2022</b>			
Total assets	636,174	347,498	983,672
Equity accounted investments	43,880	2,260	46,140
Total liabilities	436,400	186,181	622,581
<b>2021</b>			
Total assets	538,261	360,710	898,971
Equity accounted investments	44,259	2,052	46,311
Total liabilities	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:

	Canada \$	USA \$	Total \$
<b>Revenue</b>			
<b>2022</b>	<b>456,593</b>	<b>440,972</b>	<b>897,565</b>
2021	401,262	342,441	743,703
<b>Non-current assets<sup>(1)</sup></b>			
<b>As at December 31, 2022</b>	<b>319,034</b>	<b>355,249</b>	<b>674,283</b>
As at December 31, 2021	346,673	268,205	614,878

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

# 31. CONTINGENT LIABILITIES AND GUARANTEES

As at December 31, 2022, the Company has outstanding letters of credit for an amount of \$11,435 (\$14,513 in 2021) relating to financial guarantees issued in the normal course of business. Most of these letters of credit mature within the next 12 months.

The Company, together with one of its partners, severally guarantees the obligations of a lease arrangement in one of its joint ventures. The guarantee is limited to a cumulative amount of \$1,443 (\$2,385 in 2021).

As at December 31, 2022, the Company has contingent liabilities totalling \$504 (\$486 in 2021) for contingent obligations to remove assets and to restore sites under lease arrangements.

The Company indemnifies its directors and officers for prejudices suffered by reason or in respect of the execution of their duties for the Company to the extent permitted by law. The Company has underwritten and maintains directors' and officers' liability insurance coverage.

No amounts have been recorded in the consolidated financial statements related to the above contingent liabilities and guarantees.

## 32. SUBSEQUENT EVENTS

On March 2, 2023, the Company announced that it has entered into a definitive agreement to acquire the Canadian and U.S. marine terminal business of Fednav, including Federal Marine Terminals, Inc. and the logistics division, Fednav Direct (collectively, the "Acquisition"). The transaction is expected to close on or about March 31, 2023, for a purchase price consideration of US\$105,000 (\$143,010), subject to customary adjustments.

The marine terminal business comprises 11 terminal that provides stevedoring, handling and warehousing services for bulk, containerized, project cargo, and general cargo. The logistics division offers value-added on-carriage services, inventory management, and 24/7 inland cargo transportation in Canada and the United States

The Acquisition provides a combined network that offers strategic gateways for existing and future customers, allowing LOGISTEC to gain an important foothold in the Great Lakes region and access prime locations in the U.S. Gulf and East Coast regions.

Total acquisition costs are estimated at \$2,500.

On March 8, 2023, the Company has exercised the accordion option of \$150,000 or the U.S. dollar equivalent included in its existing revolving credit facility, which has been fully underwritten by its banking syndicate.



# BOARD OF DIRECTORS

## CHAIRMAN OF THE BOARD



**J. Mark Rodger** <sup>(1)</sup>  
Partner - Borden  
Ladner Gervais LLP



**Michael Dodson** <sup>(1)(3)</sup>  
Corporate Director



**Lukas Loeffler**, <sup>(2)(3)</sup>  
Eng., Ph.D.  
Corporate Director



**Madeleine Paquin, C.M.** <sup>(1)</sup>  
President & Chief  
Executive Officer



**Nicole Paquin,**  
GCB.D, ICD.D  
Corporate Director



**Suzanne Paquin**  
President -  
Transport Nanuk Inc.



**Jane Skoblo** <sup>(2)</sup>  
CPA  
Corporate Director



**Dany St-Pierre** <sup>(2)(3)</sup>  
President -  
Cleantech  
Expansion LLC



**Luc Villeneuve,**  
FCPA <sup>(1)(2)</sup>  
Corporate Director

<sup>(1)</sup> Member of the Executive Committee

<sup>(2)</sup> Member of the Audit Committee

<sup>(3)</sup> Member of the Governance and Human Resources Committee



# OFFICERS OF THE COMPANY



**J. Mark Rodger**  
Chairman of  
the Board



**Madeleine Paquin, C.M.**  
President & Chief  
Executive Officer



**Carl Delisle,**  
CPA auditor  
Chief Financial  
Officer and Treasurer



**Michel Brisebois,**  
CHRP, M.A.  
Vice-President,  
Human Resources



**Suzanne Paquin**  
Vice-President



**Dany Trudel,**  
CPA auditor  
Vice-President  
and Corporate  
Controller



**Martin Ponce**  
Chief Information  
Officer



**Marie-Chantal Savoy**  
Vice-President,  
Strategy &  
Communications



**Ingrid Stefancic,**  
LL.B., FCG,  
Acc. Dir.  
Vice-President,  
Corporate and Legal  
Services and  
Corporate Secretary



**Rodney Corrigan**  
President -  
LOGISTEC  
Stevedoring Inc.



**Jean-François Bolduc**  
President -  
LOGISTEC  
Environmental  
Services Inc.  
and SANEXEN  
Environmental  
Services Inc.

# SHAREHOLDER AND INVESTOR INFORMATION

## ANNUAL MEETING

The annual meeting of shareholders will be held on May 3, 2023.

Please refer to [www.logistec.com/investors](http://www.logistec.com/investors) for meeting details.

## TRANSFER AGENT AND REGISTRAR

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## INDEPENDENT AUDITOR

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## STOCK EXCHANGES

LOGISTEC shares are listed on the Toronto Stock Exchange.

Ticker symbols:  
LGT.A for Class A Common Shares  
LGT.B for Class B Subordinate Voting Shares

## INVESTOR RELATIONS

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